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Longfor Properties Co. Ltd.
龍 湖 地 產 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 960

PROPOSED ISSUANCE OF SENIOR NOTES

The Company proposes to conduct an international offering of senior notes and will provide certain institutional investors with recent corporate and financial information regarding the Group, including updated risk factors, a description of the Company's business and projects, management's discussion and analysis of financial condition and result of operations and business strategies and industry overview. Some of this information has not previously been made public. An extract of such information is attached to this announcement, and can also be viewed at the Company's website **www.longfor.com** at approximately the same time when such information is released to the institutional investors.

The completion of the Proposed Notes Issue is subject to market conditions and investor interest. The pricing of the Notes, including the aggregate principal amount, the Offer Price and interest rates, will be determined through a book building exercise conducted by HSBC and Standard Chartered Bank, as joint global coordinators, joint bookrunners and joint lead managers and Barclays, Deutsche Bank and Morgan Stanley as joint bookrunners and joint lead managers.

Upon finalization of the terms of the Notes, HSBC, Standard Chartered Bank, Barclays, Deutsche Bank and Morgan Stanley and the Company, among others, will enter into the Purchase Agreement and other ancillary documents. The Company currently intends to use the proceeds from the Proposed Notes Issue to finance its existing and new property projects and for general corporate purposes. The Company may adjust its development plans in response to changing market conditions and therefore reallocate the use of the proceeds. Pending application of the net proceeds, the Company intends to invest the net proceeds in certain temporary cash investments.

Approval in-principle has been obtained for the listing of the Notes on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, or the Notes. No listing of the Notes has been sought in Hong Kong.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not be completed. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

THE PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of senior notes and will provide certain institutional investors with recent corporate and financial information regarding the Group, including updated risk factors, a description of the Company's business and projects, management's discussion and analysis of financial condition and result of operations and business strategies and industry overview. Some of this information has not previously been made public. An extract of such information is attached to this announcement, and can also be viewed at the Company's website **www.longfor.com** at approximately the same time when such information is released to the institutional investors.

The completion of the Proposed Notes Issue is subject to market conditions and investor interest. The pricing of the proposed Notes, including the aggregate principal amount, the Offer Price and interest rates, will be determined through a book building exercise conducted by HSBC and Standard Chartered Bank, as joint global coordinators, joint bookrunners and joint lead managers and Barclays, Deutsche Bank and Morgan Stanley as joint bookrunners and joint lead managers. Upon the finalization of the terms of the Notes, HSBC, Standard Chartered Bank, Barclays, Deutsche Bank and Morgan Stanley and the Company, among others, will enter into the Purchase Agreement and other ancillary documents, pursuant to which, HSBC, Standard Chartered Bank, Barclays, Deutsche Bank and Morgan Stanley will be the initial purchasers of the Notes.

The Proposed Notes Issue will only be offered to non-U.S. persons outside the United States, in compliance with Regulation S under the Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed to any connected persons of the Company.

Reasons for the Proposed Notes Issue

The Group is a national leader in China's real estate market engaged in property development, investment and management across the country with strong presence in Western China, the Pan Bohai Rim and the Yangtze River Delta, and a growing presence in Southern China.

The net proceeds of the Proposed Notes Issue will be used by the Company to finance its existing and new property projects and for general corporate purposes. The Company may adjust its development plans in response to changing market conditions and therefore reallocate the use of the proceeds. Pending application of the net proceeds, the Company intends to invest the net proceeds in certain temporary cash investments.

Listing

Approval in-principle has been obtained for the listing of the Notes on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, or the Notes. No listing of the Notes has been sought in Hong Kong.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not be completed. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

A further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

UPDATED INFORMATION OF THE GROUP

Overview

The Group is a national leader in China's real estate market engaged in property development, investment and management across the country with strong presence in Western China, the Pan Bohai Rim and the Yangtze River Delta, and a growing presence in Southern China. For the six months ended June 30, 2012, it ranked eighth among all PRC real estate developers with contract sales of RMB17.5 billion (US$2.8 billion), according to the CRIC. As of June 30, 2012, it had 69 projects in 15 different cities under development or planning with a total land bank of approximately 35.0 million sq.m. in GFA. It has a wide product spectrum and a broad customer base. It offers residences for the mass market, the middle class and the affluent, and its residential property development projects cover a wide range of middle- to high-end products, including high-rise apartment buildings, low-rise garden apartments, townhouses and luxury stand-alone houses. It has also built various middle- to large-scale shopping malls and other investment properties. The aim of the Group is to become one of the most respected and trusted national market leaders in the property industry in China.

The business of the Group originated in Chongqing, the largest and most populous municipality in Western China, in 1994. Under the "Multiple Products, Selected Regional Focus and Compounding Profit" strategy of the Group, it first expanded its business into the Pan Bohai Rim, the Yangtze River Delta and then Southern China. In 2005, it established its presence in Beijing, China's capital and the top-tier city of the Pan Bohai Rim. In 2007, it expanded into Shanghai, the top-tier city of the Yangtze River Delta. In 2012, it expanded into Xiamen, one of the most populous cities in Southern China. Within each of these geographical regions, the Group has strategically aimed to initially capture the region's top-tier city, which it believes to be of strategic significance to establish its national presence, and then leveraged its success in that city to expand into the next-tier cities. In Western China, leveraging its success in Chongqing, the Group subsequently expanded into Chengdu in 2005, Xi'an in 2007 and Yuxi in 2010. In the Pan Bohai Rim, it entered into Shenyang and Qingdao in 2009, as well as Dalian and Yantai in 2010. In the Yangtze River Delta, it expanded its presence to Wuxi, Changzhou and Hangzhou in 2009 and Ningbo in 2011. The Group chose Xiamen, one of the most populous cities in Southern China, to expand its presence into the region in 2012.

The Group has established strong market positions in its strategically focused regions. It is the market leader in Chongqing and ranked first in terms of both contract sales and GFA sold from 2005 to 2011 and through the six months ended June 30, 2012 according to the CRIC. The Group is also a leading player in Chengdu, the capital city of Sichuan province, the most populous province in Western China. In Chengdu, it ranked eighth in terms of contract sales in the six months ended June 30, 2012 according to the CRIC. In the Beijing residential property market, it ranked third in terms of contract sales in 2011 according to the CRIC. The Group also achieved considerable success in various other regions across China. The Group ranked first in Yantai, second in Changzhou, sixth in Qingdao, sixth in Xi'an, eighth in Wuxi and tenth in Hangzhou, respectively, in terms of contract sales for the six months ended June 30, 2012 according to the CRIC.

In 2009, 2010 and 2011 and the six months ended June 30, 2012, the Group entered into sales contracts for its property development projects (including those undertaken by its jointly controlled entities) with an aggregate contract value of approximately RMB18.4 billion, RMB33.3 billion, RMB38.3 billion and RMB17.5 billion (US$2.8 billion), respectively. The Company believes that its strategic geographic expansion from Western China to the Pan Bohai Rim, the Yangtze River Delta and Southern China, together with organic growth of its business in cities in which the Group has already established a presence, have contributed to its overall growth in contract sales and reduced the geographic concentration of its business. As a percentage of its total contract sales, the contract sales from Western China of the Group decreased from 53.6% in 2009 to 51.7% in the six months ended June 30, 2012, and its contract sales from the Pan Bohai Rim decreased from 33.2% to 25.1% during the same period, while contract sales from the Yangtze River Delta increased from 13.2% to 23.2% during the same period. The revenue from property investment of the Group increased from RMB198.0 million in 2009 to RMB402.2 million in 2011 at a CAGR of 42.5% and increased by 34.8% from RMB168.2 million in the six months ended June 30, 2011 to RMB226.7 million (US$35.7 million) in the same period in 2012.

Depending on the construction and development stage, the Group categorizes the GFA of both types of projects into three groups: completed GFA remaining unsold, GFA under development, and GFA under planning. For investment properties, completed GFA remaining unsold means the entire GFA of the investment properties as the Group continues to own them after completion of construction. GFA under development and GFA under planning constitute land bank of the Group.

As of June 30, 2012, the Group had total completed GFA remaining unsold of 1,173,489 sq.m. from 29 projects, of which 19 were development properties and 10 were investment properties. As of the same date, its total GFA under development or planning was 35,028,973, covering 69 projects, of which 58 were development properties and 11 were investment properties. The land bank of the Group includes GFA under development and GFA under planning. The following table summarizes the land bank of the Group by city as of June 30, 2012:

CITIES	**Completed GFA Remaining Unsold** *(sq.m.)*	**GFA Under Development** *(sq.m.)*	**GFA Under Planning** *(sq.m.)*
Western China			
Chongqing	819,273	3,171,047	3,319,453
Chengdu	264,002	2,088,323	1,917,293
Xi'an	501	1,016,432	1,371,761
Yuxi	—	—	821,619
Subtotal	*1,083,776*	*6,275,802*	*7,430,126*
Pan Bohai Rim			
Beijing	13,160	971,681	546,685
Yantai	—	533,538	7,166,528
Dalian	—	—	669,724
Shenyang	33,579	522,694	2,590,937
Qingdao	2,517	519,949	549,186
Subtotal	*49,256*	*2,547,862*	*11,523,060*
Yangtze River Delta			
Shanghai	24,146	375,998	290,800
Wuxi	1,031	367,698	862,622
Changzhou	1,106	1,108,383	1,150,714
Hangzhou	14,175	577,941	963,392
Ningbo	—	495,171	529,675
Subtotal	*40,458*	*2,925,191*	*3,797,203*
Southern China			
Xiamen	—	—	529,730
Subtotal	*—*	*—*	*529,730*
Total GFA	**1,173,489**	**11,748,854**	**23,280,119**

The Group believes it enjoys brand and product recognition among certain regulators (such as those mentioned below), customers and suppliers. Over the past decade, the Group has received a multitude of recognition and awards, including the following:

- In 2012, it was named "Most Valuable Public Company in the Real Estate Industry in China" (中國最具價值地產上市企業) jointly by Bo'ao Forum Real Estate Committee and The Guandian Real Estate New Media. It was also named one of "The Best 50 Public Companies in Asia Pacific" by Forbes Magazine in 2012;

- In 2011, it was included in the top-ten lists for "The Best Real Estate Companies in China" (中國房地產開發企業10強) and "The Most Stable Real Estate Companies in China" (中國房地產開發企業穩健經營10強), both jointly issued by The Real Estate Association of China, The Real Estate Research Committee of China and the Real Estate Evaluation Center of China;

- In 2010, its North Paradise Walk project in Chongqing was named "Best Landlord" in 2010 (together with CR Land's Shenzhen Mixc City and Hang Lung Properties' Shanghai Grand Gateway) by the China Shopping Center Development Association of Mall China (中國購物中心產業資訊中心和中購聯中國購物中心);

- For the years in which it was surveyed (2003, 2005, 2006 and 2009), it was consistently ranked number one in the "National Residential Customers' Satisfaction Survey" (全國住宅用戶滿意度調查), a survey conducted by the China Association for Quality (中國質量協會). For instance, in 2006, the Company scored 92.3 points in user satisfaction and 89.5 points in customer loyalty, out of a total of 100 points, the highest among more than 20 property companies surveyed;

- In 2009, its King Land project in Chengdu was awarded the Gold Prize of the "Zhan Tianyou Prize for Excellent Residential Project Areas 2009" (2009中國土木工程詹天佑獎優秀住宅小區金獎) by the China Civil Engineering Society;

- In 2008, its "Longhu" (龍湖) brand name was accredited by the State Administration for Industry and Commerce as a "Well-known Trademark in China" (中國馳名商標);

- In 2007, its Crystal Town project in Chongqing was granted the "China Construction Project Luban Prize" (中國建築工程魯班獎), a prize given in recognition of the highest quality of construction work, by the Ministry of Construction and the Architecture Association of China (中國建築業協會);

- In 2007, it was recognized as one of the "Top 500 in 2006 China Enterprise Information" (2006年度中國企業信息化500強) by the National Information Evaluation Center of the China Electronic Commerce Association (CECA 國家信息化測評中心) (one of the only two real estate companies in China winning such recognition); and

- In 2004, its Chunsen Land project in Chongqing won the "Next LA Citation Award" by the American Institute of Architects, Los Angeles in connection with its design.

Aside from its contract sales, the Group has access to diversified funding channels, thereby enabling it to increase liquidity and optimize its financing capabilities. Within the PRC, it has formed relationships with major domestic banks including ABC, CCB and ICBC. As of June 30, 2012, it had total credit facilities of approximately RMB47 billion (US$7.4 billion) from a group of major PRC banks, including CCB, ABC and ICBC, among which approximately RMB33 billion (US$5.2 billion) were undrawn. In May 2009, RMB1.4 billion corporate bond of the Group was listed on the Shanghai Stock Exchange, which was the only such issuance approved by the National Development and Reform Commission for non-State Owned Enterprise PRC real estate developers. The Group also has funding sources outside of China. Prior to its initial public offering in Hong Kong in 2009, the Company obtained a HK$2.52 billion term loan provided by various banking institutions and affiliates of real estate developers to pay up capital contributions to certain of its subsidiaries and as general working capital for its offshore subsidiaries. The Group fully repaid this term loan prior to its initial public offering in 2009. The Group completed a successful initial public offering in Hong Kong in November 2009 despite difficult market conditions at that time. Listing on the Hong Kong Stock Exchange provided it with a ready source of financing through public market fundraising. In April 2010, it obtained a HK$2.15 billion four-year syndicated loan on an unsecured basis from a number of international and domestic banking institutions in Hong Kong. In March 2011, it obtained HK$1.20 billion four-year club loan in Hong Kong from three banks. On April 7, 2011, the Company issued the 2011 Notes in an aggregate principal amount of US$750 million. In April 2012, it obtained a three-year syndicated loan of HK$2.43 billion in Hong Kong from nine banks.

Recent Developments

On July 13, 2012, the Group acquired a parcel of land in Chengyang District, which is north-east of Qingdao, for total consideration of RMB475 million (US$74.8 million). The total site area is 210,500 sq.m. and the planned total GFA is 302,700 sq.m. The land is planned for residential/commercial mixed use.

On July 14, 2012, the Group acquired a parcel of land in Jinjiang, Quanzhou, which is centrally located and adjacent to the largest park in Quanzhou, for total consideration of RMB2,624 million (US$413.0 million). The total site area is 461,400 sq.m. and the planned total GFA is 1,220,000 sq.m. The land is planned for construction of a large residential and commercial community.

On July 26, 2012, the Group succeeded in its bid for a parcel of land in Dalian, situated in the core of Dalian Zhongshan District and next to a subway station, for total consideration of RMB1,652 million (US$260.0 million). The total site area is 62,800 sq.m. and the planned total GFA is 188,400 sq.m. The land is planned for high-end residential and commercial use.

On August 8, 2012, the Group succeeded in its bids for two parcels of land in Chongqing, situated in the core district of Liangjiang New District of Chongqing and next to a subway station, for total consideration of RMB4,220 million (US$664.3 million). The total site area is 879,000 sq.m. and the planned total GFA is 1,985,000 sq.m. The land is planned for low-density residential/commercial mixed use.

On August 22, 2012, the Group succeeded in its bid for the Dongjiu New Town project in Yixing, Jiangsu for total consideration of RMB1,257 million (US$197.9 million). The total site area is 309,000 sq.m. and the planned total GFA is 312,000 sq.m. The land is planned for high-end residential use.

On August 27, 2012, the Group acquired a parcel of land in Xidong, Wuxi for total consideration of RMB400 million (US$63.0 million). The total site area is 123,900 sq.m. and the planned total GFA is 148,700 sq.m. The land is planned for construction of medium- to high-end residential use.

On August 27, 2012, the Group acquired a parcel of land in Binjiang District, Hangzhou for a total consideration of RMB2,352 million (US$370.2 million). The total site area is 77,300 sq.m. and the planned total GFA is 247,500 sq.m. The land is planned for medium- to high-end high-rise residential buildings.

On September 6, 2012, the Group succeeded in its bid for a parcel of land in Tiexi District, Shenyang for consideration of RMB474 million (US$74.6 million). The total site area is 81,000 sq.m. and the planned total GFA is 171,000 sq.m.

On September 18, 2012, the Group conducted a placing of its existing shares and top-up subscriptions of its new shares to raise HK$3,088.8 million (US$398.2 million) in gross proceeds.

On September 26, 2012, the Group succeeded in the bid for a parcel of land in Chaoyang District, Beijing for total consideration of RMB1,470 million (US$231.4 million). The total site area is 66,300 sq.m. and the planned total GFA is 72,900 sq.m. The land is planned for low-density residential use.

Overview of the Projects of the Group

The projects of the Group include both development properties, which it sells to customers, and investment properties, which it holds for investment purposes. If the construction of a development property is completed but not all of its GFA is sold, the development property would continue to be listed as one of its projects. Investment properties are listed as its projects regardless of the stage of its construction, as it continues to own them for investment purposes after completion of construction.

Depending on the construction and development stage, the Company categorizes the GFA of both types of projects into three groups: completed GFA remaining unsold, GFA under development, and GFA under planning. For investment properties, completed GFA remaining unsold means the entire GFA of the investment properties as the Group continues to own them after completion of construction. The GFA under development and GFA under planning constitute land bank of the Group.

As of June 30, 2012, it had total completed GFA remaining unsold of 1,173,489 sq.m. from 29 projects, of which 19 were development properties and 10 were investment properties. As of the same date, the total GFA under development or planning of the Group was 35,028,973 sq.m., covering 69 projects, of which 58 were development properties and 11 were investment properties.

As some of its projects comprise multiple-phase developments on a rolling basis, a single project may include different phases at various stages of completion, under development or for future development. A project or certain phase of a project is considered completed when it has received the Completed Construction Works Certified Report from the relevant government construction authorities. A project or certain phase of a project is considered to be under development immediately following the issuance of the required construction works commencement permits and before completion of the project or the relevant phase of the project. A project or certain phase of a project is considered to be under planning when the Group has received the relevant land use rights certificates, or has signed the relevant land grant contracts, but has not yet obtained land use rights certificates, or has signed the confirmation letters on bidding for granting land use rights, but has not yet signed the relevant land grant contracts and, in each case, construction work has not yet commenced. With respect to properties for which confirmation letters on bidding for granting land use rights have been signed by the relevant government authority, according to the Rules on Bidding, Auctioning and Listing of State-owned Land Use Rights, which took effect on November 1, 2007, the confirmation letter on bidding for granting land use rights has legal effect on the successful bidders as well as the grantors. If the grantors change the bidding result, or if the successful bidders give up the target land, they shall assume legal responsibility. The winning bidders shall sign the State-owned Land Granting Contract with the grantors as prescribed in the confirmation letter on bidding for granting land use rights. On such basis, the Group has classified such properties as projects under planning.

The GFA breakdown of the portfolio of projects under various stages of development by planned use of the Group as of June 30, 2012 is as follows:

	Completed GFA Remaining Unsold *(sq.m.)*	**GFA Under Development** *(sq.m.)*	**GFA Under Planning** *(sq.m.)*
Development	713,893	10,832,623	22,061,747
Investment	459,596	916,231	1,218,372
Total	1,173,489	11,748,854	23,280,119

A property is treated as "pre-sold" when the purchase contract has been executed but the property has not yet been delivered to the customer. A property is considered "sold" when the purchase contract with a customer has been executed and the property has been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document.

The Company includes in this announcement the project names which the Group has used, or intend to use, to market its properties. Some of the names for property developments may be different from the names registered with the relevant authorities. They are subject to approval by the relevant authorities and are therefore subject to change.

Overview of the Land Bank and Completed Projects of the Group

The following table sets forth certain key information about all of the projects of the Group as of June 30, 2012.

As of June 30, 2012, the Group had total completed GFA remaining unsold of 1,173,489 sq.m. from 29 projects, of which 19 were development properties and 10 were investment properties. As of the same date, its total GFA under development or planning was 35,028,973 sq.m., covering 69 projects, of which 58 were development properties and 11 were investment properties.

Project[1]		The Group's Interest in the Project	Location	Completed GFA[2] Remaining Unsold *(sq.m.)*	GFA Under Development[3] *(sq.m.)*	GFA Under Planning[4] *(sq.m.)*	Type
Western China							
Chunsen Land	春森彼岸	91.30%	Chongqing	120,762	150,243	185,621	Development
Chunsen Land	春森彼岸	91.30%	Chongqing	32,121	—	—	Investment
Peace Hill County	悠山郡	91.30%	Chongqing	21,621	62,815	60,848	Development
Toschna Villa	東橋郡	95.56%	Chongqing	69,916	428,609	120,921	Development
Bamboo Grove	江與城	49.57%	Chongqing	65,409	317,826	634,122	Development
Crystal Magic	紫晶城	91.30%	Chongqing	—	491,990	347,882	Development
University Town	大學城	95.56%	Chongqing	56,990	394,932	945,812	Development
University Town	大學城	95.56%	Chongqing	20,617	—	—	Investment
Mopan Shan	磨盤山	93.48%	Chongqing	72,604	646,204	336,137	Development
Beibei New Town	北碚新城	91.30%	Chongqing	—	270,908	577,610	Development
North Paradise Walk	重慶北街	91.30%	Chongqing	146,262	—	—	Investment
Fairy Castle	重慶紫都城	91.30%	Chongqing	29,413	—	—	Investment
Crystal Palace	重慶晶酈館	91.30%	Chongqing	41,554	—	—	Investment
West Paradise Walk	西城天街	91.30%	Chongqing	111,654	—	—	Investment
MOCO Center	MOCO中心	91.30%	Chongqing	30,350	—	—	Investment
Fashion Paradise Walk	時代天街	91.30%	Chongqing	—	407,520	110,500	Investment
Chongqing Subtotal				819,273	3,171,047	3,319,453	
Three Thousand Castles	三千集	93.48%	Chengdu	37,860	—	—	Investment
North Paradise Walk	北城天街	92.75%	Chengdu	—	220,991	—	Investment
Chengdu Flamenco Spain	弗萊明戈	91.30%	Chengdu	132,011	260,602	153,942	Development
Century Peak View	世紀城	49.13%	Chengdu	66,480	201,345	238,306	Development
Jade Town	小院青城	93.48%	Chengdu	8,063	43,520	30,981	Development
Wukuai Shi	五塊石	92.75%	Chengdu	19,588	405,375	—	Development
Mou Ma Heaven	牧馬天堂	91.43%	Chengdu	—	135,402	312,398	Development
Time Paradise Walk	時代天街	91.30%	Chengdu	—	821,088	342,670	Development
Time Paradise Walk	時代天街	91.30%	Chengdu	—	—	450,996	Investment
Jingyang Project	晉陽項目	94.17%	Chengdu	—	—	388,000	Development
Chengdu Subtotal				264,002	2,088,323	1,917,293	

Project[1]		The Group's Interest in the Project	Location	Completed GFA[2] Remaining Unsold *(sq.m.)*	GFA Under Development[3] *(sq.m.)*	GFA Under Planning[4] *(sq.m.)*	Type
Xi'an Fairy Castle	紫都城	91.30%	Xi'an	501	169,977	—	Development
Xi'an Fairy Castle II	紫都城二期	91.30%	Xi'an	—	84,419	—	Development
Xi'an Chianti	香醍國際	91.30%	Xi'an	—	400,959	1,158,259	Development
Chang'an Wonder	夜長安	91.30%	Xi'an	—	—	58,537	Development
Daxing Project	大興項目	94.17%	Xi'an	—	139,860	—	Development
Daxing Paradise Walk	大興項目	94.17%	Xi'an	—	43,097	—	Investment
Crystal Town	水晶酈城	94.17%	Xi'an	—	178,120	—	Development
Waft Yard	大明宮項目	91.30%	Xi'an	—	—	154,965	Development
Xi'an Subtotal				501	1,016,432	1,371,761	
Fairy Lake	江川仙湖錦繡	91.30%	Yuxi	—	—	821,619	Development
Yunnan Subtotal				—	—	821,619	
Western China Subtotal				1,083,776	6,275,802	7,430,126	
Pan Bohai Rim							
Azure Chianti	蔚瀾香醍	91.30%	Beijing	3,395	12,596	—	Development
Changying	常營	91.30%	Beijing	—	325,742	0	Development
Niu Lan Shan	牛欄山鎮居住項目用地	89.30%	Beijing	—	140,141	69,698	Development
Hou Sha Yu	白辛莊	91.30%	Beijing	—	—	161,806	Development
Daxing Project	大興項目	91.30%	Beijing	—	267,514	315,181	Development
Summer Palace Paradise Walk	頤和星悅薈	89.93%	Beijing	6,320	—	—	Investment
Blossom Chianti	花盛香醍	91.30%	Beijing	3,445	—	—	Investment
Changying Paradise Walk	長楹天街	91.30%	Beijing	—	225,689	—	Investment
Beijing Subtotal				13,160	971,682	546,685	
Yangma Island	養馬島項目	91.30%	Yantai	—	533,538	6,470,381	Development
Yangma Island B Plot	養馬島B地塊	100%	Yantai	—	—	696,147	Development
Yantai Subtotal				—	533,538	7,166,528	
Longhe II	旅順龍河2期	48.40%	Dalian	—	—	669,724	Development
Dalian Subtotal				—	—	669,724	

Project[1]		The Group's Interest in the Project	Location	Completed GFA[2] Remaining Unsold *(sq.m.)*	GFA Under Development[3] *(sq.m.)*	GFA Under Planning[4] *(sq.m.)*	Type
Huishan Project	輝山	98.49%	Shenyang	21,495	39,686	—	Development
Huishan Project II	輝山 II	98.49%	Shenyang	—	123,302	504,399	Development
Daoyi Project	道義	96.15%	Shenyang	12,084	235,920	1,458,739	Development
Daoyi Project II	道義項目 II	96.15%	Shenyang	—	—	409,574	Development
Ceramics City	陶北項目	91.30%	Shenyang	—	123,786	218,225	Development
Shenyang Subtotal				33,579	522,694	2,590,937	
Baisha Project	青島白沙河項目	95.2%	Qingdao	2,517	361,586	124,795	Development
Baisha Mall	青島白沙河項目	95.2%	Qingdao	—	—	33,250	Investment
Baisha Project F Plot	青島白沙河F地塊	100.00%	Qingdao	—	117,499	179,655	Development
Shankeda Project	山科大項目	97.00%	Qingdao	—	40,864	211,486	Development
Qingdao Subtotal				2,517	519,949	549,186	
Pan Bohai Rim Subtotal				49,256	2,547,863	11,523,060	
Yangtze River Delta							
Sunshine City	酈城	93.48%	Shanghai	24,146	61,488	—	Development
Sunshine City	酈城	93.48%	Shanghai	—	18,934	—	Investment
Bai Yin Lu Project	白銀路項目	95.56%	Shanghai	—	145,458	—	Development
Long Xing Lu	松江龍興路項目	91.30%	Shanghai	—	150,118	—	Development
Hong Qiao CBD Project	虹橋項目	93.48%	Shanghai	—	—	290,800	Development
Shanghai Subtotal				24,146	375,998	290,800	
Taike Yuan	蠡瀾山(太科園)	91.30%	Wuxi	1,031	120,857	—	Development
Taike Yuan II	太科園 II	91.30%	Wuxi	—	81,810	273,797	Development
Xihu Road	錫山區易買得地塊	91.30%	Wuxi	—	96,539	231,555	Development
Quite Tale	陽山	91.30%	Wuxi	—	68,492	130,104	Development
Blue Lake	無錫淨湖水岸	91.30%	Wuxi	—	—	109,452	Investment
Wuxi Splendor	無錫源著	91.30%	Wuxi	—	—	117,714	Investment
Wuxi Subtotal				1,031	367,698	862,622	
Chianti	寧波龍山	91.30%	Ningbo	—	101,774	276,154	Development
Rose and Ginkgo Coast	寧波蠡瀾海岸	100.00%	Ningbo	—	393,397	253,521	Development
Ningbo Subtotal				—	495,171	529,675	

Project[(1)]		The Group's Interest in the Project	Location	Completed GFA[(2)] Remaining Unsold *(sq.m.)*	GFA Under Development[(3)] *(sq.m.)*	GFA Under Planning[(4)] *(sq.m.)*	Type
Qinglong Project	青龍	93.48%	Changzhou	1,106	174,537	—	Development
Qinglong Project II	青龍 II	96.83%	Changzhou	—	263,784	197,738	Development
Dongjing 120 Project	東經120	98.5%	Changzhou	—	274,045	—	Development
Dongjing 120 Project II	東經120 II	100.00%	Changzhou	—	59,632	93,173	Development
Dongjing 120 Project II	東經120 (原山)	100.00%	Changzhou	—	—	213,100	Investment
Hongzhuang Project	洪莊	97.38%	Changzhou	—	336,385	646,703	Development
Changzhou Subtotal				1,106	1,108,383	1,150,714	
Xiasha Project	下沙項目	100.00%	Hangzhou	14,175	249,721	274,349	Development
Xiasha Project	下沙項目	100.00%	Hangzhou	—	—	183,360	Investment
Chaoshan Project	超山項目	91.30%	Hangzhou	—	328,220	—	Development
Hangzhou Keqiao	柯橋項目	100.00%	Hangzhou	—	—	505,683	Development
Hangzhou Subtotal				14,175	577,941	963,392	
Yangtze River Delta Subtotal				40,458	2,925,191	3,797,203	
Jimei Guankou	集美灌口	93.36%	Xiamen	—	—	529,730	Development
Xiamen Subtotal				—	—	529,730	
Southern China Subtotal				—	—	529,730	
Total GFA				1,173,489	11,748,854	23,280,119	

Notes:

(1) Some project names are not final and are subject to change.

(2) "Completed GFA" is based on figures provided in surveying reports or Record of Acceptance Examination Upon Project Completion (竣工驗收備案證明) by relevant government departments.

(3) "GFA Under Development" is based on figures provided in the Planning Permit for Construction Works (建設工程規劃許可證).

(4) "GFA Under Planning" is based on figures provided or calculated based on figures in the land grant contracts and confirmation letters on bidding for granting land use rights.

Primary Land Development Projects

Apart from engaging in the development projects of the Group, it also actively participates in primary land development activities. Primary land development refers to the process of investing and developing the target land before the land is granted. The process includes compensating the owner for the acquired land, leveling off the land, developing infrastructure and turning land without infrastructure or with incomplete infrastructure or undemolished houses into saleable land, which is well equipped with infrastructure and leveled to accommodate the government's urban planning. The subsequent process of further developing the land after completion of primary land development is referred to as secondary land development. As of the date of this announcement, it had one primary land development project in Beijing, the Niu Lan Shan project, which occupies a total site area of approximately 374,736 sq.m. The Group seeks to acquire the rights to the secondary land developments through public tender, auction or listing-for-bidding.

Chongqing Longfor Real Estate entered into a joint land renovation and development agreement with the government in 2006 in respect of the Hong'en Si primary land development project and paid a deposit of RMB794 million. As a result of change in the development plan of the relevant region, Chongqing Longfor Real Estate entered into an agreement to terminate the joint land renovation and development on December 15, 2008, pursuant to which the government had to pay to Chongqing Longfor Real Estate compensation of RMB1,100 million which includes the deposit. As of December 31, 2010, Chongqing Longfor Real Estate had received all of the compensation.

Based on the current plan of the Group, it will continue to be involved in similar projects. The Company believes that apart from the agreed compensation received from the projects, its participation will enhance its professional image in the area. The Company believes this will, in turn, increase its potential to acquire the rights to the secondary land developments of these sites when the relevant land is put up for tender.

Description of Other Material Indebtedness and Obligations

To fund the existing property projects of the Group and to finance its working capital requirements, it has borrowed money from various banks. As of June 30, 2012, the total consolidated bank loans and other borrowings of the Group amounted to RMB29,648.9 million (US$4,666.9 million). Please see below a summary of the material terms and conditions of these loans.

PRC Bank Loans

Certain of the PRC subsidiaries of the Group have entered into loan agreements with various PRC banks, including Bank of China, ABC, CCB and ICBC.

These loans are typically secured project loans and working capital loans to finance the construction of the projects of the Group and for working capital purposes of the subsidiary borrowers, and generally have terms ranging from 24 months to 60 months, which, in the case of project loans, generally correspond to the construction periods of the particular projects. As of June 30, 2012, an aggregate principal amount of RMB19,129.0 million (US$3,011.0 million) was outstanding under these PRC bank loans. The project loans of the Group are typically secured by land use rights and properties as well as guaranteed by certain of its other PRC subsidiaries. The Notes (if any) and the guarantees provided by its subsidiaries in respect of the Proposed Notes Issue (if any) will be structurally subordinated to these loans and any other indebtedness incurred by its PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to People's Bank of China's benchmark interest rate per annum. Floating interest rates generally are subject to review by the lending banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, many of the subsidiary borrowers of the Group have agreed, among other things, not to take the following actions without first obtaining the relevant lenders' prior consent:

i. 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 their loans;

ii. grant guarantees to any third parties that may adversely affect their ability to repay their loans;

iii. make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations; and

iv. alter the nature or scope of their business operations in any material respect.

Events of Default

The project loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of the PRC subsidiaries of the Group have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans.

Onshore RMB Bonds

On May 5, 2009, Chongqing Longhu Development Company Limited (the "**RMB bond issuer**") issued a bond with a total principal amount of RMB1.4 billion which is repayable in full on May 5, 2016, subject to early redemption. The bond bears fixed coupon interest rate at 6.7% per annum for the first five years payable semi-annually in arrears and is subject to a one-off upward adjustment of up to 100 basis points (inclusive) from May 5, 2014 at the election of the RMB bond issuer. On April 25, 2014, the RMB bond issuer will determine the interest rate by election of an upward adjustment to the interest rate or maintain the interest rate at 6.7%. A holder of the bond then may elect to redeem all or part of the bond at the face value. A portion of such bond, RMB1.1 billion, is listed and traded on the Shanghai Stock Exchange. The bond is secured by certain properties and land use rights of the Group. The outstanding principal amount of the RMB bonds as of June 30, 2012 was RMB1.4 billion (US$0.22 billion).

Offshore Loans

2010 Syndicated Loan

On April 26, 2010, the Company signed a HK$2,150 million syndicated term loan facility agreement with HSBC acting as agent (the "**2010 Syndicated Loan**"). As of June 30, 2012, HK$1,935 million (US$249.4 million) in principal amount was outstanding under this facility.

The 2010 Syndicated Loan will mature on April 26, 2014. The Company may prepay the 2010 Syndicated Loan upon 30 days' prior written notice of prepayment to HSBC.

Guarantee and Security

The 2010 Syndicated Loan is unsecured and guaranteed by the offshore subsidiaries of the Group.

Interest

The 2010 Syndicated Loan bears interest at the rate of HIBOR plus 2.85% per annum.

Financial Covenants

Pursuant to the agreement for the 2010 Syndicated Loan, the Company agreed to the following financial covenants:

i. its tangible net worth will be at least RMB11,500 million;

ii. its net leverage ratio will not exceed 1.0x on or prior to December 30, 2011 and 0.85x thereafter;

iii. its fixed charge coverage ratio will be at least 3.5x;

iv. its borrowings in the PRC will not exceed 35% of its total assets; and

v. its dividends will not exceed 35% of its net profit after tax.

Other Covenants

Pursuant to the agreement for the 2010 Syndicated Loan:

i. neither the Company nor any of its subsidiaries may create any encumbrance over their assets unless the benefit of such encumbrance is extended to the lenders of the 2010 Syndicated Loan on a *pari passu* basis;

ii. the Company may not dispose of any guarantor of the 2010 Syndicated Loan without consent from all lenders of the 2010 Syndicated Loan; and

iii. no guarantor of the 2010 Syndicated Loan may enter into any arrangements that may restrict its ability to pay dividends to its shareholders.

Events of Default

The 2010 Syndicated Loan contains certain customary events of default, including non payment of principal or interest, cross default, insolvency and breaches of the terms of the 2010 Syndicated Loan.

2010 BEA Bilateral Loan

On December 30, 2010, the Company signed a HK$500 million term loan facility agreement with The Bank of East Asia, Limited ("**BEA**", the "**2010 BEA Bilateral Loan**"). As of June 30, 2012, HK$450.0 million (US$58.0 million) in principal amount was outstanding under this facility.

The 2010 BEA Bilateral Loan will mature on December 30, 2013. The Company may prepay the 2010 BEA Bilateral Loan upon five business days' prior written notice of prepayment to BEA.

Guarantee and Security

The 2010 BEA Bilateral Loan is unsecured and is not supported by any guarantee.

Interest

The 2010 BEA Bilateral Loan bears interest at the rate of HIBOR plus 2.8% per annum.

Financial Covenants

Pursuant to the agreement for the 2010 BEA Bilateral Loan, the Company agreed to the following financial covenants:

i. its tangible net worth will be at least RMB11,500 million;

ii. its net leverage ratio will not exceed 1.0x on or prior to December 30, 2011 and 0.85x thereafter;

iii. its fixed charge coverage ratio will be at least 3.5x;

iv. its borrowings in the PRC will not exceed 35% of its total assets; and

v. its dividends will not exceed 35% of its net profit after tax.

Other Covenants

Pursuant to the agreement for the 2010 BEA Bilateral Loan:

i. neither the Company nor any of its subsidiaries may create any encumbrance over our assets unless the benefit of such encumbrance is extended to BEA on a *pari passu* basis; and

ii. neither the Company nor any of its subsidiaries may enter into any arrangements that may restrict its ability to pay dividends to its shareholders.

Events of Default

The 2010 BEA Bilateral Loan contains certain customary events of default, including non payment of principal or interest, cross default, insolvency and breaches of the terms of the 2010 BEA Bilateral Loan.

2011 Club Loan

On March 31, 2011, the Company signed a HK$1,200 million club term loan facility agreement with The Hongkong and Shanghai Banking Corporation Limited acting as agent (the "**2011 Club Loan**"). As of June 30, 2012, HK$1,200 million (US$154.7 million) in principal amount was outstanding under this facility.

The 2011 Club Loan will mature on March 30, 2015. The Company may prepay the 2011 Club Loan upon 30 days' prior written notice of prepayment.

Guarantee and Security

The 2011 Club Loan is unsecured and guaranteed by the offshore subsidiaries of the Group.

Interest

The 2011 Club Loan bears a floating interest rate of HIBOR plus 3.15% per annum.

Financial Covenants

Pursuant to the agreement for the 2011 Club Loan, the Company agreed to the following financial covenants:

i. its consolidated tangible net worth will be no less than RMB11.5 billion;

ii. its ratio of consolidated net borrowings to consolidated tangible net worth will not be more than 0.85:1;

iii. its ratio of consolidated EBITDA to consolidated fixed charges will be no less than 3.5x;

iv. the borrowings of its PRC subsidiaries will not exceed 35% of its total assets; and

v. its dividends will not exceed 35% of its net profit after tax.

Other Covenants

Pursuant to the agreement for the 2011 Club Loan:

i. neither the Company nor any of its subsidiaries may create any encumbrance over their assets unless the benefit of such encumbrance is extended to the lenders of the 2011 Club Loan on a pari passu basis;

ii. the Company may not dispose of any guarantor of the 2011 Club Loan without consent from all lenders of the 2011 Club Loan; and

iii. no guarantor of the 2011 Club Loan may enter into any arrangements that may restrict its ability to pay dividends to its shareholders.

Events of Default

The 2011 Club Loan contains certain customary events of default, including nonpayment of principal or interest, violation of the financial covenants, cross default, insolvency and breaches of the terms of the 2011 Club Loan.

The 2011 Notes

On April 7, 2011, the Company issued the 2011 Notes, the terms of which are substantially identical to the terms of the Notes except that:

- the 2011 Notes will mature on April 7, 2016;
- the 2011 Notes bear interest at a rate of 9.5% per annum, payable semi-annually in arrears on April 7 and October 7 of each year, commencing October 7, 2011;
- at any time and from time to time on or after April 7, 2014, the Company may redeem the 2011 Notes, in whole or in part, at the following redemption prices plus accrued and unpaid interest, if any, to (but not including) the redemption date: (1) before April 7, 2015: 104.75% and (2) on or after April 7, 2015: 102.375%, in each case of the principal amount of the 2011 Notes redeemed;
- at any time prior to April 7, 2014, the Company may redeem the 2011 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2011 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date; and
- at any time and from time to time prior to April 7, 2014, the Company may redeem up to 35% of the aggregate principal amount of the 2011 Notes with the net cash proceeds of one or more sales of its common stock in an equity offering at a redemption price of 109.5% of the principal amount of the 2011 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 2011 Notes originally issued on April 7, 2011 remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

As of June 30, 2012, US$750 million in principal amount of the 2011 Notes was outstanding.

2012 Syndicated Loan

On April 5, 2012, the Company signed a HK$2,430 million syndicated term loan facility agreement with The Hong Kong and Shanghai Banking Corporation Limited acting as agent (the "**2012 Syndicated Loan**"). As of June 30, 2012, HK$2,430 million (US$313.3 million) in principal amount was outstanding under this facility.

The 2012 Syndicated Loan will mature on April 4, 2015. The Company may prepay the 2012 Syndicated Loan upon 30 days' prior written notice of prepayment.

Guarantee and Security

The 2012 Syndicated Loan is unsecured and guaranteed by the offshore subsidiaries of the Group.

Interest

The 2012 Syndicated Loan bears a floating interest rate of HIBOR and LIBOR depending on the facility, plus 4.0% per annum.

Financial Covenants

Pursuant to the agreement for the 2012 Syndicated Loan, the Company agreed to the following financial covenants:

i. its consolidated tangible net worth will be no less than RMB15 billion;

ii. its ratio of consolidated net borrowings to consolidated tangible net worth will not be more than 0.85:1;

iii. its ratio of consolidated EBITDA to consolidated fixed charges will be no less than 3.5x

iv. the borrowings of its PRC subsidiaries will not exceed 35% of its total assets; and

v. its dividends will not exceed 35% of its net profit after tax.

Other Covenants

Pursuant to the agreement for the 2012 Syndicated Loan:

i. neither the Company nor any of its subsidiaries may create any encumbrance over their assets unless the benefit of such encumbrance is extended to the lenders of the 2012 Syndicated Loan on a *pari passu* basis;

ii. it may not dispose of any guarantor of the 2012 Syndicated Loan without consent from all lenders of the 2012 Syndicated Loan; and

iii. no guarantor of the 2012 Syndicated Loan may enter into any arrangements that may restrict its ability to pay dividends to its shareholders.

Events of Default

The 2012 Syndicated Loan contains certain customary events of default, including non payment of principal or interest, violation of the financial covenants, cross default, insolvency and breaches of the terms of the 2012 Syndicated Loan.

From time to time, the Group may enter into customary interest rate swap arrangements with third party swap counterparties to manage the interest rate risk arising from the offshore loans above.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"2011 Notes"	the 9.5% senior notes due 2016 in the aggregate principal amount of US$750 million issued by the Company on April 7, 2011
"ABC"	Agricultural Bank of China
"Barclays"	Barclays Bank PLC, one of the joint bookrunners and joint lead managers in respect of the Proposed Notes Issue
"Board"	the board of directors of the Company
"CAGR"	compound annual growth rate
"CCB"	China Construction Bank

"China" or "PRC"	the People's Republic of China excluding except where the context otherwise requires, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of China and Taiwan
"Company"	Longfor Properties Co. Ltd. (龍湖地產有限公司), a company incorporated in the Cayman Islands with limited liability the shares of which are listed on the main board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"CRIC"	China Real Estate Information Corporation
"Deutsche Bank"	Deutsche Bank AG, Singapore Branch, one of the joint bookrunners and joint lead managers in respect of the Proposed Notes Issue
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rates
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited, one of the joint global coordinators, joint bookrunners and joint lead managers in respect of the Proposed Notes Issue
"ICBC"	Industrial and Commercial Bank to China
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Morgan Stanley"	Morgan Stanley & Co. International plc, one of the joint bookrunners and joint lead managers in respect of the Proposed Notes Issue
"Notes"	the senior notes to be issued by the Company
"Offer Price"	the final price at which the Notes will be sold
"Proposed Notes Issue"	an international offering of the Notes by the Company

"Purchase Agreement"	the agreement proposed to be entered into between, among others, the Company, HSBC, Standard Chartered Bank, Barclays, Deutsche Bank and Morgan Stanley in relation to the Proposed Notes Issue
"Securities Act"	the United States Securities Act of 1933, as amended
"Standard Chartered Bank"	Standard Chartered Bank, one of the joint global coordinators, joint bookrunners and joint lead managers in respect of the Proposed Notes Issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SGX-ST"	Singapore Exchange Securities Trading Limited

Hong Kong, October 11, 2012

As at the date of this announcement, the Board comprises ten members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Zhou Dekang, Mr. Qin Lihong, Mr. Feng Jinyi and Mr. Wei Huaning, who are executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On, Derek, Mr. Xiang Bing and Dr. Zeng Ming, who are independent non-executive Directors.

Extract of Operating and Financial Data of
Longfor Properties Co. Ltd.
(As of October 10, 2012)

RISKS RELATING TO OUR BUSINESS

We are heavily dependent on the performance of the PRC property market. Any market downturn or implementation of government regulations or control measures affecting medium- to high-end properties in the PRC may have an adverse impact on us.

Although we have been pursuing and will continue to pursue opportunities in different regions of the PRC, as of June 30, 2012, our projects were primarily located in 15 cities, namely Chongqing, Chengdu, Xi'an, Yuxi, Beijing, Shenyang, Qingdao, Yantai, Dalian, Shanghai, Wuxi, Changzhou, Hangzhou, Ningbo and Xiamen. As such, our business is heavily affected by the performance of the PRC property market, particularly that of the cities where we operate. Since last year, the PRC government has taken measures to control inflation and slow the price increases in the property market, as the economy and the real estate market recovered. Any government measures aiming to regulate the pace of economic growth in China may affect the real estate markets where we operate.

We have exposure to the mid- to high-end sectors of property markets in the PRC. As the future demand for different types of properties in the PRC is uncertain, any change in customer preferences and market conditions may materially and adversely affect our business, results of operations and financial condition if we fail to respond to such changes in a timely manner. Any adverse development in the supply of or demand for properties and any measures that the PRC government may take in restricting the growth of the property market in the PRC, particularly in the cities where our projects are located, may also materially and adversely affect our business, results of operations and financial condition. For example, our main sources of land for development are public tender, auction or listing-for-sale. Any change in the regulations or policies related to such processes, or our ability to participate in any such processes, may materially and adversely affect our business, results of operations and financial condition.

We generate revenue primarily from the sale of properties, which in turn depends on the schedule of development of our property projects. Our results of operations may therefore vary significantly from period to period.

At present, we derive our revenue primarily from the sale of properties that we have developed and derive a relatively small portion from income on investment properties including rental income and property management fees. We generated 97.0%, 96.7%, 97.0% and 97.1% of our revenue for the financial years ended December 31, 2009, 2010, 2011, and the six months ended June 30, 2012, respectively, from the sale of properties. Our future revenue is difficult to predict and may be volatile due to the nature of our business.

Our results of operations may fluctuate due to factors such as the schedule of development of our property projects, the timing of the sale of properties that we have developed, the level of acceptance of our properties by prospective customers and any fluctuation in expenses such as land costs and construction costs. Any delay in obtaining or failure to obtain the relevant PRC governmental approvals or permits for any of our development projects may delay the completion of such property development, which may materially and adversely affect our results of operations. See "Risk Factors — Risks Relating to Our Business — Our business, results of operations and financial condition may be materially and adversely affected if we fail to obtain, or there is any material delay in obtaining, any of the relevant PRC governmental approvals for our development projects."

Furthermore, we recognize revenue from sales of property only upon the completion and delivery of the property to the buyer, which is when we believe the significant risks and rewards of ownership are transferred to the buyer. For further details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Revenue Recognition." Since the completion and delivery of our properties vary according to our development timetable, our revenue and results of operations may vary significantly from period to period. Furthermore, the completion and delivery of any project development may be materially and adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control. Any of these factors may affect the timing of completion and delivery of our projects, as well as our cash flow position and recognition of revenue from our projects, thus materially and adversely affecting our business, results of operations and financial condition.

Due to capital requirements for acquiring land and project construction and due to limited supply of land and the time required for completing a project, we can only undertake a limited number of property development projects at any one time. Any delay in the schedule of completion of our property development may materially and adversely affect our business, results of operations and financial condition.

Our financial results for each of the three financial years ended December 31, 2009, 2010 and 2011 and each of the six-month periods ended June 30, 2011 and 2012 included the changes in fair value of investment properties and our results may fluctuate due to such changes.

We reassess the fair value of our investment properties at every reported statement of financial position date based on the market value for which the property could be exchanged between knowledgeable and willing parties in an arm's-length transaction. For the financial years ended December 31, 2009, 2010 and 2011, and the six-month periods ended June 30, 2011 and 2012, we had revaluation surplus on our investment properties representing 36.9%, 34.1%, 24.8%, 27.3% and 12.2%, respectively, of the net profit of the Company for the respective period. During the financial years ended December 31, 2009, 2010 and 2011 and the six-month periods ended June 30, 2011 and 2012, we have recorded a change in fair value of investment properties that amounted to approximately RMB920.9 million, RMB1,713.1 million, RMB1,714.4 million, RMB754.8 million and RMB501.6 million (US$79.0 million), respectively, in our consolidated statements of comprehensive income. According to the International Accounting Standard for investment properties issued by the IASB or IAS 40, investment properties may be recognized by using either the fair value model or the cost model. We have selected the fair value model to report the value of investment properties because we take the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that our financial statements present a more updated picture of the fair value of our investment properties. However, an upward change in the fair value only reflects unrealized capital gain of such investment properties at the relevant statement of financial position dates and not profit generated from day to day rentals of our investment properties, which in turn are largely dependent on the prevailing property markets. Property values are subject to market fluctuation and there can be no assurance that we will continue to record gains in the fair value of investment properties in the future. Should there be any material downward change in the fair value of our investment properties in the future, our business, results of operations and financial condition may be materially and adversely affected.

Our future growth depends on our ability to develop our business in other areas of the PRC.

A substantial portion of our revenue during the three years ended December 31, 2011 and the six months ended June 30, 2012 was derived principally from the sale of properties in Chongqing, Chengdu, Xi'an, Beijing, Shenyang, Qingdao, Shanghai, Wuxi, Changzhou and Hangzhou. We expanded into the markets of Chengdu and Beijing in 2005, Shanghai and Xi'an in 2007, Wuxi, Shenyang, Changzhou, Hangzhou and Qingdao in 2009, Dalian, Yantai and Yuxi in 2010, Ningbo in 2011 and recently Xiamen in 2012. Our business is expanding and we continue to seek development opportunities in selected regions in the PRC where we see a potential for growth. However, our experience as primarily a residential property developer in our established regions may not be applicable in other regions. When we enter new markets, we may face intense competition from local developers with experience or an established presence in those markets, and from other developers with similar expansion plans. In addition, expansion or acquisition requires a significant amount of capital investment and human resources, and may divert the resources and time of our management. We may not be able to hire or train sufficient talent to manage our operations in new markets. Our ability to manage and integrate new projects and businesses may affect our operating efficiency. The possible failure of our expansion plans may materially and adversely affect our business, results of operations and financial condition.

Our business relies on the availability of suitable land sites at commercially acceptable prices and our ability to identify and acquire suitable sites for future development.

Our revenue is dependent upon our ability to identify and acquire suitable sites at appropriate prices and our ability to sell our projects. Our revenue is mainly derived from the sale of properties that we have developed. For the financial years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, 97.0%, 96.7%, 97.0% and 97.1%, respectively, of our revenue was generated from the sale of properties. We need to build up our land reserve in order to grow our business and we may incur significant costs in identifying, evaluating and acquiring suitable new sites for future development. Our future growth prospects and results of operation may be materially and adversely affected should we fail to identify and acquire sufficient and appropriate new sites for development at commercially acceptable prices.

The PRC government's policies on land supply may affect our land acquisition costs and our ability to acquire land use rights for future developments. The PRC government controls land supply and regulates the ways in which property developers obtain land for property development. In July 2002, regulations were introduced to require land use rights for residential and commercial property developments be granted by public tender, auction or listing-for-sale effective from July 1, 2002. In addition, the PRC government may limit the supply of land available for commodity housing development in the PRC generally or in cities in which we conduct or intend to conduct business. For example, on May 30, 2006, the Ministry of Land and Resources announced that the overall land supply for low density, large sized housing would be restricted and, in particular, the supply of new land for villa projects would be discontinued. When supplying residential land, the minimum plot ratios, the number of residential units on unit land area and the model of residential constructions shall be indicated in the land use right grant contracts or land transfer certificates, so as to ensure that no less than 70% of the residential land shall be used for the construction of low-rent housing, economic housing, restricted-price housing and medium and small ordinary commodity housing of under 90 sq.m. Financial institutions should be cautious in extending loans and approving financings for enterprises, the real estate projects of which have exceeded one full year from the construction commencement dates as agreed in the land use right grant contracts, and which have completed development of less than one-third of the total land area to be developed or which have invested less than one quarter of any given building's total investment directly in the construction of the building, and should also strictly control loan extensions and rolling credit. On January 26, 2011, the State Council issued the notice to further strengthen the principle that no less than 70% of the residential land shall be used for the construction of low-rent housing, economic housing, restricted-price housing and medium and small ordinary commodity housing. The notice also imposed more stringent fines on the idle land. Such measures and any other similar measures in the future may limit our ability to develop a wide variety of products in our future property developments. Changes in government policy which reduce land supply for our future projects and failure in tendering for land may materially and adversely affect our business, results of operations and financial conditions.

Our business is capital intensive and our business nature may expose us to unstable and unpredictable cash flow. We may not be able to obtain sufficient funding for our business expansion.

Our business requires substantial capital outlay during construction and it is not unusual for a property developer to generate negative operating cash flow over a period when the cash outflows for land acquisition and construction, after offsetting changes in other working capital items, exceed the cash inflows from property sales over the same period.

For the six months ended June 30, 2012, we generated a positive operating cash flow of RMB1,069.1 million (US$168.3 million), down from RMB4,950.1 million for the correponding period in 2011. We cannot assure you that we will not experience negative cash flow in the future or that external financing means will be available to fund any such negative operating cash flow.

We require significant funding to acquire land and develop property. Our property development projects are generally funded through, shareholders' contributions, internally generated funds from pre-sale of properties, bank loans and other funds we raise from capital markets. Our PRC subsidiary, Chongqing Longhu Development, raised gross proceeds of RMB1.4 billion in May 2009 by issuing the RMB Bonds, to fund our development projects in Chongqing and Chengdu. As of June 30, 2012, our aggregate borrowings (including the 2011 Notes) were RMB29,648.9 million (US$4,666.9 million). For further information on our indebtedness, see "Description of Other Material Indebtedness." We expect to continue to fund our projects through such sources. We cannot assure you that additional financing can, in the future, be obtained on satisfactory or commercially acceptable terms, or at all. A number of factors such as general economic conditions, our financial strength and performance, credit availability from financial institutions and monetary policies in the PRC may affect our ability to obtain adequate financing for our projects on favorable terms and to achieve a reasonable return on such projects.

According to guidelines issued by the China Banking Regulatory Commission (the "CBRC"), commercial banks are prohibited from extending loans to projects that have less than 35% of capital funds (proprietary interests), or that fail to obtain State-owned Land Use Rights Certificates, the Planning Permit for Construction Land, the Planning Permit for Construction Works and the Permit for Commencement of Construction Works. On May 25, 2009, the State Council issued the Circular on Adjusting the Capital Ratio of Fixed-assets Investment Projects (國務院關於調整固定資產投資項目資本金比例的通知), which adjusted the capital ratio for welfare residential premises and ordinary commodity residential premises to not less than 20%, and the capital ratio for other types of property development to not less than 30%.

From January 2010 to June 2011, the PBOC adjusted the reserve requirement ratio 12 times, and the reserve requirement ratio was raised from 16% to 21.5% for large-scale financial institutions and 18% for medium- and small-scale financial institutions. From June 2011 to May 2012, the PBOC adjusted the reserve requirement ratio three times, and the reserve requirement ratio was reduced to 20% for large-scale financial institutions and 16.5% for medium- and small-scale financial institutions. The uncertainty of the adjustment of reserve requirement ratio is a risk to our ability to obtain financing from commercial banks.

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

We maintain significant indebtedness to finance our property development activities. We issued the 2011 Notes in April 2011. As of June 30, 2012, our total consolidated indebtedness, representing our current and non current bank loans and other borrowings (including the 2011 Notes), was RMB29,648.9 million (US$4,666.9 million), of which RMB4,531.2 million (US$713.2 million) would be due within one year. We cannot assure you that we will be able to refinance our indebtedness as it matures, in which case we will need to repay our debt with cash generated from operating activities or some other sources. We cannot assure you that our business will generate sufficient cash flow from operations to repay our borrowings as they mature. Repaying borrowings with cash generated by operating activities will divert our financial resources from land acquisitions and development activities. Our Company and certain of our subsidiaries have entered into loan agreements with various banks in the PRC or Hong Kong pursuant to which they have pledged shares, land use rights, buildings and other assets as security. Our financing cost may be adversely affected by interest rate fluctuation in the PRC or other places. We may lose part or all of this collateral if we cannot repay or refinance such borrowings as they mature, which could materially and adversely affect our business prospects, financial condition and results of operations.

Our revenue depends on the availability of mortgages to our prospective customers and their ability to obtain mortgages.

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

Since the second half of 2009, the PBOC took a series of measures to prevent the economy from overheating. On October 20, 2010, the PBOC raised both its benchmark lending and deposit interest rates to 5.56% for one-year Renminbi loans and 2.50% for one-year deposits. On December 26, 2010, the PBOC raised both its benchmark lending and deposit interest rates to 5.81% for one-year Renminbi loans and 2.75% for one-year deposits. On February 9, 2011, the PBOC raised both its benchmark lending and deposit interest rates to 6.06% for one-year Renminbi loans and 3.00% for one-year deposits. Any increase in interest rates will decrease the affordability and attractiveness of mortgage financing to our customers, which may in turn affect demand for our properties.

From time to time, the PRC government issues laws, regulations or government policies regarding mortgage financing to regulate the PRC property market. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, pursuant to such notice, the interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. In May 2010, the Ministry of Housing and Urban-Rural Development (the "MOHURD," previously the Ministry of Construction), the PBOC and the CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by the PBOC and the 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 of Real Estate — Financing property development and acquisition." On January 26, 2011, General Office of the State Council issued Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of Real Estate Market. According to this Notice, for those households who purchase the second housing using a mortgage, the down payment ratio shall not be lower than 60% and the loan interest shall not be lower than 1.1 times of the benchmark interest rate. The respective branches of PBOC may raise the down payment ratio and interest rate on loans for second home purchase based on the price control targets set by the local governments for newly constructed houses and the policy requirements, and on the basis of national unified credit policies.

In addition, banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties.

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

Any disruption to, or change in, the banking sector in the PRC that affects our customers' ability to obtain mortgages, or our ability to provide guarantees to such mortgages, may materially and adversely affect our liquidity, business, results of operations and financial condition. Although we are not aware of any such impending changes in laws, regulations, policies or practices, we cannot assure you that such changes will not occur in the future.

We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgagees if our purchasers default.

We arrange for various banks to provide mortgage services for our customers. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The guarantees cover the full value of mortgages that purchasers of our properties obtained to finance their purchases and in addition, any additional payment or penalty imposed by banks for any defaults in mortgage payment. The typical guarantee period is 24 months. We deposit with the banks an amount which typically represents less than 10% of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage, the bank holding the mortgage may deduct the payment due from the funds that have been deposited and require that we immediately repay the entire outstanding balance pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the loan and the mortgage to us and we would have full recourse to the property.

We rely on credit checks conducted by the mortgagee banks on our customers and do not conduct our own credit checks. We have in the past experienced a limited number of defaults by our customers of their mortgage loans, although, as of the date of this document, we are not aware of any default by our customers which have resulted in any bank foreclosure of any mortgaged properties. For the financial years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our outstanding guarantees over the mortgage loans of our customers amounted to approximately RMB2,686.8 million, RMB5,204.9 million, RMB7,755.8 million and RMB8,000.5 million (US$1,259.3 million), respectively. As of December 31, 2009, 2010 and 2011 and June 30, 2012, default amounts in relation to the mortgage loans taken out by our customers and secured by our guarantees were not significant. We cannot assure you that the purchaser default rate will not increase in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, our business, results of operations and financial condition may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the customers or that we cannot sell such properties due to unfavorable market conditions or other reasons.

We rely on external contractors for the construction of our property development projects. Our business, results of operations and financial condition may be materially and adversely affected by the breach of their contractual obligations.

We engage external contractors to provide various services, including the construction of our property development projects. We select external contractors through competitive bids and also through our assessment of their capabilities and reputation for quality and price. Completion of our projects is subject to the performance of these external contractors of their obligations under contracts entered with us, including the pre-agreed schedule for completion, and we cannot assure you that the services rendered by any of these external contractors will always be satisfactory or match our requirements for quality. If the performance of any external contractor is unsatisfactory, or they are in breach of their contractual obligations, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect the cost and construction progress of our projects. The completion of our property developments may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. Any of these factors may have a material adverse effect on our business, results of operations and financial condition.

If our provisions for land appreciation tax ("LAT") prove to be insufficient, our financial results would be materially and adversely affected.

Our properties developed for sale are subject to LAT collectible by the local tax authorities. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. According to 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), sales of ordinary residential properties (that is, residential properties built in accordance with the local standard for general civilian residential properties, excluding buildings such as deluxe apartments, villas and resorts, which are not under the category of ordinary standard residential properties) may be exempted from LAT where the appreciation of land value does not exceed 20% of the total deductible items including acquisition cost of land use rights, development cost of land and construction cost of new buildings and facilities or assessed value for used properties and buildings as provided in the relevant tax laws. Pursuant to the Detailed Rules for the Implementation of 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) for property developers, an additional 20% of deductible expenses including the sum paid for acquiring land use rights and costs for developing land and constructing new buildings and facilities may be deducted in calculating land appreciation amount. In May 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax, which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region of China, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in Western China. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the property type.

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

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As we often develop our projects in phases, deductible items for calculation of LAT, such as land costs, are apportioned amongst such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses, which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We believe that our overall provisions for LAT are sufficient. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. If we substantially underestimate LAT for a particular period, a payment of the overdue LAT we owe to the tax authorities could materially and adversely affect our financial results for a subsequent period.

We are financially dependent on distributions of dividends from our subsidiaries. Any changes in PRC policies on dividend distributions and enterprise income tax ("EIT") may materially and adversely affect our ability in paying dividends and financial condition.

We are a holding company incorporated in the Cayman Islands and we conduct our core business operations primarily through our subsidiaries and associated companies in the PRC. We are financially dependent on dividends received from these subsidiaries and associated companies to service the Company's indebtedness. Therefore, we may face difficulties should our subsidiaries and associated companies incur debt or losses affecting their ability to pay us dividends and other distributions.

According to the PRC regulations, our subsidiaries may distribute their after-tax profits, as determined in accordance with PRC accounting principles (which differ in many aspects from the generally accepted accounting principles in other jurisdictions), to their shareholders according to their capital contribution only after they have made appropriate contributions to the relevant statutory reserves. Furthermore, we or our subsidiaries and associated companies may enter into certain agreements such as bank credit facilities and joint venture agreements which may contain restrictive covenants restricting our subsidiaries and associated companies' ability in making contributions to us and thereby restricting our ability in receiving distributions. These factors may affect our ability in servicing the Company's indebtedness.

On March 16, 2007, the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) ("EIT Law") was issued and on December 6, 2007, the Rules on the Implementation of Enterprise Income Tax Law of the PRC ("Rules on the Implementation") were issued, both of which became effective on January 1, 2008. Under the EIT Law and the Rules on the Implementation, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose "de facto management body" is located in the PRC are treated as resident enterprises for PRC tax purposes. It is currently unclear in which situations a non-PRC enterprise's "de facto management body" is located in the PRC. Substantially all of our management is currently based in the PRC. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which may, unless otherwise provided in the EIT Law, include any dividend income we receive from our subsidiaries. Although the EIT Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the EIT Law. If we are required under the EIT Law to pay PRC income tax with respect to any dividends we receive from our subsidiaries, it could materially and adversely affect our financial condition. As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends from subsidiaries to satisfy our obligations under the debt securities or the relevant guarantees provided by our subsidiaries.

Furthermore, the Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of "de facto management body" (Guo shuifa No.82 [2009]) (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) effective since January 1, 2008 has only clarified the conditions under which a foreign company whose majority shareholder is a Chinese enterprise or a group of Chinese enterprises would be considered as a PRC tax resident enterprise that has its "de facto management body" located in the PRC. However, the relevant PRC tax rules have not clarified whether and under what conditions a foreign company whose majority shareholders are PRC individuals may also be considered as a PRC tax resident enterprise having its "de facto management body" located in the PRC, and currently, it is uncertain whether the PRC local tax authority will make such determination. As of the date hereof, the PRC local tax authorities have not certified our Company as a PRC tax resident enterprise. However, we cannot assure you that our Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in which case the tax consequences described above may apply.

We may be deemed a PRC resident enterprise under the EIT Law, in which case we would be subject to PRC taxation on our worldwide income and may be obligated to withhold PRC income tax on payment of interest on the debt securities, and gain from the transfer of the debt securities may be subject to PRC tax.

Under the EIT Law enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the enterprise income tax at the rate of 25% on their global income. The implementation rules of the EIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 and enforced on January 1, 2008, which specifies certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global income. Furthermore, we may be obligated to withhold PRC income tax at a rate of 10% from payments of interest on the debt securities to investors that are nonresident enterprises located outside Hong Kong, because the interest and other amounts may be regarded as being derived from sources within the PRC. If we fail to make proper withholdings, we may be subject to fines and other penalties. In addition, any gain realized by such nonresident enterprise investor from the transfer of the debt securities may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC income tax.

Our engagement as the provider of property management services may be terminated by property owners at their discretion.

We provide post-sales property management services to the owners of all of our residential and commercial projects that we have developed through our property management subsidiaries.

We believe that property management is an integral part of our business and is critical to the successful marketing and promotion of our property developments. Under the PRC laws and regulations as of the date of this document, owners have a right to change a property management company if owners together holding exclusive parts within the managed area representing more than half of the total area of buildings and owners representing more than half of the total number of owners agree. If homeowners of the projects that we have developed choose to terminate our property management services, or if property buyers dislike our property management services, our revenue and our reputation may be materially and adversely affected.

We have entered into letters of intent and framework agreements with local governments in the PRC, and the land developments contemplated under such letters of intent and framework agreement may not be implemented.

We have entered into letters of intent and framework agreements with local governments in the PRC in respect of the development of parcels of land. Pursuant to such letters of intent and framework agreements, we and the relevant local governments agreed to cooperate in the development of the relevant parcels of land whereby the local governments will attend to the preparatory work for the tender, auction or listing for sale of the lands, and we will participate in such tender, auction or listing for sale process and, if we succeed in our bid and acquire the land, develop the land. In spite of such letters of intent and framework agreements, we expect to go through the public tender, auction or listing-for-bidding process, and if we succeed in our bid, enter into a land grant contract and pay the relevant land premium as required by the relevant laws and regulations in order to obtain the title to the land.

We cannot assure you that there will not be changes to the manner of implementation of the letters of intent and framework agreement we have entered into. We cannot assure you that we will succeed in the relevant tenders, auctions or listings for sale or in securing the land grant contracts and obtaining the titles in respect of such lands and that the development plans contemplated under such letters of intent and framework agreement will be implemented.

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

Construction and development costs account for the majority of our cost of sales and are one of the significant factors affecting our financial condition and results of operations. As a result of economic growth and the boom in the property industry in the PRC prior to the PRC government implementing certain policies to cool down the industry, wages for construction workers and the prices of construction materials and building equipment have substantially increased in recent years. Under the terms of most of our construction contracts, contractors may adjust the contract prices upwards by 10% to cover increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly source good quality and service. We are also exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span several years, or if we choose to hire the construction workers directly or purchase construction materials directly from suppliers. Furthermore, we are unable to pass increased costs on to pre-sale purchasers when construction costs increase subsequent to the date of the pre-sale contract. If we are unable to pass on any increase in the cost of labor, construction materials or building equipment to either our construction contractors or to the purchasers of our properties, our business prospects, results of operations and financial condition may be materially and adversely affected.

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

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

Under current PRC law, if we fail to commence the development of a parcel of land for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land assignment or allocation fee. If we fail to commence development for more than two years from the relevant commencement date stipulated in the land grant contract, the land will be subject to forfeiture to the PRC government. Moreover, even if the commencement of the property development satisfies the stated requirements of the land grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the MLR and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加强房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as (1) land idle for more than one year on its own reasons; (2) illegal transfer of land use rights; (3) noncompliance with the land development requirements specified in a land grant contract; and (4) crimes such as taking land by forging official documents and illegal land speculation have been completely rectified. We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business prospects, results of operations and financial condition.

The requirements set forth in the Provisions on Sales of Commodity Properties at Clearly Marked Price may adversely affect our business operations and financial results.

The Provisions on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011, pursuant to which any real estate developer or real estate agency is required to mark the selling price explicitly and clearly for both newly-built and second-hand commodity properties and are prohibited from, among others, selling commodity properties beyond the stated price. With respect to the real estate development projects that have received property pre-sale license or have completed the filing procedures for the sales of constructed properties, real estate developers and real estate agency shall announce all the commodity properties available for sales all at once within the specified time limit. As a result, our ability to adjust property selling prices in accordance with the market's response to a new project or other changes in market conditions is substantially limited, and we may have less flexibility in formulating our sales and pricing strategy, which may have an adverse effect on our business operations and financial results.

Our business, results of operations and financial condition may be materially and adversely affected if we fail to obtain, or if there is any material delay in obtaining, any of the relevant PRC governmental approvals for our development projects.

In developing and completing a property development, we are required to obtain various permits, licenses, certificates and other approvals including, but not limited to, the State-owned Land Use Rights Certificates (國有土地使用證), Planning Permit for Construction Land (建設用地規劃許可證), Planning Permit for Construction Works (建設工程規劃許可證), Permit for Commencement of Construction Works (建築工程施工許可證), Pre-sale Permit for Commodity Housing (商品房預售許可證) and certificates or confirmation of completion and acceptance from the relevant administrative authorities at various stages of the development of the property project. In particular, we are required to obtain state-owned Land Use Rights Certificates before commencing any property development and such certificates would generally only be issued after certain conditions have been satisfied. Such conditions include the relevant project company having executed the state-owned Land Use Right Granting Contracts (國有土地使用權出讓合同) with the relevant authorities whereby the land use right is obtained by grant, provided we have paid the land grant premium in full and relocated the local residents from the site area if so required.

We cannot assure you that we will obtain all necessary certificates and permits for our projects in a timely manner, or at all, and we cannot assure you that we will not encounter problems in fulfilling all or any of the conditions imposed for the grant of the necessary certificates or permits, or that we will be able to expeditiously adapt to new laws, regulations or policies that may come into effect from time to time with respect to the granting of such items. There may also be significant delays in the granting of such items to us by the relevant PRC administrative bodies. If we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience significant delays in obtaining, the requisite governmental approvals, penalties could be levied on us and our schedule of property development could be substantially disrupted. This could materially and adversely affect our business, results of operations and financial condition.

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 external financing 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, results of operations and financial condition.

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

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

Each of our project companies is responsible for the annual submission of its renewal application and shall engage in property developments within its qualification certificate class. If any of our project companies is unable to meet the relevant qualification requirements, it will generally be given a grace period to rectify any noncompliance and may be subject to a penalty of between RMB50,000 and RMB100,000. Failure to ratify the noncompliance within the grace period could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to renew our provisional qualification certificates, or obtain or renew our formal qualification certificates in a timely manner, or at all. If any of our project companies fails to do so, our business prospects, results of operations and financial condition may be materially and adversely affected.

We are subject to potential environmental liabilities.

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

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

In addition, each property development project is required by the relevant PRC laws and regulations to undergo environmental assessments and to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting to RMB50,000 to RMB200,000 for each project. Furthermore, it is possible that these assessments did not reveal all environmental liabilities and there may be environmental liabilities of which we are unaware that may have a material adverse effect on our business and financial condition. In addition, if more stringent regulations are adopted in the future, we cannot assure you that we will be able to fully comply with such regulations and the costs of compliance with these new regulations may be substantial. If any of these occur, our business prospects, results of operations and financial condition may be materially and adversely affected.

The total GFA of our projects under development or future property developments may exceed the original GFA authorized in the land grant contract and we may need to obtain additional government approvals and be subject to additional payments.

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

We may encounter delay in issuance and delivery of title documents after sale and such delay may in turn give rise to claims from our customers.

The sale contracts relating to our property projects are prepared in accordance with applicable legal requirements and if applicable, local regulations and practices prescribed by local governmental authorities. Under PRC laws, sale contracts must be properly registered with the relevant authorities in order for the property transfer to be effective, and the failure to so register may result in delay of the property transfer. We generally undertake to attend to all filing and registration procedures required of property developers so as to facilitate subsequent applications by our customers for issuance of strata-title Building Ownership Certificates (分戶產權證). If there are any changes in practice of the relevant government authorities or interpretation of the applicable rules and regulations, we may be under legal obligations to procure delivery of strata-title Building Ownership Certificates for our customers and we may experience delays which are beyond our control, such as time-consuming examination and approval processes at various government agencies, in completing certain deliverables. In such circumstances, we may be subject to claims from our customers for breaching the terms of the sale contracts or otherwise and our business, results of operations and financial condition may be materially and adversely affected and our reputation may be damaged in the case of serious delays of one or more of our property projects.

We do not have adequate insurance to cover certain kinds of losses and claims in our operations.

We maintain what we consider are commercially adequate levels of insurance against certain risks, such as insuring our projects under development against damage and destruction by fire, flood, lightning, explosions and other hazards during construction periods and insuring our assets against certain natural disasters. We also maintain third-party liability insurance and profit insurance protecting us against unexpected profit declines. However, we do not maintain insurance against all risks associated with our industry, either because we have deemed it commercially unfeasible to do so, or because our insurers have carved certain risks out of their standard policies. We may incur losses, damages or liabilities during any stage of our property development which are uninsured, and we may not have sufficient funds to cover the same or to rectify or replace any property or project that has been damaged or destroyed. In addition, any payments we make to cover any losses, damages or liabilities may materially and adversely affect our business, results of operations and financial condition.

Third-party infringement of our intellectual property rights or an adverse finding of our infringing upon others' intellectual property rights may damage our reputation and materially and adversely affect our business, results of operations and financial condition.

We regard our copyrights, service marks, trademarks, patents, design patents, trade secrets and other intellectual property as important to our success. For more information about our intellectual property, see "Business — Intellectual Property." Unauthorized use of our intellectual property by third parties may materially and adversely affect our business and reputation. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without authorization. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Future litigation could result in substantial costs and diversion of resources.

Should we fail to renew the registration of any of the trademarks upon the renewal date or should we be held by any court or tribunal to be infringing or have infringed any trademark or intellectual property rights of others or should our brand image suffer any deterioration or damages, our business, results of operations and our general reputation may be materially and adversely affected. An adverse ruling in any such litigation or proceedings could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or subject us to injunctions prohibiting the use of such trademarks.

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

A number of locations where we conduct our real estate development were ancient political, economic and cultural centers of China and home to a large quantity of valuable cultural relics and historic sites. Pursuant to the Cultural Relics Protection Law of the PRC (中華人民共和國文物保護法), if any cultural relics are discovered beneath our development sites during our construction process, such discovery must be immediately reported to the local department of cultural relics administration, and construction must be immediately suspended or partly suspended for archaeological surveying. If an underground discovery is classified as "highly valuable" by archaeologists and a parcel of land is considered to be of public interest because of its historical or archaeological significance, the parcel of land has to be returned to the government and the entire project must be relocated. Although the government is required to compensate a property developer for a parcel of land returned to it for archaeological purposes, there is no assurance that such compensation will be sufficient to cover the full amount of the land premium paid or any other expenses incurred by the developer in connection with the relevant site. If any historic relics are discovered under any of our construction sites in the future, the completion of our projects may be delayed or we may even be required to return the relevant parcels of land to the government, which may materially and adversely affect our business prospects, results of operations and financial condition.

We depend on our management team for our continuous development.

Our success and growth depends on our ability to identify, hire, train and retain highly skilled and qualified employees, including management personnel with relevant professional skills. Our directors and members of senior management are essential to our success and we depend on them for our continuous business development. The loss of a significant number of our directors and senior management or Madam Wu could have a material adverse effect on our business, results of operations and financial condition if we are unable to find suitable replacements in a timely manner. As competition for such personnel is intense in the property sector in the PRC, any failure to recruit and retain the necessary management personnel at any time could materially and adversely affect our business, results of operations and financial condition.

The interests of our Controlling Shareholders may not align with our interests or those of our investors.

Our founders, Madam Wu and Mr. Cai, have transferred their respective controlling shareholding interests in us to Charm Talent and Junson Development, respectively, in contemplation of the establishment of the Wu Family Trust and the Cai Family Trust, being discretionary trusts, the beneficiaries of which include family members of, respectively, Madam Wu and Mr. Cai. The Wu Family Trust and the Cai Family Trust were duly set up on June 11, 2008. Thereupon, Charm Talent and Junson Development became our Controlling Shareholders which are in turn indirectly controlled by HSBC International Trustee as trustee of the said two trusts. As of June 30, 2012, Charm Talent and Junson Development, in aggregate, held approximately a 75.6% interest in our issued share capital. Accordingly, they will be able to exert significant control and influence over our business and on matters of significance to us and our investors.

Notwithstanding that the Wu Family Trust and the Cai Family Trust are of a discretionary nature and that HSBC International Trustee as trustee is entitled to make decisions regarding any matters relating to the trusts at its own discretion and based on its own judgment, HSBC International Trustee as trustee is bound by the fiduciary duties of a trustee in making any decisions regarding corporate actions to be taken by Charm Talent and Junson Development and the interests of Charm Talent or Junson Development may not be aligned with those of our investors. There is no assurance that Charm Talent, Junson Development or HSBC International Trustee will not prevent us from taking actions or exercising our rights under agreements to which we are a party including the agreements we entered into with our founders (also as founders of the Wu Family Trust and the Cai Family Trust) or our Controlling Shareholders. When conflicts of interest arise between our founders, Controlling Shareholders and our investors, our Controlling Shareholders may prevent or delay us from entering into transactions that might be desirable to our investors.

We cannot assure you that our Controlling Shareholders and HSBC International Trustee will act entirely in our interests or that conflicts of interest will be resolved in our favor. The interests of our Controlling Shareholders may differ from our interests or those of our creditors, including our investors, and our Controlling Shareholders are free to vote according to their interests.

Disputes with our joint venture partners may materially and adversely affect our business, results of operations and financial condition.

We have developed certain projects through joint ventures with our PRC or foreign partners. We have three projects which are being developed jointly with other entities through cooperation arrangements, and are in discussions with our partners regarding other new projects. Our joint venture partners or project development partners may have economic or business interests or goals that are inconsistent with ours, take actions contrary to our instructions or requests or contrary to our policies or objectives, may be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements or have financial difficulties.

Disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. Our joint venture partners or project development partners may interpret the obligations of the parties under the project or joint venture or cooperation arrangement differently from us. A dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could materially and adversely affect our business, results of operations and financial condition. If a situation arises in which we cannot complete a project being jointly developed with our joint venture partners or project development partners or we are required to pay a substantial sum to resolve such dispute, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the incomplete project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an material adverse effect on our business, results of operations and financial condition.

The valuation attached to our property interests contains assumptions that may or may not materialize.

Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. According to IFRS, the value of investment properties can be recognized by using either the fair value model or the cost model. Our directors have selected the fair value model to report the value of investment properties because they are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, help present a more updated picture of the fair value of our investment properties in our financial statement. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals, (2) regulatory and government approvals for the proposals have been obtained and (3) all premiums in connection with the properties have been paid and the properties are free from encumbrances and other restrictions. For properties owned by the project companies in which we have an attributable interest of less than 100%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to our proportionate ownership interest in the relevant company or business. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. In addition, valuation differences of investment properties are recognized in our consolidated statement of comprehensive income. Accordingly, a decrease in the value of our investment properties would reduce the amount of our net income and could lead to a net loss during a particular period.

Certain leased properties occupied by us may have defective titles.

The lessors of certain properties leased by our members for office or ancillary use do not have proper title documents to the relevant properties and certain of our leases have not been registered with the relevant PRC governmental authorities. For further information, see "Business — Properties For Self-Occupation." Though our members have been occupying these leased premises in accordance with the terms of the relevant lease agreements, in the unlikely event that any of our members are required to vacate such properties during the respective terms of their lease agreements as a result of adverse legal issues concerning the validity of such leases, the business operations of our members may be interrupted to the extent that a replacement premise would need to be located and another lease be entered into. However, given that such leased properties are not crucial to our operations as they are used for offices and ancillary use only, our directors believe that there will be minimal material adverse impact on our business should legal issues concerning such leased properties materialize.

Our properties may be subject to natural disaster risks.

Our properties may be subject to natural disaster risks, including flood, hurricane, earthquake or other acts of God. For example, the Sichuan Earthquake, which measured 8.0 on the Richter scale, occurred in China's Sichuan province on May 12, 2008. The epicenter of the Sichuan Earthquake was Wenchuan county, which is approximately 150 km from Chengdu. Although the Sichuan Earthquake did not have any material adverse impact on our development projects or our overall operations and financial conditions, there can be no assurance that similar earthquakes will not happen in the future and they will not cause material damage to our development projects. If such natural disasters or acts of God damage our properties, our business, results of operations and financial condition may be materially and adversely affected.

Our operations could be affected by the global economic crisis and the slowdown in world markets.

The global economic crisis in 2008 caused a slowdown in world markets. As financial institutions, companies, investors and consumers attempted to retrench in an effort to reduce exposure, save capital and weather the economic contraction, the demand for and hence value of real estate and the supply of credit decreased. Although the real estate market has recovered in the past year, any economic slowdown in the future could affect our property investment and property development projects. In addition, banks in the PRC have been tightening credit since 2010 after extensive lending in the first half of 2009. This may cause an increase in the interest expense on our bank borrowings, or banks may reduce the amount of, or discontinue, banking facilities currently available to us.

Although the Chinese economy started recovering in the past year, there is no assurance that any economic recovery is sustainable or that the earlier economic crisis and slowdown have come to an end. If market conditions deteriorate or market downturn occurs and becomes more severe, longer lasting or broader than expected, we could face a material loss of revenue and shareholder value and our business, results of operations and financial condition could be materially and adversely affected.

RISKS RELATING TO THE PROPERTY INDUSTRY IN THE PRC

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

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

- suspending or restricting land grants and development approvals for luxury villas and larger-sized units;
- charging idle land fees for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and canceling land use rights for land which has not been developed for two years or more;
- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;

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

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon approval by the MOHURD ("70:90 rule");

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

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

- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

Beginning in the second half of 2008, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage domestic consumption in the residential property market and support property development, which included the reduction of deed taxes for first-time purchasers of ordinary residential property of less than 90 sq.m., the waiver of stamp duty fees for individuals who are purchasing or selling ordinary residential properties, and the exemption of land appreciation tax for individuals who are selling ordinary residential properties. The PRC government is expected to revise or terminate such favorable policies according to changes in market conditions. For example, in December 2009 and January 2010, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. In December 2009, the PRC government abolished certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners. In January 2010, the PRC government imposed more stringent requirements on mortgage loans by requiring purchasers who have already purchased a residence through mortgage financing to pay a minimum down payment of 40% of the purchase price for any additional residences. In April 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), which, among other things, provides that the minimum down payment for the first property that is larger than 90 sq.m. shall be not less than 30% of the purchase price, down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not lower than 110% the benchmark lending rate published by the PBOC. In certain areas where commodity residential properties are in short supply and prices rise too quickly, the banks may suspend mortgage loans for the third or further properties bought by mortgage applicants or to nonresidents who cannot provide any proof of tax or social insurance payment for more than one year. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has 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 November 4, 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 house for self-use within the PRC, and an overseas institution which has established a branch or representative office in the PRC can only purchase nonresidential property for business use in the city where it is registered within the PRC. On January 27, 2011, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Adjustment of Policy of Business Tax on Re-sale of Personal Residential Properties (財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知), which repeals the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties promulgated on December 22, 2009 and provides that transfer of residential properties by individuals within five years of purchase is subject to business tax based on the sales income, while the business tax levied on the transfer of non-ordinary residential properties by individuals after five years of purchase is based on the difference between the sales income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date. On January 26, 2011, the General Office of the State Council issued the Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知). According to this Notice, for those households who purchase a second house using a loan, the down payment ratio may not be lower than 60%. The loan interest may not be lower than 1.1 times of the benchmark interest rate. The respective branches of PBOC may raise the down payment ratio and interest rate on loans for the second home based on the price control targets set by the local People's Government for newly constructed houses and the policy requirements, and on the basis of national unified credit policies. In addition, all municipalities, cities specifically designated in the State plan, provincial capitals and cities in which housing prices are excessively high or rising rapidly are to formulate and implement measures for restriction of housing purchases within a specified period. In principle, households with local registered residence which have already owned one set of housing and households without local registered residence are able to produce a local tax payment certificate or a proof of social insurance contribution for a certain number of years shall be restricted to purchasing one set of housing (including newly constructed commodity housing and second-hand housing). In respect of households with local registered residence which have already owned two sets of or more housing, households without local registered residence which have already owned one set of and more housing, and households without local registered residence which are unable to provide a local tax payment certificate or a proof of social insurance contribution for a certain number of years, no houses shall be sold to them within its own administrative area for the time being. On November 1, 2011, the governments of 47 cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi'an, Changzhou, Shengyang and Dalian, have, respectively, promulgated local measures for restriction of housing purchases to implement the Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知). On January 27, 2011, Shanghai Municipal Government issued Provisional Measure on levying of Property Tax on Part of Individual Residential Properties in Shanghai on a Trial Basis (上海市開展對部分個人住房徵收房產稅試點的暫行辦法). According to this provisional measure, property tax shall be imposed on a second residential property and beyond purchased by Shanghai residents and any residential property purchased by non-Shanghai residents from January 28, 2011. For Shanghai residents who purchase a second residential property after January 28, 2011, if the construction area per capita of all residential properties owned by the family is no more than 60 sq.m. (the "tax-free construction area"), such newly purchased residential property could be temporarily exempted from property tax; if the construction area per capita of all residential properties owned by the family is more than 60 sq.m., property tax will be levied on the construction area of the newly purchased residential properties, as the construction area exceeds the tax-free construction area. The property tax will be provisionally based on 70% of the market price of the taxable residential property with the tax rate at 0.6%. For the taxable residential property whose market price per square meter is no more than 2 times of last year's average sales price of newly constructed commodity residential properties of Shanghai, the tax rate shall temporarily be 0.4%. In February 2011, the Shanghai municipal government announced that for taxable residential properties whose market price is no more than RMB28,426, the tax rate is 0.4%. On January 28, 2011, Chongqing Municipal

Government issued the Provisional Measures on levying Property Tax on Part of Individual Residential Properties on a Trial Basis (重慶市政府對部分個人住房徵收房產稅改革試點暫行辦法) and Detailed Implementation Rules on Administration of Collection of Property Tax of Residential Property in Chongqing Municipality (重慶市個人住房房產稅徵收管理實施細則). Within nine trial districts, property tax shall be imposed on the detached commodity house, newly purchased high-end residential property and second ordinary residential property newly purchased by individuals who do not have local household registration (戶口), entities or jobs in Chongqing on January 28, 2011. The applicable tax rate of detached commodity house and high-end residential property shall be 0.5%, 1% or 1.2%, based on the transaction prices of such properties. The applicable tax rate of second ordinary residential property newly purchased by individuals who do not have local household registration (戶口), entities or jobs in Chongqing is 0.5%. The provisional measure and its implementation rules also set detailed guidelines on tax exemption and administration on tax collection. See "Regulation." The governments of Beijing and Guangzhou have recently adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the pre-sale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the "second generation" personal identification cards for the review of their eligibility to purchase residential properties in Beijing. We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. For example, the PRC government may impose county-wide real estate tax in the near future. We are not sure whether such tax will be imposed and neither can we assess the adverse impact of this new tax on our business operations and financial results. If we fail to adapt our operations to such new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business prospects, financial condition and results of operations may be materially and adversely affected.

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

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

- Foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled.

- Prior to obtaining approval for establishment of a Foreign-Invested Real Estate Entity (the "FIREEs"), foreign investors must first obtain land use rights and property ownership certificates, or have entered into pre-sale or pre-granting agreements with the land administration authority or property developer/owner.

- Acquisition of or investment in domestic real estate enterprises by way of round-trip investment (including the same actual controlling person) shall be strictly controlled.

- Further, overseas investors may not avoid approval procedures for foreign investment in property by changing the actual controlling person of the domestic real estate enterprise.

- Once the foreign exchange authority has found the foreign-invested property enterprise to have been established by deliberate evasion of foreign exchange and false representation, it shall take action against the enterprise's remittance of capital and interest accrued without approval, and the enterprise shall bear liability for the illegal purchase and evasion of foreign exchange.

- Shareholders of FIREEs are prohibited from guaranteeing a fixed return or the same effect to the other party in any way.

- If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the examination and approval authorities for their expansion of scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments.

- The local examination and approval authorities must file with MOFCOM their approvals of establishment of FIREEs for record-keeping, and must exercise due control over foreign investments in high-end properties.

- For those FIREEs which fail to pass the joint annual inspection of foreign-invested companies and have not completed the required filing with MOFCOM, local SAFE administrations and designated foreign exchange banks must not permit any foreign exchange sales and settlement under such FIREEs' capital accounts.

- MOFCOM shall have the right to investigate and rectify the approvals of FIREEs which are not in compliance with the laws and regulations made by local examination and approval authorities, and SAFE shall not handle the foreign exchange registration for such FIREEs.

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

The PRC government has imposed restrictions on the ability of PRC property developers to receive offshore funds, which could affect our ability to deploy funds raised outside China in our business inside China.

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

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

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

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

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

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

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

Land parcels acquired by property developers for future development may have existing buildings or other structures or be occupied by third parties. In accordance to the City Housing Resettlement Administration Regulations (城市房屋拆建管理條例) and applicable local regulations, a property developer in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development, directly or indirectly through the local government, and to provide compensation for their relocation and resettlement.

The compensation payable by the property developer is calculated in accordance with a pre-set formula determined by the relevant provincial authorities, which may be subject to changes. If such compensation formula is changed and the levels of compensation increased, land acquisition costs for property developers may be subject to substantial increases. In addition, if property developers or the local government fail to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience delay due to our inability to reach a resettlement agreement, our business prospects, financial condition and results of operations may be materially and adversely affected.

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

We are subject to property market conditions in the PRC. 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, results of operations and financial condition.

RISKS RELATING TO THE PRC

Our business may be materially and adversely affected by changes in the PRC's political, economic and social conditions, laws, regulations and policies, as well as their interpretation and enforcement. Our operations are subject to the uncertainties of the PRC legal system.

Since our assets are generally located in, and our revenue is predominantly derived from, our operations in the PRC, our business, results of operations, financial condition and prospects are subject to the risks of future economic, political and legal developments in the PRC. The PRC economy differs from the economies of other developed countries in terms of structure, government intervention, development, growth rate, control of foreign exchange, and resource allocation. Since the late 1970s, the PRC government has been implementing economic reform measures in using market forces to develop the PRC economy and has since transitioned from a planned economy to a more market-oriented economy. The PRC government, however, continues to play a significant role in regulating industries by promulgating economic policies. We cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

Our operations are subject to the uncertainties of the PRC legal system which is essentially a civil law system based on written statutes where, unlike common law systems, decided legal cases have little value as precedents. The PRC government had, since 1979, begun promulgating a comprehensive system of laws and regulations governing economic matters in general. These laws and regulations are, however, relatively new and are often changing and published cases concerning these laws and regulations are limited. Their interpretation and enforcement therefore, involve a fair amount of uncertainties. We cannot predict the effect of future developments in the PRC legal system, particularly with regard to property rights. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future projects and we cannot assure you that we will obtain these in a timely fashion or at all. For example, pre-sales constitute one of the most important sources of our operating cash inflow during our project development process. Currently, PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the particular project that has been pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedule of each of our projects, restrictions on pre-sales imposed by the PRC government, market demand for our properties subject to pre-sales and the number of properties we have available for pre-sales. Reduced cash flow from pre-sales of our properties will likely increase our reliance on external financing, which may increase our costs and may impact our ability to finance our continuing property developments.

We make certain undertakings in our pre-sale contracts. These pre-sale contracts, along with PRC laws and regulations provide for remedies with respect to breaches of such undertakings. For example, if we pre-sell a property project and fail to complete the property project in accordance with the terms of the pre-sale contract, we may be liable to the purchasers for their losses. We cannot assure you timely completion and delivery of our projects.

Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to our investors (where applicable).

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

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

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

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

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

In March 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS"), a highly contagious disease, in China and some other countries. A renewed outbreak of SARS in China or other neighboring countries, or an outbreak of another highly contagious disease, will affect China's overall economy. This may in turn significantly affect our business. In addition, if an employee of any of our subsidiaries were to contract SARS or another highly contagious disease, we may need to restrict or even suspend the operations of such company. In recent years, an epidemic of highly pathogenic avian influenza has affected humans throughout Asia and is considered to be a public health concern. There also have recently been a number of documented cases of humans found to have contracted H1N1 in the PRC. If outbreaks of H1N1 or avian influenza infections or any other serious contagious disease were to escalate, their effects on the PRC economy could be similar to or worse than those experienced as a result of the SARS outbreak.

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 document. Our consolidated financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from U.S. GAAP and 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 document. In this section of the document, references to "2009," "2010" and "2011" refer to our financial years ended December 31, 2009, 2010 and 2011, respectively.

OVERVIEW

We are a national leader in China's real estate market engaged in property development, investment and management across the country with strong presence in Western China, the Pan Bohai Rim and the Yangtze River Delta, and a growing presence in Southern China. For the six months ended June 30, 2012, we ranked eighth among all PRC real estate developers, with contract sales of RMB17.5 billion (US$2.8 billion)*. As of June 30, 2012, we had 69 projects in 15 different cities under development or planning with a total land bank of approximately 35.0 million sq.m. in GFA. We have a wide product spectrum and a broad customer base. We offer residences for the mass market, the middle class and the affluent and our residential property development projects cover a wide range of middle- to high-end products, including high-rise apartment buildings, low-rise garden apartments, townhouses and luxury stand-alone houses. We have also built various middle- to large-scale shopping malls and other investment properties. Our aim is to become one of the most respected and trusted national market leaders in the property industry in China.

In 2009, 2010 and 2011 and the six months ended June 30, 2012, we entered into sales contracts for our property development projects (including those undertaken by our jointly controlled entities) with an aggregate contract value of approximately RMB18.4 billion, RMB33.3 billion, RMB38.3 billion and RMB17.5 billion (US$2.8 billion), respectively. We believe that our strategic geographic expansion from Western China to the Pan Bohai Rim, the Yangtze River Delta and Southern China, together with organic growth of our business in cities in which we have already established a presence, have contributed to our overall growth in contract sales and reduced the geographic concentration of our business. For the six months ended June 30, 2012, our contract sales from Western China, the Pan Bohai Rim and the Yangtze River Delta contributed to 51.7%, 25.1% and 23.2%, respectively, of our contract sales. Our revenue from property investment increased from RMB198.0 million in 2009 to RMB402.2 million in 2011 at a CAGR of 42.5% and increased by 34.8% from RMB168.2 million in the six months ended June 30, 2011 to RMB226.7 million (US$35.7 million) in the same period in 2012.

BASIS OF PRESENTATION OF OUR FINANCIAL STATEMENTS

Our Company was incorporated in the Cayman Islands on December 21, 2007. We underwent a reorganization in anticipation of our IPO in 2009, pursuant to which our Company became the holding company of the companies now comprising our Group on June 11, 2008. Our reorganization involved property development and property investment companies under

* Source: CRIC.

common control, and our Group comprising the Company and its subsidiaries resulting from the reorganization is regarded as a continuing group. Accordingly, we have accounted for the reorganization on the basis of merger accounting, under which our consolidated financial statements present our results of operations, cash flow and financial position as if our current group structure had been in existence since January 1, 2008, or since the respective dates of incorporation or establishment or acquisition, whichever is later. All significant intragroup transactions and balances between the companies now comprising our Group have been eliminated. However, the consolidated financial and operational data of our Group presented in this document does not purport to be indicative of what our Group's actual financial and operational data would have been if our Group in its current structure had been in existence since January 1, 2008. In accordance with IFRS, we have prepared our consolidated financial statements under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value. The consolidated financial statements are presented in RMB, which is the functional currency of the Company and its major subsidiaries.

KEY FACTORS AFFECTING OUR PERFORMANCE

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

PRC Economic Condition

We believe that demand for purchase or rental of residential, retail, and office properties is driven by continued growth in the PRC's economy, population and urbanization. All of our revenues are generated from the PRC real estate market. The recent global economic slowdown and uncertainty in the global financial markets have had an adverse impact on the overall economy of China, including the PRC real estate market. Although we have sought to diversify our product spectrum and property base, economic uncertainty may affect the performance of the PRC real estate market — in particular the supply and demand for residential and investment properties and pricing trends in the mid- to high-end property sector — and thereby have an impact on our business, financial condition and results of operations.

PRC Regulatory Environment

Our business, results of operations and financial condition are also affected by the regulatory and fiscal environment of the PRC, in particular, the regulatory and fiscal environment affecting the property development industry, including tax policies (e.g., the preferential income tax policy and LAT policies), land grant policies, presale policies, policies on ownership and purchase of real property policies on interest rates, bank financings and the availability of mortgages and other macroeconomic policies designed to slow down the growth of the PRC property market. From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, presales of properties, ownership and purchase of real property bank financing and taxation. In recent years, the PRC Government has instituted a variety of measures designed to stabilize and dampen any potential overheating of the real estate market, with a particular focus on the residential sector. These policies have led, and may continue to lead, to changes in market conditions, including changes in price stability, costs of ownership, costs of development and the balance of supply and demand in respect of residential properties. In response to the global economic crisis which intensified during the second half of 2008, the PRC Government implemented a stimulus plan and other measures which have resulted in a significant rise in the volume of bank loans. PRC regulators have expressed concern about and have taken measures to curb excessive lending for real estate investments. Excessive development fueled by cheap credit could cause an oversupply of property leading to a significant market correction, which could adversely affect the sales volumes and selling prices of our projects. On the other hand, any efforts by bank regulators to curb excessive lending, if taken too far, might prevent developers including us from raising funds that we need to start new projects. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

Ability to Acquire Suitable Land for Future Development

Our continuing growth will depend in large part on our ability to secure quality land at prices that can yield reasonable returns. Based on our current development plans, we expect to have sufficient land reserves for property development over the next several years. As the PRC economy continues to grow and demand for residential properties remains relatively strong, we expect that competition among developers for land reserves that are suitable for property development will continue. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to continue to encourage competition for development land and increase land acquisition costs as a result.

Access to Adequate Financing and Capital Resources

Bank loans and other borrowings are an important source of funding for our property developments. As of December 31, 2009, 2010 and 2011, and June 30, 2012, our outstanding bank loans and other borrowings (including the 2011 Notes) amounted to RMB9,765.5 million, RMB17,324.4 million, RMB23,966.7 million, and RMB29,648.9 million (US$4,666.9 million), respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on financing for property development. In addition to bank borrowings, we also issued, through one of our PRC subsidiaries, RMB Bonds in May 2009 and obtained a HK$2.15 billion four-year syndicated loan from a number of international and domestic banking institutions in Hong Kong in April 2010. In March 2011, we obtained HK$1.20 billion four-year club loan in Hong Kong from three banks. In April 2011, we issued the 2011 Notes in an aggregate principal amount of US$750 million. In April 2012, we obtained a three-year syndicated loan of HK$2.43 billion in Hong Kong from nine banks. On September 18, 2012, we conducted a placing of our existing shares and top-up subscriptions of our new shares to raise HK$3.09 billion in gross proceeds. Our access to capital and cost of financing, therefore, are also dependent on our ability to access capital markets and the general economic environment. For further information, please see "Description of Other Material Indebtedness and Obligations."

In addition, a substantial portion of our customers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC Government that restrict the ability of purchasers to obtain mortgages or increase the cost of mortgage financing may decrease market demand for our properties and adversely affect our revenue.

Pre-sales

Presales of properties under development constitute one of the most important components of our cash flow from operating activities. PRC law allows us to presell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sale proceeds to develop the particular project that has been presold. Although the presales of properties generate positive cash flows for us in the period that they are made, no revenue is recognized in respect of such property until the relevant property is delivered to the purchaser. See "Business — Project Development — Financing." The amount and timing of cash inflows from presales are affected by a number of factors, including the development schedule of each of our projects, restrictions on pre-sales imposed by the PRC Government, market demand for our properties subject to presales and the number of properties we have available for presales. Reduced cash flow from presales of our properties will likely increase our reliance on external financing which may increase our costs and may impact our ability to finance our property developments.

Timing of Property Development

Our results of operations tend to fluctuate from period to period. According to our accounting policy for revenue recognition, we recognize revenue from the sale of a property upon, among other things, the completion and delivery of the property to the purchaser, which is when we believe the significant risks and rewards of ownership are transferred to the purchaser. The timing for the completion and delivery of a property is, however, subject to numerous factors, some of which are beyond our control. Any of these factors may therefore affect the recognition of revenue from sales of our properties and, as a result, our results of operations may vary significantly from period to period.

Periods in which we complete more GFA and more frequently deliver completed properties to purchasers will typically generate a higher level of revenue than periods in which, for example, we presell a large aggregate GFA but such properties are not completed and delivered within the same period that the properties were presold. The effect of the timing of project completion on our operational results is accentuated by the fact that we can only undertake a limited number of projects during any particular period due to the substantial capital requirements of land acquisitions and construction as well as the limited supply of land. Significant time is required for property developments and it may take many months or years before presales of a property development can occur. In addition, as market demand may be volatile, revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected launch time of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the delivery of our projects.

Product Mix of Our Properties

We have in the past and intend in the future to retain mainly our mid- to large-scale shopping malls for recurring income, while we sell units of our residential properties, retail units and carpark spaces to individual purchasers. As a result, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending on the location, type and GFA of our properties that we lease or sell and when our projects in various stages of development are to be completed. Our results of operations and cash flows will also vary depending on the market demand at the time we lease or sell our properties, the rental and occupancy rates of our investment properties and the selling prices for units in our residential properties, retail units and car park spaces. The recurring rental income from, the occupancy levels of, and the selling prices we receive from, our properties depend on local market prices which in turn depend on local supply and demand, as well as the type of property being developed and offered.

Price Volatility of Construction Materials

Our results of operations are affected by the price volatility of construction materials such as steel and cement. We procure some of the construction materials we use for our property development and, therefore, we are exposed to the price volatility of construction materials to the extent that we are not able to pass any increased costs onto our purchasers. Further, we typically presell our properties prior to their completion and we will be unable to pass the increased costs onto our purchasers if construction costs increase subsequent to such presale. See "— Certain Consolidated Statements of Comprehensive Income Items — Cost of Sales — Construction Costs."

Valuation of Our Investment Properties

As of June 30, 2012, our investment properties include the North Paradise Walk Mall, Crystal Palace of Crystal Town, Fairy Castle Paradise Walk, Starry Street, West Paradise Walk and MOCO Center in Chongqing, Three Thousand Mall in Chengdu and Starry Street in Beijing. Our investment properties are stated at their fair value on our consolidated statements of financial position as noncurrent assets as of each statement of financial position date on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as change in fair value of investment properties in our consolidated statements of comprehensive income, which may have a substantial effect on our profits. Property under construction or development for future use as an investment property is classified as investment property under development. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, at which time any difference between the fair value and the carrying amount will be recognized in profit or loss for that period. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The valuer typically uses the direct comparison approach by making reference to comparable sales transactions available in the relevant market and where appropriate, on the basis of the capitalization of the net rental income derived from the existing tenancies with due allowance for recurring income potential of the respective properties. The fair value of our investment properties may have been higher or lower if the valuer had used a different valuation methodology or if the valuation had been conducted by other qualified independent professional valuers using a different valuation methodology. In addition, upward revaluation adjustments reflecting unrealized capital gains on our investment properties as of the relevant statement of financial position dates are not profit generated from the sales or rentals of our investment properties and do not generate any cash inflow to us for potential interest payment to our investors (where applicable) until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may decrease or increase. Since January 1, 2012, we have applied the amendments to IAS 12 titled *Deferred Tax: Recovery of Underlying Assets*. Our management reviewed our investment properties portfolio and concluded that the presumption set out in such amendments was rebutted. As a result, such amendments have no effect on our financial performance and financial position for the financial years ended and as of December 31, 2009, 2010 and 2011 and for the six months ended and as of June 30, 2012. Although we have recorded fair value gains during the period from 2009 through June 30, 2012, there can be no assurance that we will continue to record similar levels of fair value gains in the future. See "Risk Factors — The valuation attached to our property interests contains assumptions that may or may not materialize."

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that reflect significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions. The critical accounting policies adopted and estimates made in preparation of our financial statements include the following:

Revenue Recognition

Revenue comprises primarily the fair value of the consideration recognized from property development, property investment and property management and related services. Revenue from the sale of properties in the ordinary course of business is recognized when the relevant properties are completed and delivered to the purchasers, which is when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;

- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties is retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received on properties sold prior to the date of revenue recognition, including deposits and presale proceeds, are included in the consolidated statements of financial position as accounts payable, deposits received and accrued charges and are presented as current liabilities. Revenue arising from property investment is recognized on a straight-line basis over the relevant lease period. Other revenue is recognized over the period when the related services are rendered.

Properties Under Development, Cost of Sales and Properties Held for Sale

We recognize the cost of property development for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their completion, properties under development are included on our consolidated statements of financial position at cost, less any identified impairment losses.

Cost of property development includes construction costs, costs of land use rights and capitalized costs, which are allocated to each property based on the actual investment in each property. We make such estimates based on the information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project.

When the leasehold land and buildings are in the course of development for production, for rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease term. During the construction period, the amortization charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development that are intended for sale are classified as current assets. Properties under development that are intended to be held for our own use or their investment potential are classified as noncurrent assets. Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value and classified as properties held for sale under current assets.

Income Tax Expense

Since January 2008, a uniform enterprise income tax rate of 25% has been applied towards both PRC domestic enterprises and foreign investment and foreign enterprises that have set up production and operation facilities in the PRC. However, some of our subsidiaries have been, and some of our subsidiaries will be, subject to income tax at lower tax rates than the general enterprise income tax rate due to their being eligible for a preferential tax rate. See "— Certain Consolidated Statements of Comprehensive Income Items — Income Tax Expense — PRC Enterprise Income Tax."

Income tax expense represents the sum of the tax currently payable and deferred taxation.

Deferred taxation is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. The realizability of the deferred taxation assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors determine the deferred taxation assets based on the enacted or substantially enacted tax rates and laws and the best knowledge of profit projections of our business for coming years during which the deferred taxation assets are expected to be utilized.

The directors will review the assumptions and profit projections by the statements of financial position date. The carrying amount of deferred taxation assets is reviewed at each statements of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

We are subject to LAT in the PRC. The implementation and settlement of LAT varies among different tax jurisdictions in different cities of the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. We have recognized LAT based on management's best estimates. See "— Certain Consolidated Statements of Comprehensive Income Items — Income Tax Expense — LAT." The final tax outcome, however, could be different from the amounts that were initially recorded, and these differences could affect our income tax expense and the related income tax provisions in the periods in which such tax is finalized with local tax authorities.

Recognition of Share-based Payment Expenses

We adopted Pre-IPO Share Award Schemes, a Pre-IPO Share Option Scheme and Post-IPO Share Option Schemes. We engaged an independent appraiser to assist in determining the fair value of the Shares awarded and options granted. The determination of fair value was made after considering a number of factors, all of which are subject to uncertainty, including: our financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting our business; the nature and prospect of the PRC property market; our business plan and prospects; business risks we face; and market yields and return volatility of comparable corporate shares.

The total fair value of options granted is measured on the grant date based on the fair value of the underlying shares of our Company. In addition, our Group is required to estimate the expected percentage of grantees that will remain in the employment with our Group at the end of the vesting period. Our Group only recognizes an expense for those options expected to vest over the vesting period during which the grantees become unconditionally entitled to the options. At each relevant statement of financial position date, our Group revises its estimates of the number of options that are expected to ultimately vest. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share-based compensation expenses.

Investment Properties

Our investment properties are stated at fair value based on the valuation performed by independent property valuers. In determining fair value, the valuers have based this on a method of valuation that involves certain estimates of market conditions. In relying on the valuation report, our directors have exercised their judgment and are satisfied that assumptions used in the valuation reflect current market conditions. See "— Certain Consolidated Statements of Comprehensive Income Items — Change in Fair Value of Investment Properties."

Capitalized Costs

See "— Certain Consolidated Statements of Comprehensive Income Items — Cost of Sales — Capitalized Costs."

CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

We categorize our revenue into three segments, namely, property development (which represents proceeds collected from sales of properties completed and held for sale in that period and proceeds collected from our properties under development in previous periods if the properties are completed and delivered to purchasers in such period), property investment (which represents rental income from investment properties), and property management income and related services.

The following table sets forth revenue by business segments and their percentage of the total revenue for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,				
	2009		2010		2011		2011		2012		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	US$'000	%
Property development	11,029,310	97.0%	14,596,701	96.7%	23,376,012	97.0%	7,549,779	96.1%	14,132,651	2,224,564	97.1%
Property investment	197,975	1.7%	287,281	1.9%	402,167	1.7%	168,239	2.1%	226,709	35,685	1.6%
Property management and related services	146,677	1.3%	209,140	1.4%	314,714	1.3%	134,208	1.7%	192,339	30,275	1.3%
Total	11,373,962	100.0%	15,093,122	100.0%	24,092,893	100.0%	7,852,226	100.0%	14,551,699	2,290,524	100.0%

During the three years ended December 31, 2011 and the six months ended June 30, 2012, we derived substantially all of our revenue from the property development segment. In the near future, we expect to continue to derive most of our revenue from the property development segment.

Property Development

Revenue from property development represents consideration recognized from sales of our properties completed and held for sale in that period if the properties are delivered to purchasers in such period. Revenue from property development is recognized when a binding sales contract has been executed and the properties have been delivered to purchasers.

Consistent with industry practice, we typically enter into sales contracts with purchasers while the properties are still under development and after satisfying the conditions for pre-sales in accordance with the PRC laws and regulations. See "Business — Project Development — Sales and Marketing." Before the delivery of the properties, payments received from purchasers are recorded as deposits received and receipt in advance from property sales and are included in current liabilities. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our deposits received and receipt in advance from property sales amounted to RMB13,341.0 million, RMB26,292.0 million, RMB34,569.7 million and RMB34,258.4 million (US$5,392.5 million), respectively. We recognize revenue from the presales of our properties after the properties have been delivered to purchasers. See "— Critical Accounting Policies — Revenue Recognition."

For 2009, 2010 and 2011 and the six months ended June 30, 2012, we recognized revenue from property development of RMB11,029.3 million, RMB14,596.7 million, RMB23,376.0 million and RMB14,132.7 million (US$2,224.6 million), respectively, in connection with an aggregate GFA of 1,173,385 sq.m., 1,800,149 sq.m., 1,678,160 sq.m. and 1,122,842 sq.m., respectively, representing an average realized selling price (calculated as the revenue from the properties delivered divided by the aggregate recognized GFA sold) of RMB9,400 per sq.m., RMB8,109 per sq.m., RMB13,930 per sq.m. and RMB12,587 per sq.m., respectively. We expect that our revenue from property development will increase over time as we expand our business.

Property Investment

Revenue from property investment represents recurring revenue from our investment properties, such as rental income, and is recognized on a straight-line basis over the relevant lease period. For 2009, 2010 and 2011 and the six months ended June 30, 2012, our revenue from property investment was RMB198.0 million, RMB287.3 million, RMB402.2 million and RMB226.7 million (US$35.7 million), respectively.

Property management and related services

Revenue from property management and related services is recognized over the period when property management and related services are rendered. For 2009, 2010 and 2011 and the six months ended June 30, 2012, our revenue from our property management and related services was RMB146.7 million, RMB209.1 million, RMB314.7 million and RMB192.3 million (US$30.3 million), respectively. We expect that our revenue from property management and related services will increase over time due to the cumulative growth of our portfolio of residential and investment properties under management.

Cost of Sales

Cost of sales primarily represents the costs we incur directly for our property development activities, which includes construction costs, costs of land use rights and capitalized costs.

We recognize the cost of property development for a given period to the extent that revenue from such properties have been recognized in such period. Prior to their completion, properties under development are included in our consolidated statements of financial position at cost, less any identified impairment losses.

Construction Costs

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Our construction costs are affected by a number of factors such as price fluctuations in construction materials (particularly steel and cement), the location and design of a property, the choice of materials and ancillary facilities.

Costs of Land Use Rights

Costs of land use rights include costs relating to the acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land use rights are influenced by a number of factors, including the location of the property, the timing of the acquisition, and the projects' plot ratios. Costs of land use rights are also affected by our method of acquisition, whether by government-organized tenders, auctions or listings-for-sale, through private sale transactions and cooperative agreements with third parties in the secondary market or through the acquisition of other companies that hold land use rights. We may also be required to pay demolition and resettlement costs. Our costs of land use rights are also vulnerable to changes in PRC policies and regulations.

Capitalized Costs

Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of the cost of those assets, including a portion of the financing costs to fund the construction. Capitalization of such costs ceases when the assets are substantially ready for their intended use or sale.

Other Income

Other income primarily comprises interest income, interest income from investment in a trust fund, imputed interest income of amount due from a minority shareholder, consultancy fee income, dividend income from available-for-sale investments, promotion and advertising income, government subsidies and sundry income.

Other Gains and Losses

Other gains and losses comprise gain on disposal of property, plant and equipment, net exchange gain, loss on disposal of subsidiary, bad debt recovery and reversal of impairment loss on other receivables.

Fair Value Gain upon Transfer to Investment Properties

Property under development or planning as an investment property is classified as investment property under development. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, in which time any difference between the fair value and the carrying amount will be recognized in profit or loss in that period. Properties under development and properties held for sale are transferred to investment properties under construction and completed investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognized in profit or loss.

The fair value gain upon transfer to investment properties was RMB777.0 million in 2010 and RMB916.1 million in 2011. For the six months ended June 30, 2012, the fair value gain upon transfer to investment properties was RMB167.6 million (US$26.4 million).

Change in Fair Value of Investment Properties

Gains or losses arising from changes in the fair values of investment properties are included in our consolidated statements of comprehensive income in the year in which they arise. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated statements of financial position, recognized fair value gains or losses on investment properties on our consolidated statements of comprehensive income and recognized the relevant deferred tax under income tax expense on our consolidated statements of comprehensive income.

As of December 31, 2009, 2010 and 2011 and June 30, 2012, the fair value of our investment properties was RMB4,698.3 million, RMB8,041.0 million, RMB13,198.2 million and RMB16,436.5 million (US$2,587.2 million), respectively. For 2009, 2010 and 2011 and the six months ended June 30, 2012, the net change in fair value of our investment properties was RMB920.9 million, RMB1,713.1 million, RMB1,714.4 million and RMB501.6 million (US$79.0 million), respectively. The fair value of each of our investment properties is likely to fluctuate from time to time and the fair value of our investment properties may decrease in the future. Any such decrease in the fair value of our investment properties would reduce our net profit.

Selling and Marketing Expenses

Selling and marketing expenses primarily include promotional expenses relating to sales and rentals of our properties (including advertisements in print media, on billboards and on television, promotional offers made directly to our customers and certain other promotional events, publicity and exhibitions), selling and marketing staff costs and other selling expenses. Our selling and marketing expenses in any period are affected by the number of newly introduced developments in that period.

Administrative Expenses

Administrative expenses primarily include salaries and benefits for our personnel including stock option expenses, service fees, consulting, auditing and legal expenses, travel expenses and general office expenses.

Share of Results of Jointly Controlled Entities

Share of results of jointly controlled entities represents our profit or loss after taxation that is attributable to our interest in jointly controlled entities pursuant to the joint venture agreements. As of June 30, 2012, we had seven jointly controlled entities, including Chongqing Longhu Land Limited, which was established in 2005, Chengdu Jia'nan Real Estate Company Limited, Chengdu Tuosheng Real Estate Company Limited, Chengdu Jinghui Real Estate Company Limited and Chengdu Huixin Real Estate Company Limited, all of which were established in October 2007, Northpole Intermediary Limited which became a jointly controlled entity in 2009, and Top Grand International Enterprise Limited which became a jointly controlled entity in November 2009.

Income Tax Expense

Our income tax expense for a given year includes provisions made for PRC enterprise income tax and land appreciation tax, or LAT, during the year. For 2009, 2010, 2011 and the six months ended June 30, 2012, our effective tax rate was 38.6%, 29.0%, 39.5% and 40.4%, respectively.

PRC Enterprise Income Tax

The PRC enterprise income tax accrued by our operating subsidiaries has been calculated at the applicable tax rate on the assessable profits for each period during the three years ended December 31, 2011 and the six months ended June 30, 2012. According to the PRC Enterprise Tax Law enacted by the National People's Congress on March 16, 2007, which became effective on January 1, 2008, a uniform income tax rate of 25% has been applied towards both PRC domestic enterprises and foreign investment and foreign enterprises that have set up production and operation facilities in the PRC. However, some of our subsidiaries have been, and some of our subsidiaries will be, subject to income tax at lower tax rates than the general enterprise income tax rate due to their being eligible for a preferential tax rate. Our PRC operating subsidiaries are also subject to local government taxation. Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain of our PRC subsidiaries which were established in western China and engaged in the encouraged business. These companies were subject to a preferential rate of 15% from 2002 to 2012, subject to the approval from the relevant tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income.

In addition, a portion of our PRC enterprise income tax consists of deferred tax.

LAT

Under PRC laws and regulations, our PRC subsidiaries that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sales of commercial properties are not eligible for such an exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and sales price. Sales of higher-end properties and commercial properties are generally assessed at higher appreciation values, and are therefore generally subject to higher LAT rates. On December 28, 2006, the PRC State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises, which took effect on February 1, 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. On May 12, 2009, the State Administration of Taxation issued the Administrative Rules on the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) effective on June 1, 2009, which further clarifies the specific conditions and procedures for the settlement of LAT. In May 2010, the State Administration of Taxation issued the Circular on Settlement of Land Appreciation Tax (國家稅務總局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 the calculation and settlement of LAT, 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. In May 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax (國家稅務總局關於加强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 of China, 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 property type. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only prepay 1.0% to 5.0% of the presale proceeds from our property development each year as required by the local tax authorities under prevailing practice. For each of the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we made a provision for LAT in the amount of RMB468.9 million, RMB999.6 million, RMB2,087.3 million and RMB1,382.2 million (US$217.6 million), respectively.

Hong Kong and Cayman Islands Tax

During the three years ended December 31, 2011 and the six months ended June 30, 2012, no provision for Hong Kong Profits Tax has been made. Based on the Cayman Islands' tax regulations, we are not subject to Cayman Islands income tax because we operate as an exempted company.

Non-controlling Interest

Our non-controlling interests mainly represents the 8.7% equity interest in Chongqing Longhu Development held by Chongqing Xuke.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of comprehensive income.

	For the year ended December 31,			For the Six Months Ended June 30,		
	2009	2010	2011	2011	2012	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Revenue	11,373,962	15,093,122	24,092,893	7,852,226	14,551,699	2,290,524
Cost of sales	(8,042,326)	(9,995,934)	(14,324,313)	(3,558,859)	(7,842,850)	(1,234,511)
Gross profit	3,331,636	5,097,188	9,768,580	4,293,367	6,708,849	1,056,013
Other income	421,188	91,531	168,934	52,470	80,711	12,704
Other gains and losses	13,990	34,652	106,653	65,410	(65,662)	(10,336)
Fair value gain upon transfer to investment properties	—	777,023	916,115	63,521	167,573	26,377
Change in fair value of investment properties	920,945	1,713,090	1,714,447	754,783	501,607	78,956
Selling and marketing costs	(314,119)	(327,880)	(642,736)	(200,206)	(219,277)	(34,516)
Administrative expenses	(421,099)	(433,488)	(709,148)	(199,534)	(293,557)	(46,208)
Finance costs	(27,499)	(66,677)	(202,141)	(73,954)	(40,897)	(6,437)
Share of results of jointly controlled entities	135,998	183,035	323,526	11,515	72,003	11,334
Profit before taxation	4,061,040	7,068,474	11,444,230	4,767,372	6,911,350	1,087,887
Income tax expense	(1,568,581)	(2,051,101)	(4,523,942)	(2,002,146)	(2,789,685)	(439,113)
Profit for the year and total comprehensive income for the year	2,492,459	5,017,373	6,920,288	2,765,226	4,121,665	648,774
Attributable to:						
Owners of the Company	2,209,207	4,130,155	6,327,560	2,523,942	3,810,157	599,741
Non-controlling interests	283,252	887,218	592,728	241,284	311,508	49,033
	2,492,459	5,017,373	6,920,288	2,765,226	4,121,665	648,774
Earnings per share in RMB cents						
Basic	53.5	80.2	123.0	49.0	73.9	11.63
Diluted	53.2	79.8	122.0	48.7	73.5	11.57

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Revenue

Our revenue increased by 85.3% to RMB14,551.7 million (US$2,290.5 million) in the six months ended June 30, 2012 from RMB7,852.2 million in the six months ended June 30, 2011, primarily due to an increase in revenue generated from property development.

- *Property Development.* In the six-month periods ended June 30, 2011 and 2012, revenue generated from property development accounted for 96.1% and 97.1%, respectively, of our total revenue. Revenue generated from property development increased by 87.2% to RMB14,132.7 million (US$2,224.6 million) in the six months ended June 30, 2012 from RMB7,549.8 million in the six months ended June 30, 2011, primarily due to an increase in contract sales in 2009 and 2010, which resulted in an increase in the amount we were able to recognize as revenue in the six months ended June 30, 2012 when these properties were delivered to the customers, as represented by an increase of 236.5% of recognized GFA sold in the six-month period ended June 30, 2012 form the six-month period ended June 30, 2011.

Our average realized selling prices per sq.m. for the properties delivered decreased by 20.9% to RMB12,587 in the six months ended June 30, 2012 from RMB15,904 in the six months ended June 30, 2011, primarily because we recognized as revenue a significant portion of the contract sales of Beijing Summer Palace Splendor, a luxury detached villa project with a total GFA of 97,008 sq.m. and an average selling price of approximately RMB60,000 per sq.m., in the six months ended June 30, 2011. This increase occurred while most of the projects from which we recognized revenue in the six months ended June 30, 2012 were primarily low-rise, high-rise projects that were sold at a relatively lower average selling price.

The following table sets forth revenue generated, recognized GFA sold, and average realized selling prices for each listed project in the six-month periods ended June 30, 2011 and 2012.

	Revenue		**Recognized GFA Sold**		**Average Realized Selling Price**	
	Six months ended June 30,		**Six months ended June 30,**		**Six months ended June 30,**	
Project	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
	(RMB in thousands)		**(sq.m.)**		**(RMB per sq.m.)**	
Beijing Chianti Riverside	—	2,515,233	—	205,527	—	12,238
Beijing Azure Chianti	—	2,263,727	—	108,407	—	20,882
Qingdao Rose and Ginkgo Coast	—	1,587,552	—	100,519	—	15,794
Chongqing U2	—	1,335,734	—	196,451	—	6,799
Hangzhou Rose and Ginkgo Villa	—	1,319,755	—	74,050	—	17,822
Changzhou Sunshine City	—	1,219,316	—	104,082	—	11,715
Chongqing Chunsen Land	917,323	761,747	120,171	74,066	7,633	10,285
Chongqing Toschna Villa	1,141,087	748,628	103,146	65,875	11,063	11,364
Shanghai Sunshine City	715,133	618,342	34,197	37,431	20,912	16,520
Chengdu North Paradise Walk	—	505,496	—	34,496	—	14,654
Beijing Summer Palace Splendor	4,030,074	303,992	64,818	8,623	62,175	35,254
Beijing Tangning One	—	253,853	—	8,357	—	30,376
Xi'an Fairy Castle	—	193,209	—	27,830	—	6,942
Chengdu Flamenco Spain	247,825	141,991	33,840	25,111	7,323	5,655
Chengdu Bridge County	63,045	137,194	4,482	12,164	14,066	11,279
Chongqing Peace Hill County	112,998	65,523	16,641	17,704	6,790	3,701
Chongqing Sunshine Riverside	82,007	30,312	18,543	5,645	4,423	5,370
Chengdu Jade Town	—	28,419	—	1,521	—	18,684
Wuxi Rose and Ginkgo Villa	—	21,375	—	1,606	—	13,309
Beijing Elegance Loft	33,522	18,427	7,217	3,979	4,645	4,631
Shanghai Rose and Ginkgo Villa	—	16,401	—	688	—	23,839
Others	206,765	46,425	71,665	8,710	2,885	5,330
Total	7,549,779	14,132,651	474,720	1,122,842	15,904	12,587

- *Property Investment*. In the six-month periods ended June 30, 2011 and 2012, revenue generated from property investment accounted for 2.1% and 1.6%, respectively, of our total revenue. Revenue generated from property investment increased by 34.8% to RMB226.7 million (US$35.7 million) in the six months ended June 30, 2012 from RMB168.2 million in the six months ended June 30, 2011. This increase was primarily due to the revenue growth of our two largest investment property projects, namely, Chongqing North Paradise Walk and Chongqing West Paradise Walk, resulting from a mix of a rental rate increase and a mild increase in occupancy rate and to a lesser extent, revenue growth from our Starry Street series and our MOCO series of investment properties.

- *Property management and related services*. In the six-month periods ended June 30, 2011 and 2012, revenue generated from property management and related services accounted for 1.7% and 1.3%, respectively, of our total revenue. Revenue generated from property management and related services increased by 43.3% to RMB192.3 million (US$30.3 million) in the six months ended June 30, 2012 from RMB134.2 million in the six months ended June 30, 2011, primarily due to the increase in the number of properties newly completed and delivered.

Cost of Sales

Cost of sales increased by 120.4% to RMB7,842.9 million (US$1,234.5 million) in the six months ended June 30, 2012 from RMB3,558.9 million in the six months ended June 30, 2011, primarily due to the increase in the amount of GFA we delivered.

Gross Profit

As a result of the foregoing factors, gross profit increased by 56.3% to RMB6,708.8 million (US$1,056.0 million) in the six months ended June 30, 2012 from RMB4,293.4 million in the six months ended June 30, 2011. Our gross profit margin decreased to 46.1% in the six months ended June 30, 2012 from 54.7% in the six months ended June 30, 2011, primarily due to Beijing Summer Palace Splendor, a high gross profit margin project, contributing to a higher percentage of our revenue in the six months ended June 30, 2011.

Other Income

Other income increased by 53.7% to RMB80.7 million (US$12.7 million) in the six months ended June 30, 2012 from RMB52.5 million in the six months ended June 30, 2011. This increase was primarily due to the increase in interest income resulting from a greater amount of our cash deposits.

Other Gains and Losses

Other gains and losses changed to a loss of RMB65.7 million (US$10.3 million) in the six months ended June 30, 2012 from a gain of RMB65.4 million in the six months ended June 30, 2011. The loss in the six months ended June 30, 2012 was primarily due to foreign exchange losses resulting from the depreciation of RMB against both HK$ and US$, in which most of our offshore borrowings were denominated.

Fair Value Gain upon Transfer to Investment Properties

Fair value gain upon transfer to investment properties was RMB167.6 million (US$26.4 million) in the six months ended June 30, 2012, as compared to RMB63.5 million in the six months ended June 30, 2011, primarily due to the commencement of construction of Beijing Changying Paradise Walk.

Change in Fair Value of Investment Properties

Change in fair value of investment properties decreased by 33.5% to RMB501.6 million (US$79.0 million) in the six months ended June 30, 2012 from RMB754.8 million in the six months ended June 30, 2011, primarily due to a slowdown in the growth of rental rates of our investment properties.

Selling and Marketing Expenses

Selling and marketing expenses increased by 9.5% to RMB219.3 million (US$34.5 million) in the six months ended June 30, 2012 from RMB200.2 million in the six months ended June 30, 2011, primarily due to our increased selling and marketing activities associated with a greater number of projects and business locations.

Administrative Expenses

Administrative expenses increased by 47.2% to RMB293.6 million (US$46.2 million) in the six months ended June 30, 2012 from RMB199.5 million in the six months ended June 30, 2011, primarily due to increases in both the average salary and the headcount of our employees.

Finance Costs

Finance costs decreased by 44.7% to RMB40.9 million (US$6.4 million) in the six months ended June 30, 2012 from RMB74.0 million in the six months ended June 30, 2011, primarily because a greater amount of our borrowings were used for project development, resulting in a larger amount of our interest expense on these borrowings being capitalized rather than being recognized as finance costs.

Share of Results of Jointly Controlled Entities

In the six months ended June 30, 2012, the share of results of jointly controlled entities increased by 525.3% to RMB72.0 million (US$11.3 million) in the six months ended June 30, 2012 from RMB11.5 million in the six months ended June 30, 2011, primarily due to the increase in revenue from two property development projects, namely, the Bamboo Grove project in Chongqing, which was jointly developed with Chongqing Longhu Land, and the Century Peak View project in Chengdu, which was jointly developed with Chengdu Huixin, Chengdu Jia'nan, Chengdu Jinghui, and Chengdu Tuocheng.

Profit Before Taxation

As a result of the foregoing, profit before taxation increased by 45.0% to RMB6,911.4 million (US$1,087.9 million) in the six months ended June 30, 2012 from RMB4,767.4 million in the six months ended June 30, 2011.

Income Tax Expense

Income tax expense increased by 39.3% to RMB2,789.7 million (US$439.1 million) in the six months ended June 30, 2012 from RMB2,002.1 million in the six months ended June 30, 2011. This increase occurred primarily because our profit before taxation increased, resulting in an increase in EIT as well as an increase in LAT, which was subject to a progressively higher LAT rate.

Profit for the Period

Profit for the six months ended June 30, 2012 increased by 49.1% to RMB4,121.7 million (US$648.8 million) in the six months ended June 30, 2012 from RMB2,765.2 million in the six months ended June 30, 2011, and profit margin decreased to 28.3% in the six months ended June 30, 2012 from 35.2% in the six months ended June 30, 2011, as a result of the cumulative effect of the foregoing factors.

2011 Compared to 2010

Revenue

Our revenue increased by 59.6% to RMB24,092.9 million in 2011 from RMB15,093.1 million in 2010, primarily due to an increase in revenue generated from property development.

- *Property Development*. In 2010 and 2011, revenue generated from property development accounted for 96.7% and 97.0%, respectively, of our total revenue. Revenue generated from property development increased by 60.1% to RMB23,376.0 million in 2011 from RMB14,596.7 million in 2010. This increase was primarily due to the increase in our contract sales in 2009 and 2010, which resulted in an increase in the amount we were able to recognize as revenue in 2011 when the contracted properties were delivered to the customers.

  Our average realized selling prices per sq.m. for the properties delivered increased 71.8% to RMB13,930 in 2011 from RMB8,109 in 2010. This increase occurred primarily because our average realized selling prices per sq.m. for the properties delivered increased by 71.8% to RMB13,930 in 2011 from RMB8,109 in 2010, primarily due to our revenue from Beijing Summer Palace Splendor which had a high average selling price.

The following table sets forth revenue generated, recognized GFA sold, and average realized selling prices for each listed project in 2010 and 2011.

	Revenue		Recognized GFA Sold		Average Realized Selling Price	
Project	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Beijing Tangning One	—	5,683,712	—	195,089	—	29,133
Beijing Summer Palace Splendor	1,077,389	4,414,414	19,791	68,594	54,438	64,356
Shanghai Sunshine City	1,249,760	1,918,888	53,711	112,419	23,268	17,069
Chengdu North Paradise Walk	—	1,656,169	—	186,405	—	8,885
Wuxi Rose and Ginkgo Villa	—	1,610,813	—	128,995	—	12,487
Chengdu Thousand Castles	2,097,694	1,132,421	246,982	141,763	8,493	7,988
Chongqing Mopan Shan	—	1,129,459	—	106,078	—	10,647
Chongqing Chunsen Land	118,981	990,938	15,840	140,586	7,511	7,049
Chongqing Toschna Villa	1,310,829	789,039	139,459	60,498	9,399	13,042
Chongqing Peace Hill County	940,795	730,878	167,447	118,406	5,618	6,172
Beijing Chianti Riverside	—	582,437	—	42,334	—	13,758
Chengdu Jade Town	—	458,495	—	19,549	—	23,453
Choqing Mu Yu Shi	—	415,517	—	46,336	—	8,967
Xi'an Fairy Castle	—	337,927	—	70,411	—	4,799
Shenyang Chianti	—	311,939	—	38,833	—	8,032
Chengdu Bridge County	1,538,050	272,448	133,146	17,385	11,552	15,671
Chengdu Flamenco Spain	388,787	270,411	68,951	37,111	5,639	7,287
Shenyang Rose & Ginkgo Villa	—	190,437	—	21,329	—	8,929
Chongqing Sunshine Riverside	1,043,367	164,363	159,419	26,614	6,545	6,176
Beijing Elegance Loft	2,121,082	64,874	468,480	13,939	4,528	4,654
Others	2,709,967	250,433	326,923	85,486	8,289	2,930
Total	14,596,701	23,376,012	1,800,149	1,678,160	8,109	13,930

- *Property Investment*. In 2010 and 2011, revenue generated from property investment accounted for 1.9% and 1.7%, respectively, of our total revenue. Revenue generated from property investment increased by 40.0% to RMB402.2 million in 2011 from RMB287.3 million in 2010. This increase was primarily due to the revenue growth of Chongqing North Paradise Walk and Chongqing West Paradise Walk and, to a lesser extent, the revenue growth of Chongqing MOCO Center and Chengdu Three Thousand Mall.

- *Property management and related services*. In 2010 and 2011, revenue generated from property management and related services accounted for 1.4% and 1.3%, respectively, of our total revenue. Revenue generated from property management and related services increased by 50.5% to RMB314.7 million in 2011 from RMB209.1 million in 2010, primarily due to the increase in service needs arising from properties newly completed and delivered in 2011.

Cost of Sales

Cost of sales increased by 43.3% to RMB14,324.3 million in 2011 from RMB9,995.9 million in 2010, primarily due to the increase in the amount of GFA delivered.

Gross Profit

As a result of the foregoing factors, gross profit increased by 91.6% to RMB9,768.6 million in 2011 from RMB5,097.2 million in 2010. Our gross profit margin increased to 40.5% in 2011 from 33.8% in 2010, primarily due to the high gross profit margin of our revenue from Beijing Summer Palace Splendor in 2011.

Other Income

Other income increased by 84.6% to RMB168.9 million in 2011 from RMB91.5 million in 2010. This increase was primarily due to the increase in interest income resulted from a greater amount of our cash deposits.

Other Gains and Losses

Other gains increased by 207.8% to RMB106.7 million in 2011 from RMB34.7 million in 2010, primarily due to the increase in foreign exchange gains, which resulted from an increased amount of borrowings denominated in US$ and HK$ as well as the appreciation of RMB against such currencies.

Fair Value Gain upon Transfer to Investment Properties

Fair value gain upon transfer to investment properties increased by 17.9% to RMB916.1 million in 2011 from RMB777.0 million in 2010, primary due to a greater number of projects that commenced construction in 2011 compared to 2010.

Change in Fair Value of Investment Properties

Change in fair value of investment properties increased by 0.1% to RMB1,714.4 million in 2011 from RMB1,713.1 million in 2010, primarily because the construction work on our investment properties progressed steadily in relation to the costs incurred.

Selling and Marketing Expenses

Selling and marketing expenses increased by 96.0% to RMB642.7 million in 2011 from RMB327.9 million in 2010, primarily due to the increase in our selling and marketing activities in connection with a greater number of projects and business locations, including the increase in promotional spending and a larger number of selling and marketing personnel.

Administrative Expenses

Administrative expenses increased by 63.6% to RMB709.1 million in 2011 from RMB433.5 million in 2010, primarily due to the increase in our employee headcount associated with the increase in the number of projects and business locations.

Finance Costs

Finance costs increased by 203.0% to RMB202.1 million in 2011 from RMB66.7 million in 2010 primarily due to the increase in our interest expense being recognized as finance costs instead of being capitalized as a significant portion of the borrowed funds we held in 2011 had not been used for project developments.

Share of Results of Jointly Controlled Entities

The share of results of jointly controlled entities increased by 76.8% to RMB323.5 million in 2011 from RMB183.0 million in 2010, primarily due to the increase in revenue from two property development projects, namely, the Bamboo Grove project in Chongqing, which was jointly developed with Chongqing Longhu Land, and the Century Peak View project in Chengdu, which was jointly developed with Chengdu Huixin, Chengdu Jia'nan, Chengdu Jinghui, and Chengdu Tuocheng.

Profit Before Taxation

As a result of the foregoing, profit before taxation increased by 61.9% to RMB11,444.2 million in 2011 from RMB7,068.5 million in 2010.

Income Tax Expense

Income tax expense increased by 120.6% to RMB4,523.9 million in 2011 from RMB2,051.1 million in 2010 primarily because our profit before taxation increased, resulting in an increase in EIT as well as an increase in LAT, which was subject to a progressively higher LAT rate.

Profit for the Year

Profit for the year increased by 37.9% to RMB6,920.3 million in 2011 from RMB5,017.4 million in 2010 and profit margin decreased to 28.7% in 2011 from 33.2% in 2010 as a result of the cumulative effect of the foregoing factors.

2010 Compared to 2009

Revenue

Our revenue increased by 32.7% to RMB15,093.1 million in 2010 from RMB11,374.0 million in 2009, primarily due to an increase in revenue generated from property development.

- *Property Development*. In 2009 and 2010, revenue generated from property development accounted for 97.0% and 96.7%, respectively, of our total revenue. Revenue generated from property development increased by 32.3% to RMB14,596.7 million in 2010 from RMB11,029.3 million in 2009, primarily due to an increase in the total recognized GFA sold. Our average realized selling prices per sq.m. for the properties delivered decreased 13.7% to RMB8,109 in 2010 from RMB9,400 in 2009, primarily due to the fact that we recognized revenue for Beijing Elegance Loft, a residential development project subject to size and price limits in accordance with affordable housing policies, in 2010.

The following table sets forth revenue generated, recognized GFA sold, and average realized selling prices for each listed for project in 2009 and 2010.

Project	Revenue		Recognized GFA Sold		Average Realized Selling Price	
	2009	2010	2009	2010	2009	2010
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Beijing Rose and Ginkgo Villa	2,848,099	—	107,708	—	26,443	—
Chongqing Three Thousand Lane	1,765,806	46,106	294,440	12,181	5,997	3,785
Beijing Chianti	1,588,681	—	147,033	—	10,805	—
Chongqing Sunshine Riverside	817,910	1,043,367	167,558	159,419	4,881	6,545
Xi'an Qujiang Glory	686,894	4,317	58,558	327	11,730	13,201
Chongqing Peace Hill County	683,675	940,795	77,578	167,447	8,813	5,618
Chengdu Bridge County	681,975	1,538,050	57,643	133,146	11,831	11,552
Chongqing Chunsen Land	648,525	118,981	85,660	15,840	7,571	7,511
Beijing Blossom Chianti	646,087	1,528,366	56,179	91,289	11,501	16,742
Chongqing Wisdom Town	457,715	370,973	73,834	71,286	6,199	7,980
Beijing Elegance Loft	—	2,121,082	—	468,480	—	4,528
Chengdu Three Thousand Castles	—	2,097,694	—	246,982	—	8,493
Chongqing Toschna Villa	—	1,310,829	—	139,459	—	9,399
Shanghai Sunshine City	—	1,249,760	—	53,711	—	23,268
Beijing Summer Palace Splendor	—	1,077,389	—	19,791	—	54,438
Chongqing MOCO Center	—	522,796	—	97,487	—	5,363
Chengdu Flamenco Spain	—	388,787	—	68,951	—	5,639
Others	203,943	237,410	47,194	54,353	4,321	4,368
Total	11,029,310	14,596,701	1,173,385	1,800,149	9,400	8,109

- *Property Investment*. In 2009 and 2010, revenue generated from property investment accounted for 1.7% and 1.9%, respectively, of our total revenue. Revenue generated from property investment increased by 45.1% to RMB287.3 million in 2010 from RMB198.0 million in 2009, primarily due to an increase in rental income from North Paradise Walk Mall as a result of improved tenant mix and the commencement of operation of MOCO Center and Three Thousand Mall in 2010.

- *Property management and related services*. In 2009 and 2010, revenue generated from property management and related services accounted for 1.3% and 1.4%, respectively, of our total revenue. Revenue generated from property management and related services increased by 42.5% to RMB209.1 million in 2010 from RMB146.7 million in 2009, primarily due to an increase in the number of properties under management.

Cost of Sales

Cost of sales increased by 24.3% to RMB9,995.9 million in 2010 from RMB8,042.3 million in 2009. This is because our average recognized land cost decreased in 2010 as we delivered more high-density properties.

Gross Profit

As a result of the foregoing factors, gross profit increased by 53.0% to RMB5,097.2 million in 2010 from RMB3,331.6 million in 2009. Our gross profit margin increased to 33.8% in 2010 from 29.3% in 2009.

Other Income

Other income decreased by 78.3% to RMB91.5 million in 2010 from RMB421.2 million in 2009. This decrease was primarily due to the fact that we had a non-recurring excess compensation received from a primary development project of approximately RMB306.0 million in 2009.

Other Gains and Losses

Other gains increased by 147.7% to RMB34.7 million in 2010 from RMB14.0 million in 2009, primarily due to the increase in our foreign exchange gains, which resulted from an increased amount of borrowings denominated in US$ and HK$ as well as the appreciation of RMB against such currencies.

Fair Value Gain upon Transfer to Investment Properties

Fair value gain upon transfer to investment properties was RMB777.0 million in 2010, as compared to nil in 2009, primary due to amendments to IFRS. Please see "— Certain Consolidated Statement of Comprehensive Income Item — Fair Value Gain upon Transfer to Investment Properties" for detailed explanation.

Change in Fair Value of Investment Properties

Change in fair value of investment properties increased by 86.0% to RMB1,713.1 million in 2010 from RMB920.9 million in 2009, primarily due to the appreciation in value of our investment properties. Please see "— Certain Consolidated Statement of Comprehensive Income Item — Change in Fair Value of Investment Properties" for detailed explanation.

Selling and Marketing Expenses

Selling and marketing expenses increased by 4.4% to RMB327.9 million in 2010 from RMB314.1 million in 2009, due to increased selling and marketing staff costs which was in turn offset by a decrease in promotional cost. Our selling and marketing expenses were relatively stable in 2010 compared to 2009 despite an 81.5% increase in contract sales, reflecting our effective cost control.

Administrative Expenses

Administrative expenses increased by 2.9% to RMB433.5 million in 2010 from RMB421.1 million in 2009, primarily due to an increase in headcount and salaries and benefits for our personnel largely offset by a decrease in other administrative expenses.

Finance Costs

Finance costs increased by 142.5% to RMB66.7 million in 2010 from RMB27.5 million in 2009 primarily due to the increase in working capital loans.

Share of Results of Jointly Controlled Entities

The share of results of jointly controlled entities increased by 34.6% to RMB183.0 million in 2010 from RMB136.0 million in 2009, primarily due to an increase in the profits of Shanghai Hengrui Real Estate Company Limited, the developer of the Shanghai Rose and Ginkgo Villa project, and Longhu Land Limited, the developer of the Chongqing Bamboo Grove project.

Profit Before Taxation

As a result of the foregoing, profit before taxation increased by 74.1% to RMB7,068.5 million in 2010 from RMB4,061.0 million in 2009.

Income Tax Expense

Income tax expense increased by 30.8% to RMB2,051.1 million in 2010 from RMB1,568.6 million in 2009 primarily due to increased PRC enterprise income tax and the LAT payable based on increased profits.

Profit for the Year

Profit for the year increased by 101.3% to RMB5,017.4 million in 2010 from RMB2,492.5 million in 2009 primarily due to an increase in gross profit margin, fair value gain upon transfer to investment properties, change in fair value of investment properties and effective control of operating expenses. Profit margin increased to 33.2% in 2010 from 21.9% in 2009 as a result of the cumulative effect of the foregoing factors.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our working capital, capital expenditures and other capital requirements primarily through internal funds, borrowings from banks, the issuance of the RMB Bonds, capital contributions from shareholders, proceeds raised from capital markets and proceeds from sales and presales of our developed properties.

Net Current Assets

As of June 30, 2012, we had net current assets of approximately RMB24,242.5 million (US$3,815.9 million), which increased from RMB18,193.8 million as of December 31, 2011, primarily due to the increase of cash on hand and properties under development. Our Group's current assets as of June 30, 2012 were comprised of properties under development for sales of RMB50,163.6 million (US$7,896.0 million), bank balances and cash of RMB17,047.4 million (US$2,683.4 million), accounts and other receivables, deposits and prepayments of RMB3,567.9 million (US$561.6 million), properties held for sale of RMB3,122.6 million (US$491.5 million), pledged bank deposits of RMB421.0 million (US$66.3 million), inventories of RMB794.4 million (US$125.0 million), taxation recoverable of RMB1,747.7 million (US$275.1 million) and amounts due from jointly controlled entities of RMB33.6 million (US$5.3 million).

As of June 30, 2012, our current liabilities comprised accounts payable, deposits received and accrued charges of RMB41,146.9 million (US$6,476.8 million), bank and other borrowings due within one year of RMB4,531.2 million (US$713.2 million), taxation payable of RMB6,588.3 million (US$1,037.0 million) and amounts due to jointly controlled entities of RMB389.3 million (US$61.3 million).

Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,		
	2009	2010	2011	2011	2012	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	US$'000
Net cash (used in) from operating activities	5,845,792	8,477,842	9,761,731	4,950,134	1,069,080	168,280
Net cash (used in) from investing activities	(5,378,880)	(12,090,666)	(10,773,939)	(7,275,608)	(1,565,168)	(246,367)
Net cash from (used in) financing activities	3,105,864	6,674,383	5,346,375	4,689,527	3,417,838	537,988
Net increase in cash and cash equivalents.	3,572,776	3,061,559	4,334,167	2,364,053	2,921,750	459,901
Cash and cash equivalents at the beginning of the year/period.	3,228,797	6,801,573	9,863,132	9,863,132	14,120,925	2,222,718
Cash and cash equivalents at the end of the year/ period	6,801,573	9,863,132	14,120,925	12,177,126	17,047,393	2,683,361

Cash Flows from Operating Activities

Our cash used in operations principally comprises amounts we invest in our properties under development. Our cash from operations is generated principally from the proceeds from sales of our properties, including pre-sales of properties under development.

For the six months ended June 30, 2012, we had net cash inflow from operating activities of RMB1,069.1 million (US$168.3 million), primarily due to profit before taxation of RMB6,911.4 million (US$1,087.9 million), partially offset by an increase in properties under development and properties held for sale of RMB2,219.4 million (US$349.3 million) and PRC income tax paid of RMB1,777.3 million (US$279.8 million).

In 2011, we had net cash inflow from operating activities of RMB9,761.7 million, primarily due to profit before taxation of RMB11,444.2 million, and an increase in properties under development and properties held for sale of RMB4,438.3 million, partially offset by an increase in accounts payable, deposits received and accrued charges of RMB9,074.7 million.

In 2010, we had net cash inflow from operating activities of RMB8,477.8 million, primarily due to profit before taxation of RMB7,068.5 million, and an increase in accounts payable, deposits received and accrued charges of RMB15,017.2 million, partially offset by an increase in properties under development and properties held for sale of RMB8,688.2 million.

In 2009, we had net cash inflow from operating activities of RMB5,845.8 million, primarily due to an increase in accounts payable, deposits received and accrued charges of RMB2,271.5 million.

Cash Flows from Investing Activities

For the six months ended June 30, 2012, we had net cash outflow from investing activities of RMB1,565.2 million (US$246.4 million), primarily due to additions to investment properties of RMB699.5 million (US$110.1 million) and deposits paid for acquisition of land use rights of RMB772.3 million (US$121.6 million).

In 2011, we had net cash outflow from investing activities of RMB10,773.9 million, primarily due to additions to the prepaid lease payments of RMB7,194.9 million, deposits paid for acquisition for land use rights of RMB2,155.4 million, and additions to investment properties of RMB1,665.3 million.

In 2010, we had net cash outflow from investing activities of RMB12,090.7 million, primarily due to additions to prepaid lease payments of RMB8,311.4 million and deposits paid for acquisition of land use rights of RMB3,447.9 million.

In 2009, we had net cash outflow from investing activities of RMB5,378.9 million, primarily due to additions to prepaid lease payments of RMB1,411.1 million, deposits paid for acquisition of land use rights of RMB3,212.8 million and acquisition of a jointly controlled entity of RMB1,037.0 million, partially offset by compensation received from primary development project of RMB1,100.0 million.

Cash Flows from Financing Activities

For the six months ended June 30, 2012, we had net cash inflow from financing activities of RMB3,417.8 million (US$538.0 million) primarily due to new bank loans and other loans raised in the amount of RMB8,254.2 million (US$1,299.3 million), partially offset by the repayment of bank loans and other loans of RMB2,631.8 million (US$414.3 million).

In 2011, we had net cash inflow from financing activities of RMB5,346.4 million primarily due to new bank loans and other borrowings raised in the amount of RMB9,371.5 million, partially offset by the repayment of bank loans and other loans of RMB7,354.0 million.

In 2010, we had net cash inflow from financing activities of RMB6,674.4 million, primarily due to an increase in new bank loans of RMB12,588.4 million, partially offset by repayment of bank loans of RMB5,031.4 million.

In 2009, we had net cash inflow from financing activities of RMB3,105.9 million, primarily due to net proceeds of RMB6,841.8 million received from issue of shares and new bank loans raised of RMB4,609.6 million, partially offset by repayment of bank loans of RMB9,250.1 million.

Capital Resources

Property developments require substantial capital investment for land acquisitions and construction and it may take many months or years before positive cash flows can be generated. We have funded our growth principally from internal funds, borrowings from banks, the issuance of the 2011 Notes, the issuance of the RMB Bonds, capital contributions from shareholders, proceeds from our IPO in 2009 and proceeds from sales and presales of our properties.

We intend to continue to fund our future development and debt servicing costs from existing financial resources and cash flows from operating activities. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt servicing requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt servicing, accounts payable and/or other liabilities when they become due and payable. See "Risk Factors — Risks Relating to Our Business — Our business is capital intensive and our business nature may expose us to unstable and unpredictable cash flow. We may not be able to obtain sufficient funding for our business expansion."

Restricted Cash

Our restricted cash consists of pledged bank deposits either to secure the banking facilities granted to us or restricted for mortgage sales of property. As of December 31, 2009, 2010 and 2011 and June 30, 2012, such deposits amounted to approximately RMB496.2 million, RMB499.4 million, RMB406.1 million and RMB421.0 million (US$66.3 million), respectively. The deposits had fixed interest rates of 0.36% per annum for 2009, 0.36% per annum for 2010, 0.50% per annum for 2011 and 0.35% per annum for the six months ended June 30, 2012.

Indebtedness

Bank Loans and Other Borrowings

At the close of business on December 31, 2011 and June 30, 2012, we had total bank loans and other borrowings (including the 2011 Notes) of RMB23,966.7 million and RMB29,648.9 million (US$4,666.9 million), respectively.

As of June 30, 2012, our bank borrowings were secured by certain investment properties, prepaid lease payments, properties under development, properties held for sale, and pledged bank deposits. See "— Liquidity and Capital Resources — Restricted Cash."

	As of December 31,			As of June 30,	
	2009	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000	US$'000
Bank loans, secured	5,810,000	7,614,700	9,199,252	14,456,778	2,275,583
Bank loans, unsecured	2,240,310	7,765,665	8,637,076	9,033,531	1,421,932
Other loan, secured	—	246,000	—	—	—
Other loan, unsecured	329,000	310,000	—	—	—
Bonds, secured	1,386,195	1,387,994	1,389,924	1,390,938	218,942
2011 Notes	—	—	4,740,473	4,767,662	750,458
Total bank loans and other borrowings	9,765,505	17,324,359	23,966,725	29,648,909	4,666,915

Our bank and other borrowings due within one year increased to RMB4,531.2 million (US$713.2 million) as of June 30, 2012 as compared to RMB3,580.4 million as of December 31, 2011. The following tables show the maturity of our bank loans and other borrowings (including the 2011 Notes) as of the dates indicated:

	As of December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within one year or on demand	3,710,200	2,859,870	3,580,372
More than one year, but not exceeding two years	1,868,750	4,567,603	6,205,534
More than two years, but not exceeding three years	2,800,360	7,221,174	6,194,002
More than three years, but not exceeding four years	—	957,718	1,396,420
More than four years, but not exceeding five years	—	—	6,230,397
Exceeding five years	1,386,195	1,717,994	360,000
Total	9,765,505	17,324,359	23,966,725

	As of June 30,	
	2012	2012
	RMB'000	US$'000
Within one year or on demand	4,531,168	713,233
Due after one year	20,350,079	3,203,224
2011 Notes	4,767,662	750,458
Total	29,648,909	4,666,915

On May 5, 2009, Chongqing Longhu Development issued bonds in an aggregate principal amount of RMB1.4 billion that are due in 2016. A portion of such bonds are listed and traded on the Shanghai Stock Exchange. The RMB Bonds have been secured by certain of our properties and land use rights. The proceeds from the issuance of the RMB Bonds were primarily used to finance our projects in Chongqing and Chengdu. For further details on the RMB Bonds, see "Description of Material Indebtedness and Other Obligations."

Interest rates for the bank loans are at fixed and variable rates. The fixed rate borrowings carry interest at market rates. The interest rates for the remaining borrowings are at variable rates based on the interest rates quoted by the People's Bank of China.

The following table shows our bank loans and other borrowings (including the 2011 Notes) by currency:

	As of December 31,			As of June 30,	
	2009	2010	2011	2012	2012
	RMB'000	RMB'000	RMB'000	RMB'000	US$'000
Denominated in RMB	8,691,295	14,666,684	15,546,732	20,519,734	3,229,928
Denominated in US$	—	—	4,740,473	4,767,662	750,458
Denominated in HK$	1,074,210	2,657,675	3,679,520	4,361,513	686,529
Total	9,765,505	17,324,359	23,966,725	29,648,909	4,666,915

As of June 30, 2012, we had total credit facilities of approximately RMB47 billion (US$7.4 billion) from a group of major PRC banks, including CCB, ABC and ICBC, among which approximately RMB33 billion (US$5.2 billion) were undrawn.

Except as disclosed in this document, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding at the close of business on June 30, 2012.

Contingent Liabilities

Our contingent liabilities comprise mortgage guarantees. We provided mortgage guarantees to PRC banks in respect of the mortgage loans provided by the PRC banks to purchasers of the properties we developed and sold. Our mortgage guarantees are issued from the dates of grant of the relevant mortgage loans and released upon the registration of the relevant mortgages in favor of the PRC banks.

The following table shows our total contingent liabilities as of the date indicated:

	As of December 31,			As of June 30,	
	2009	2010	2011	2012	2012
	RMB'000	RMB'000	RMB'000	RMB'000	US$'000
Mortgage guarantees	2,686,846	5,204,923	7,755,814	8,000,548	1,259,334
Total	2,686,846	5,204,923	7,755,814	8,000,548	1,259,334

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are not reflected in our consolidated financial statements. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Contractual Obligations

As of June 30, 2012, our contractual obligations in connection with our property development activities amounted to RMB13,884 million (US$2,185.4 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations as of June 30, 2012.

	As of June 30, 2012
	(RMB in thousands) Total
Other commitments contracted but not provided for in the consolidated financial statements:	
Expenditure in respect of properties under development	11,741,237
Expenditure in respect of acquisition of land use rights	2,143,152
Total	13,884,389

MARKET RISK

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. As a portion of our long-term indebtedness is under loan agreements with variable interest rates, any increase in interest rates will increase our cost of financing. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates would also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and net profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2009, 2010 and 2011 and June 30, 2012 were 5.31%, 5.81%, 6.56% and 6.31%, respectively. We cannot assure you that the PBOC will not further raise lending rates or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Foreign Exchange Rate Risk

We conduct our business primarily in Renminbi. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an appreciation of the Renminbi against the US dollar recently. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. An appreciation of the Renminbi, however, would adversely affect the value of proceeds we receive from the fund raising activity (if any) if they are not converted into Renminbi in a timely manner. Any appreciation or depreciation of the Renminbi against either of these currencies would affect the value of these assets and liabilities. We currently do not engage in hedging activities designed or intended to manage such currency risk.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We do not engage in any hedging activities. Purchasing costs of steel and cement are generally accounted for a part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contactors. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations.

Inflation and Deflation

According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately -0.7%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. As of the date of this document, we have not been materially affected by any inflation or deflation. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future. We cannot predict the impact that a sustained increase in inflation will have on our business, financial conditions, results of operations or prospects.

Equity Price Risk

We are exposed to equity price risks arising from equity investments. These equity investments are held for strategic rather than trading purposes, and we do not actively trade these investments.

NON-GAAP FINANCIAL MEASURES

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

- interest income/expense;
- amortization of intangible assets;
- non operating income/expense;
- income tax expense; and
- depreciation.

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

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

	Year ended December 31,			Six months ended June 30,		
	2009	2010	2011	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	US$'000
Profit before tax	4,061,040	7,068,474	11,444,230	4,767,372	6,911,350	1,087,887
Adjustment:						
Fair value (gains)/losses on investment properties	(920,945)	(1,713,090)	(1,714,447)	(754,783)	(501,607)	(78,956)
Fair value gain upon transfer to investment properties	—	(777,023)	(916,115)	(63,521)	(167,573)	(26,377)
Other income	(421,188)	(91,531)	(168,934)	(52,470)	(80,711)	(12,704)
Other gain and loss	(13,990)	(34,652)	(106,653)	(65,410)	65,662	10,336
Share of results of jointly controlled entities	(135,998)	(183,035)	(323,526)	(11,515)	(72,003)	(11,334)
Finance costs	27,499	66,677	202,141	73,954	40,897	6,437
Depreciation and Amortization	21,863	24,019	26,924	11,024	14,371	2,262
EBITDA	2,618,281	4,359,839	8,443,620	3,904,651	6,210,386	977,551

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year/period or as an indicator of operating performance or any other standard measure under IFRS. Our definition of EBITDA does not account for taxes and other nonoperating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

Unless otherwise specified, the information set forth in this section has been extracted, in part, from various official government publications. 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 inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC.

MACRO-ECONOMIC ENVIRONMENT IN THE PRC

The PRC economy has achieved substantial growth since the PRC government introduced economic reforms and adopted an open door policy in the late 1970s. Such growth was further accelerated by the country's accession to the World Trade Organization in 2001 as a result of increasing inflow of foreign investment across all sectors of the economy. Between 2007 and 2011, China's nominal Gross Domestic Product ("GDP") increased from approximately RMB26,581 billion in 2007 to approximately RMB47,288 billion in 2011.

The table below sets forth selected economic statistics of China for the years indicated.

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	26,581	31,405	34,093	40,153	47,288
Real GDP growth rate (%)	14.2	9.6	9.2	10.4	9.3
Per capita GDP (RMB)	20,169	23,708	25,608	30,015	35,083
Fixed asset investment (RMB billion) .	13,732	17,283	22,460	27,812	31,102

Source: National Bureau of Statistics of China

PRC PROPERTY MARKET OVERVIEW

Growth of the property market in the PRC

The favorable economic environment in the PRC has fueled the growth of the PRC property market. From 2007 to 2011, investment in real estate development in residential properties grew at a CAGR of 25.2%, increasing from RMB1,801.0 billion in 2007 to RMB4,430.8 billion in 2011. According to the National Bureau of Statistics, a total of approximately 970.3 million sq.m. of residential GFA was sold in 2011, representing a substantial increase as compared to the approximately 691.0 million sq.m. sold in 2007. During the same period, total GFA of commodity properties sold increased from approximately 761.9 million sq.m. to approximately 1,099.5 million sq.m.

Prices for real estate in the PRC also experienced remarkable growth between 2007 and 2011, with average selling prices of residential properties growing at a CAGR of 8.1% over the same period, increasing from RMB3,665 per sq.m. in 2007 to RMB5,011 per sq.m. in 2011. The average selling price of all commodity properties increased from RMB3,885 to RMB5,377 during the same period.

As a result of the above two factors, the PRC property industry witnessed significant growth in revenue from the sale of properties, with the total real estate sales revenue leaping from RMB2,960.4 billion in 2007 to RMB5,911.9 billion in 2011.

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

	2007	2008	2009	2010	2011
Real estate investment (RMB billion)	2,528.0	3,058.0	3,623.2	4,826.7	6,174.0
Total GFA of commodity properties sold (million sq.m.).	761.9	620.9	947.6	1,043.5	1,099.5
Total GFA of residential properties sold (million sq.m.)	691.0	558.9	861.9	930.5	970.3
Investment in real estate development in residential properties (RMB billion)	1,801.0	2,208.1	2,561.9	3,403.8	4,430.8
Average price of commodity properties (RMB per sq.m.).	3,885	3,877	4,695	5,029	5,377
Average price of residential properties (RMB per sq.m.)	3,665	3,655	4,474	4,724	5,011
Revenue from sales of properties (RMB billion)	2,960.4	2,407.1	4,399.5	5,247.9	5,911.9

Source: National Bureau of Statistics of China

Key drivers of the PRC property market

In addition to the strong sustainable growth of the PRC economy which has resulted in rising disposable income for the PRC population, rapid urbanization and certain real estate market reforms undertaken by the central government have been key contributors to the growing demand in the PRC property sector.

Urbanization

In recent years, the pace of urbanization in the PRC has been rapid. Urbanization rates rose from 45.9% in 2007 to 51.3% in 2011. Per capita disposable income of urban household also dramatically increased from RMB13,786 in 2007 to RMB21,810 in 2011. The China National Bureau of Statistics estimates that the PRC's urbanization rates will reach 50% by 2020 and 70% by 2050. Should these rates materialize, demand for urban properties is expected to rise further. The table below sets forth selected data relating to urbanization trends in the PRC for the years indicated:

	2007	2008	2009	2010	2011
Urban population (in millions)	606	624	645	670	691
Total population (in millions)	1,321	1,328	1,335	1,341	1,347
Urbanization rate (%)	45.9	47.0	48.3	49.9	51.3
Per capita disposable income of urban households (RMB)	13,786	15,781	17,175	19,109	21,810

Source: National Bureau of Statistics of China

Real estate market reforms and government policies (Request legal counsel's input)

Growth of the property market has been promoted and made possible by a series of reforms in the PRC real estate industry, which only commenced in the 1990s. Prior to the housing reform in 1998, real estate development in China was an integral part of the country's planned economy with the PRC government developing and supplying housing for its urban population under a welfare system. The state-allocated housing policy was abolished in 1998, creating a market-based system for property transactions. Individuals were subsequently encouraged to purchase their own properties with mortgage financing, hence bolstering the growth of the property market. At the same time, the PRC government controls policies affecting the development of the real estate market, such as those relating to land supply, land grant process, building code, mortgage interest rate, down payment rate, etc. Therefore, government regulations and policies play an important role in PRC's property market. For a discussion of key real estate reforms and changes in PRC government policies, see "Regulation." A brief timeline of key property reforms and government regulations and policies is set out below.

1988	The PRC government amended the national constitution to permit the transfer of state-owned land use rights.
1994	The PRC government further implemented property reform and established an employer/employee-funded housing fund.
1995	The PRC government issued regulations regarding the sales and presales of property, establishing a regulatory framework for property sales.
1998	The PRC government abolished its state-allocated housing policy.
1999	The PRC government extended its maximum mortgage term to 30 years.
	The PRC government increased its maximum mortgage financing from 70% to 80%.
	The PRC government formalized procedures for the sale of property in the secondary market.
2000	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality.
2001	The PRC government issued regulations relating to the sales of commodity properties.
2002	The PRC government promulgated the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale.
	The PRC government eliminated the dual system for domestic and overseas property buyers in China.

2003	The PRC government promulgated rules for more stringent administration of property loans with a view to reducing the credit and systemic risks associated with such loans. The State Council issued a notice for sustainable and healthy development of the property market.
2004	The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary standard residential houses), the proportion of capital funds should be increased from 20% to 35%. The Ministry of Construction ("MOC"), renamed as the Ministry of Housing and Urban-Rural Development ("MOHURD") in 2008, amended Administrative Measures on the Presale of Commercial Housing in Cities. CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk management of commercial banks on property loans.
2005	The PRC government instituted additional measures to discourage speculation in certain regional markets including increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed.
2006 to mid-2008. .	The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail rapid increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry. To further curtail speculation over development and rapid increases in property prices, the PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control financial institutions' property financings. Starting from June 1, 2006, transfer of residential properties by individuals within five years of purchase is subject to business tax based on the sales income.
Mid-2008 to third quarter of 2009 . . .	The PRC government implemented a number of measures to combat the global economic slowdown. These measures include the lowering of the PBOC benchmark bank lending rates, the internal capital ratio for property projects and the downpayment requirements for purchasing ordinary residential properties. From January 1, 2009 to December 31, 2009, transfer of non ordinary residential properties by individuals with two years of purchase is subject to business tax based on the sales income, while the business tax levied on the transfer of ordinary residential properties by individuals within two years of purchase is based on the difference between the sales income and the purchase price.
Fourth quarter of 2009	The PRC government adjusted some of its policies in order to enhance regulation in the property market, to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business tax payable upon transfers of residential properties.

2010	The PRC government issued a number of measures and policies to curtail the overheating of the property market. These measures and policies include increasing the down payment and the loan interest rates for properties purchased with mortgage loans, imposing more stringent requirements on the payment of land premiums, suspending grants of mortgage loans to nonresidents who cannot provide any proof of local tax or social insurance payment for more than one year, abolishing certain preferential tax treatment and limiting the number of residential properties one household can purchase in certain areas. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of LAT in order to enforce the settlement and collection of LAT, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans. Effective January 1, 2010, the tax regulations provide as follows: 1) if the transfer occurs within five years of purchase, transfer of non-ordinary residential properties is subject to business tax based on the sales proceeds, while transfer of ordinary residential properties is subject to business tax based on the difference between the original purchase price and the sales proceeds; and 2) if the transfer occurs after five years of purchase, transfer of non-ordinary residential properties is subject to business tax based on the difference between the original purchase price and the sales proceeds, while transfer of ordinary residential properties is exempted from business tax.
January 1, 2011 to Present.	The PRC government issued the notices to further regulate the property market, including raising minimum down payment for second house purchasers, abolishing the business tax preferential treatment on transfer of ordinary residential properties within five years, imposing more stringent fines on idle land, further limiting the number of residential properties one household can purchase. Effective January 27, 2011, transfer of ordinary residential properties within five years of purchase is subject to business tax based on the sales proceeds. In addition, on January 28, 2011, Shanghai and Chongqing commenced trials in levying property tax. As of November 1, 2011, 47 cities, including Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi'an, Changzhou, Shengyang and Dalian, have promulgated local measures to restrict housing purchases, as a step to implement the Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of Real Estate Market issued on January 26, 2011.

KEY REAL ESTATE MARKETS

While the first-tier cities including Beijing and Shanghai have attracted significant amounts of real estate investment from both homebuyers and investors, property markets in other areas of China have experienced remarkable growth as well. To fully capitalize on the tremendous real estate development and investment opportunities across the PRC, we have established a portfolio of projects in cities which are ranked among the top in China by their respective real estate investment amount. We originated in Chongqing. We currently focus on Western China, the Pan Bohai Rim, the Yangtze River Delta and Southern China, four regions that have growth potential.

WESTERN CHINA

CHONGQING

Overview

As a PRC government designated pilot reform city under the Western Development Plan, Chongqing is one of the most important economic hubs and transportation hubs of western China, and has witnessed a sharp increase in investors' interests. Chongqing is also the fourth self-administered municipality in China, after Beijing, Shanghai and Tianjin, covering an area of approximately 82,400 square kilometers. Chongqing had a permanent population of approximately 29.2 million at the end of 2011.

As a result of recent policy initiatives, the Chongqing economy has experienced a remarkable growth in the past five years. GDP increased from RMB467.6 billion in 2007 to RMB1,001.1 billion in 2011, representing a CAGR of approximately 21.0% over the same period. Per capita GDP grew from RMB16,629 in 2007 to RMB34,500 in 2011, representing a CAGR of approximately 20.0%. The table below sets forth selected data relating to economic development in Chongqing for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	467.6	579.4	653.0	792.6	1,001.1
Per capita GDP (RMB)	16,629	20,490	22,920	27,596	34,500
GDP growth rate (%)	15.9	14.5	14.9	17.1	16.4
Per capita disposable income of urban households (RMB)	12,591	14,368	15,749	17,532	20,250

Source: National Bureau of Statistics of China, Chongqing Statistical Yearbook, CEIC 2007-2011

Chongqing property market

In line with its positive economic sentiment and growing housing demand, Chongqing's real estate market experienced considerable growth in recent years. Average commodity property prices grew at a CAGR of approximately 14.8% from RMB2,723 per sq.m. in 2007 to RMB4,734 per sq.m. in 2011. Total GFA of residential properties sold increased from 33.1 million sq.m. in 2007 to 40.6 million sq.m. in 2011. The table below sets forth selected data relating to real estate development in Chongqing for the years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.)	22.5	23.7	29.1	26.3	34.2
Total GFA of commodity properties sold (million sq.m.)	35.5	28.7	40.0	43.1	45.3
Total GFA of residential properties sold (million sq.m.)	33.1	26.7	37.7	39.9	40.6
Average price of commodity properties (RMB per sq.m.)	2,723	2,785	3,442	4,281	4,734
Sales revenue of commodity properties (RMB billion)	96.7	80.0	137.8	184.7	214.6

Source: National Bureau of Statistics of China, Chongqing Statistical Yearbook, CEIC 2007-2011

CHENGDU

Overview

Chengdu is the provincial capital of the Sichuan Province and has emerged as an important manufacturing hub in southwest China following the entry of a number of large multinational companies. Covering an area of approximately 12,390 square kilometers, Chengdu's total permanent population was approximately 11.5 million at the end of 2010.

Having benefited from the PRC government's Western Development Plan, Chengdu has experienced substantial economic growth, with nominal GDP increasing at a CAGR of approximately 19.8% from RMB332.4 billion in 2007 to RMB685.5 billion in 2011. Per capita disposable income in Chengdu also grew significantly from RMB14,849 in 2007 to RMB23,932 in 2011, indicating the increasing purchase power of the Chengdu population. The table below sets forth selected data relating to economic development in Chengdu for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	332.4	390.1	450.3	555.1	685.5
Per capita GDP (RMB)	26,525	30,855	35,215	48,510	48,755
GDP growth rate (%)	15.3	12.1	14.7	15.0	15.2
Per capita disposable income of urban households (RMB)	14,849	15,580	17,589	19,920	23,932

Sources: National Bureau of Statistics of China, Sichuan Statistical Yearbook, Chengdu Statistical Communique, CEIC 2007-2011

Chengdu property market

Chengdu's property market has also experienced a robust upward trend in recent years. According to the National Bureau of Statistics, the average price of commodity properties grew at a CAGR of approximately 11.6% from RMB4,276 per sq.m. in 2007 to RMB5,937 per sq.m. in 2010 and residential GFA sold from 20.8 million sq.m. in 2007 to 23.2 million sq.m. in 2011. The table below sets forth selected data relating to real estate development in Chengdu for the years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.)	10.9	9.6	16.4	15.8	15.7
Total GFA of commodity properties sold (million sq.m.)	22.3	14.6	27.1	25.6	27.1
Total GFA of residential properties sold (million sq.m.)	20.8	13.6	25.5	22.9	23.2
Average price of commodity properties (RMB per sq.m.)	4,276	4,857	4,925	5,937	N/A
Sales revenue of commodity properties (RMB billion)	95.2	70.9	133.4	151.9	181.1

Sources: National Bureau of Statistics of China, Sichuan Statistical Yearbook, Chengdu Statistical Communique, CEIC 2007-2011

XI'AN

Overview

The capital of Shaanxi Province, Xi'an is a historical city and an important tourist destination as the home to China's terracotta warriors. It is the core political, economic and cultural center of northwest China and a significant high-tech manufacturing hub designated by the PRC government as one of five "China Outsourcing Bases." Xi'an covers an area of approximately 10,108 square kilometers and had a total permanent population of approximately 7.8 million at the end of 2010.

Xi'an has experienced rapid economic growth over the past few years. Nominal GDP more than doubled from RMB176.4 billion in 2007 to RMB386.4 billion in 2011, representing a CAGR of 21.7%. Per capita disposable income also increase from RMB12,662 to RMB21,239 over the same period.

The table below sets forth selected data relating to economic development in Xi'an for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	176.4	219.0	272.4	324.1	386.4
Per capita GDP (RMB)	21,339	26,259	32,411	38,341	N/A
GDP growth rate (%)	14.7	15.6	14.5	14.5	13.8
Per capita disposable income of urban households (RMB)	12,662	15,207	18,963	22,244	21,239

Sources: National Bureau of Statistics of China, Xi'an Statistical Yearbook, Xi'an Statistical Communique, CEIC 2007-2011

Xi'an property market

According to the National Bureau of Statistics, the average price of commodity properties grew from RMB3,379 per sq.m. in 2007 to RMB4,453 per sq.m. in 2010, representing a CAGR of 9.6%. Residential GFA sold more than doubled to 16.9 million sq.m. in 2011 from 7.8 million sq.m. in 2007, resulting in an unprecedented growth in property sales revenue. The table below sets forth selected data relating to real estate development in Xi'an for the years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.)	4.8	3.5	5.4	4.6	6.3
Total GFA of commodity properties sold (million sq.m.)	8.3	7.7	12.6	15.9	18.0
Total GFA of residential properties sold (million sq.m.)	7.8	7.2	12.0	15.2	16.9
Average price of commodity properties (RMB per sq.m.)	3,379	3,906	3,890	4,453	N/A
Sales revenue of commodity properties (RMB billion)	28.2	30.0	48.9	70.7	110.1

Sources: National Bureau of Statistics of China, Xi'an Statistical Yearbook, Xi'an Statistical Communique, CEIC 2007-2011

YUXI

Overview

Yuxi is a prefecture-level city in the Yunnan Province and is approximately 90 kilometers south of Kunming, the capital of Yunnan. The city covers an area of approximately 15,285 square kilometers and had a total permanent population of approximately 2.3 million in 2010.

Yuxi is one of the fastest growing small cities in China. In recent years its nominal GDP grew from RMB49.6 billion in 2007 to RMB87.7 billion in 2011, and its per capita GDP increased at a CAGR of 14.6% from RMB21,992 to RMB37,913 over the same period.

The table below sets forth selected data relating to economic development in Yuxi for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	49.6	59.6	64.4	73.6	87.7
Per capita GDP (RMB)	21,992	26,260	28,245	32,068	37,913
GDP growth rate (%)	13.2	13.0	11.8	12.8	12.1
Per capita disposable income of urban households (RMB)	11,193	13,264	14,741	16,471	18,527

Sources: National Bureau of Statistics of China, Yuxi Statistical Communique, CEIC 2007-2011

PAN BOHAI RIM

BEIJING

Overview

As the nation's capital, Beijing is a municipality that covers an area of approximately 16,808 square kilometers and had a total permanent population of approximately 19.6 million at the end of 2010.

Beijing's economy has developed significantly over the years. This is primarily due to robust growth of the national economy as well as the increasing inflow of foreign direct investment. From 2007 to 2011, Beijing's nominal GDP grew from RMB984.7 billion to RMB1,600.0 billion, representing a CAGR of approximately 12.9% over the same period. Per capita GDP also increased significantly from RMB61,274 in 2007 to RMB80,394 in 2011. Since August 2008, Beijing has further enhanced its international profile with the successful hosting of the Olympic Games as well as an improved environment and transportation system, which is anticipated to further attract direct investment and new demand for residential properties in the city.

The table below sets forth selected data relating to economic development in Beijing for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	984.7	1,111.5	1,215.3	1,411.4	1,600.0
Per capita GDP (RMB)	61,274	66,797	70,452	75,943	80,394
GDP growth rate (%)	14.5	9.1	10.2	10.3	8.1
Per capita disposable income of urban households (RMB)	21,989	24,725	26,738	29,073	32,903

Sources: National Bureau of Statistics of China, China Statistical Yearbook, Beijing Statistical Communique, CEIC 2007-2011

Beijing property market

Despite the series of austerity measures implemented by the PRC government to cool the real estate market, Beijing's property market has continued to attract investment in the recent years. The city's average selling price of commodity properties also rose significantly to RMB17,782 per sq.m. in 2010, representing a CAGR of 15.5% from RMB11,553 in 2007. The table below sets forth selected data relating to real estate development in Beijing for the years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.)	28.9	25.6	26.8	23.9	22.5
Total GFA of commodity properties sold (million sq.m.)	21.8	13.4	23.6	16.4	14.4
Total GFA of residential properties sold (million sq.m.)	17.3	10.3	18.8	12.0	10.3
Average price of commodity properties . (RMB per sq.m.)	11,553	12,418	13,799	17,782	N/A
Sales revenue of commodity properties (RMB billion)	251.5	165.8	326.0	291.5	242.6

Sources: National Bureau of Statistics of China, China Statistical Yearbook, Beijing Statistical Communique, CEIC 2007-2011

SHENYANG

Overview

As the capital city of Liaoning Province, Shenyang has long been the economic and industrial center of northeastern China. Covering an area of approximately 12,980 square kilometers, Shenyang's total permanent population was approximately 7.2 million at the end of 2010.

Benefiting from its strategic position in northeastern China, and the strategy of rejuvenating old industrial bases announced in the 11th Five-Year Plan, Shenyang has witnessed substantial economic growth with its nominal GDP growing from RMB322.1 billion in 2007 to RMB591.5 billion in 2011, representing a CAGR of approximately 16.4% over the same period. Per capita disposable income also grew from RMB14,607 in 2007 to RMB23,326 in 2011.

The table below sets forth selected data relating to economic development in Shenyang for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	322.1	386.0	426.9	501.8	591.5
Per capita GDP (RMB)	41,767	49,166	54,654	62,357	72,637
GDP growth rate (%)	22.8	16.3	14.1	14.1	12.3
Per capita disposable income of urban households (RMB)	14,607	17,013	18,475	20,541	23,326

Sources: National Bureau of Statistics of China, Liaoning Statistical Yearbook, Shenyang Statistical Communique, CEIC 2007-2011

Shenyang property market

In line with the city's substantial GDP growth, Shenyang's property prices have increased correspondingly, with the average price of commodity properties growing at a CAGR of approximately 13.5% from RMB3,699 per sq.m. in 2007 to RMB5,411 per sq.m. in 2010. Total GFA of residential properties sold increased from 13.6 million sq.m. in 2007 to 19.5 million sq.m. in 2011. The table below sets forth selected data relating to real estate development in Shenyang for the years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.)	12.9	12.9	12.9	13.9	20.2
Total GFA of commodity properties sold (million sq.m.)	14.6	14.7	15.3	17.5	21.8
Total GFA of residential properties sold (million sq.m.)	13.6	13.1	13.7	15.2	19.5
Average price of commodity properties (RMB per sq.m.)	3,699	4,127	4,464	5,411	N/A
Sales revenue of commodity properties (RMB billion)	54.1	60.5	68.4	94.5	128.2

Sources: National Bureau of Statistics of China, Liaoning Statistical Yearbook and Shenyang Statistical Communique 2007-2011

QINGDAO

Overview

Qingdao is one of the most important industrial, sea transportation and tourism centers in Shandong Province. In 2006, Qingdao was ranked one of six "golden cities" by the World Bank, out of 120 Chinese cities assessed, based on factors including investment climate and government effectiveness. Qingdao covers an area of approximately 10,654 square kilometers, and its total permanent population was approximately 7.7 million at the end of 2011.

Qingdao has witnessed substantial economic growth with its nominal GDP growing from RMB378.7 billion in 2007 to RMB661.6 billion in 2011, representing a CAGR of approximately 15.0% over the same period. Per capita disposable income also grew from RMB17,856 in 2007 to RMB28,567 in 2011.

The table below sets forth selected data relating to economic development in Qingdao for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	378.7	443.6	485.4	566.6	661.6
Per capita GDP (RMB)	45,399	52,677	57,251	65,812	75,546
GDP growth rate (%)	16.0	13.2	12.2	12.9	11.7
Per capita disposable income of urban households (RMB)	17,856	20,464	22,368	24,998	28,567

Sources: National Bureau of Statistics of China, Qingdao Statistical Yearbook, Qingdao Statistical Communique, CEIC 2007-2011

Qingdao property market

In line with the rapid economic growth, Qingdao's real estate market also grew significantly in recent years. Sales revenue of commodity properties increased at a CAGR of 15.5% from RMB43.3 billion in 2007 to RMB77.1 billion in 2011.

The table below sets forth selected data relating to real estate development in Qingdao for the years indicated:

	2007	2008	2009	2010	2011
Total GFA of commodity properties completed (million sq.m.)	6.4	6.6	8.1	10.2	9.1
Total GFA of commodity properties sold (million sq.m.)	8.3	7.7	12.6	13.6	10.3
Total GFA of residential properties sold (million sq.m.)	7.7	6.9	11.5	12.1	9.2
Average price of commodity properties (RMB per sq.m.)	5,201	5,094	5,576	6,576	N/A
Sales revenue of commodity properties (RMB billion)	43.3	39.2	70.4	89.5	77.1

Sources: National Bureau of Statistics of China, Qingdao Statistical Yearbook, Qingdao Statistical Communique, CEIC 2007-2011

DALIAN

Overview

Dalian is the second largest city in Liaoning Province and an important modern industrial and transportation center in northeastern China. According to a nationwide appraisal by the National Bureau of Statistics, Dalian ranks eighth among Chinese cities in terms of overall strength. The city covers an area of approximately 12,574 square kilometers and had a total permanent population of approximately 5.9 million at the end of 2010.

Dalian has achieved double-digit economic growth in the recent years with nominal GDP almost doubling from RMB313.1 billion in 2007 to RMB615.0 billion in 2011, and its per capita GDP increasing at a CAGR of 15.3% from RMB51,630 to RMB91,287 over the same period.

The table below sets forth selected data relating to economic development in Dalian for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	313.1	385.8	435.0	515.8	615.0
Per capita GDP (RMB)	51,630	63,198	70,781	77,704	91,287
GDP growth rate (%)	17.4	16.5	15.0	15.2	13.5
Per capita disposable income of urban households (RMB)	15,109	17,500	19,014	21,293	24,276

Sources: National Bureau of Statistics of China, Dalian Statistical Yearbook, Dalian Statistical Communique, 2007-2011

Dalian property market

Compared with the rapid economic growth, Dalian's real estate market grows relatively slow. Total GFA of residential properties sold increased from 7.8 million sq.m. in 2007 to 8.3 million sq.m. in 2011. Sales revenue of commodity properties increased at a CAGR of 12.3% from RMB46.1 billion in 2007 to RMB73.3 billion in 2011.

The table below sets forth selected data relating to real estate development in Dalian for the years indicated:

	2007	2008	2009	2010	2011
Total GFA of commodity properties completed (million sq.m.)	4.3	7.5	5.5	5.7	9.5
Total GFA of commodity properties sold (million sq.m.)	8.3	8.2	11.5	12.2	9.1
Total GFA of residential properties sold (million sq.m.)	7.8	7.7	10.9	11.3	8.3
Average price of commodity properties (RMB per sq.m.)	5,568	5,774	6,249	7,044	N/A
Sales revenue of commodity properties (RMB billion)	46.1	47.5	72.0	85.6	73.3

Sources: National Bureau of Statistics of China, Dalian Statistical Yearbook, Dalian Statistical Communique, 2007-2011

YANTAI

Overview

Yantai is a prefecture-level city in northeastern Shandong province. It is a robust economic center and the largest fishing seaport in Shandong. The city covers an area of approximately 13,740 square kilometers and had a total permanent population of approximately 6.5 million in 2011.

Yantai is one of the fastest growing small cities in China. In recent years its nominal GDP grew from RMB288.0 billion in 2007 to RMB490.7 billion in 2011, and its per capita GDP increased at a CAGR of 14.3% from RMB41,271 to RMB70,380 over the same period.

The table below sets forth selected data relating to economic development in Yantai for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	288.0	343.4	370.2	435.8	490.7
Per capita GDP (RMB)	41,271	49,012	52,683	62,254	70,380
GDP growth rate (%)	16.6	13.1	13.5	14.1	12.1
Per capita disposable income of urban households (RMB)	16,772	19,350	21,125	23,288	26,542

Sources: National Bureau of Statistics of China, Yantai Statistical Communique, CEIC 2007-2011

YANGTZE RIVER DELTA

SHANGHAI

Overview

Shanghai has long been established as one of the most important financial and trading centers of the PRC and the location of choice for a vast number of multinational corporations seeking to establish headquarters in China. The municipality covers an area of approximately 6,341 square kilometers and had a total permanent population of approximately 23.4 million in 2011.

The Shanghai economy has been growing rapidly since the 1990s. Shanghai's GDP increased from RMB1249.4 billion in 2007 to RMB1,919.6 billion in 2011, representing a CAGR of approximately 11.3%. Per capita GDP grew from RMB62,041 in 2007 to RMB82,560 in 2011, representing a CAGR of 7.4% over the same period. As the host of the World Expo in 2010, Shanghai is expected to continue to benefit from foreign investment, further strengthening its position as the leading economic and financial center of the nation.

The table below sets forth selected data relating to economic development in Shanghai for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	1249.4	1407.0	1504.6	1716.6	1919.6
Per capita GDP (RMB)	62,041	66,932	69,164	76,074	82,560
GDP growth rate (%)	15.2	9.7	8.2	10.3	8.2
Per capita disposable income of urban households (RMB)	23,623	26,675	28,838	31,838	36,230

Sources: National Bureau of Statistics of China, Shanghai Statistical Yearbook, CEIC 2007-2011

Shanghai property market

The Shanghai property market has been relatively stagnant over the past few years. However, Shanghai World Expo 2010 was a positive catalyst for the Shanghai property market due to related infrastructure improvements and revitalization of the expo venue.

According to the National Bureau of Statistics, 14.7 million sq.m. of residential properties were sold in Shanghai in 2011. The average selling price increased from RMB8,361 per sq.m. in 2007 to RMB14,503 per sq.m. in 2011, representing a CAGR of 14.8%. The table below sets forth selected data relating to real estate development in Shanghai for years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.)	33.8	24.8	21.0	19.4	22.4
Total GFA of commodity properties sold (million sq.m.)	36.9	23.0	33.7	20.6	17.7
Total GFA of residential properties sold (million sq.m.)	32.8	19.7	29.3	16.9	14.7
Average price of commodity properties (RMB per sq.m.)	8,361	8,195	12,840	14,400	14,503
Sales revenue of commodity properties (RMB billion)	308.9	189.5	433.0	298.1	256.9

Sources: National Bureau of Statistics of China, Shanghai Statistical Yearbook, CEIC 2007-2011

WUXI

Overview

Wuxi is a historical commercial center and the second largest economy in Jiangsu Province in terms of GDP, one of the most prosperous regions in China. It covers an area of approximately 4,788 square kilometers and had a total permanent population of approximately 4.7 million at the end of 2011.

Propelled by its private economy and foreign investment, Wuxi has achieved robust economic growth with nominal GDP increasing at a CAGR of approximately 15.4% from RMB388.0 billion in 2007 to RMB688.0 billion in 2011, and its per capita GDP reached RMB107,437 in 2011.

The table below sets forth selected data relating to economic development in Wuxi for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	388.0	446.1	499.2	579.3	688.0
Per capita GDP (RMB)	65,570	73,733	81,146	92,167	107,437
GDP growth rate (%)	15.3	12.4	11.6	13.2	11.6
Per capita disposable income of urban households (RMB)	20,898	23,263	25,027	27,750	31,638

Sources: National Bureau of Statistics of China, Jiangsu Statistical Yearbook, Wuxi Statistical Communique, CEIC 2007-2011

Wuxi property market

In line with the city's substantial growth in per capita GDP, Wuxi's real estate market experienced significant growth in recent years. The average commodity property price grew from RMB4,573 per sq.m. from 2007 to RMB7,764 per sq.m. in 2011, representing a CAGR of 19.3%, and sales revenue of commodity properties increased to RMB81.1 billion in 2010 from RMB35.1 billion in 2007.

The table below sets forth selected data relating to real estate development in Wuxi for the years indicated:

	2007	2008	2009	2010	2011
Total GFA of commodity properties completed (million sq.m.)	6.1	7.1	6.8	10.0	8.1
Total GFA of commodity properties sold (million sq.m.)	7.7	5.4	11.1	10.5	6.6
Average price of commodity properties (RMB per sq.m.).	4,573	5,375	5,997	7,764	N/A
Sales revenue of commodity properties (RMB billion).	35.1	28.9	66.6	81.1	N/A

Sources: National Bureau of Statistics of China, Jiangsu Statistical Yearbook, Wuxi Statistical Communique, CEIC 2007-2011

CHANGZHOU

Overview

Situated in the center of the Yangtze River Delta, Changzhou is an important modern manufacturing base in the region, forming a metropolitan region with Suzhou and Wuxi. The city covers an area of approximately 4,385 square kilometers and had a total permanent population of approximately 3.6 million at the end of 2011.

Changzhou has achieved double-digit economic growth in the recent years with nominal GDP increasing from RMB191.4 billion in 2007 to RMB358.1 billion in 2011, and its per capita GDP increasing at a CAGR of 14.9% from RMB44,452 to RMB77,485 over the same period.

The table below sets forth selected data relating to economic development in Changzhou for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	191.4	226.6	252.0	304.5	358.1
Per capita GDP (RMB)	44,452	51,746	56,890	67,327	77,485
GDP growth rate (%)	15.6	12.4	11.7	13.1	12.2
Per capita disposable income of urban households (RMB)	19,089	21,234	23,392	25,875	29,559

Sources: National Bureau of Statistics of China, Changzhou Statistical Yearbook, Changzhou Statistical Communique 2007-2011

Changzhou property market

In line with the rapid economic growth, the average price of commodity properties in Changzhou grew from RMB3,944 per sq.m in 2007 to RMB6,041 per sq.m. in 2010, and sales revenue of commodity properties increased from RMB22.9 billion to RMB55.3 billion over the same period, representing a CAGR of 34.3%.

The table below sets forth selected data relating to real estate development in Changzhou for the years indicated:

	2007	2008	2009	2010	2011
Total GFA of commodity properties sold (million sq.m.)	5.8	5.0	9.2	9.2	6.6
Total GFA of residential properties sold (million sq.m.)	5.1	4.3	8.0	7.8	5.4
Average price of commodity properties (RMB per sq.m.)	3,944	4,363	4,831	6,041	N/A
Sales revenue of commodity properties (RMB billion)	22.9	22.0	44.6	55.3	N/A

Sources: National Bureau of Statistics of China, Changzhou Statistical Yearbook, Changzhou Statistical Communique, 2007-2011

HANGZHOU

Overview

As the capital of Zhejiang Province, Hangzhou has long been an economic and industrial center of eastern China. Covering an area of approximately 16,596 square kilometers, Hangzhou's total permanent population was approximately 7.0 million in 2011.

Benefiting from its strategic position in eastern China, Hangzhou has witnessed substantial economic growth with its nominal GDP growing from RMB410.0 billion in 2007 to RMB701.9 billion in 2011, representing a CAGR of approximately 14.4% over the same period. Per capita GDP also grew from RMB52,590 in 2007 to RMB80,395 in 2011.

The table below sets forth selected data relating to economic development in Hangzhou for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	410.0	478.1	508.8	594.9	701.9
Per capita GDP (RMB)	52,590	60,414	63,333	69,828	80,395
GDP growth rate (%)	14.6	11.0	10.0	12.0	10.1
Per capita disposable income of urban households (RMB)	21,689	23,534	26,171	30,035	32,434

Sources: National Bureau of Statistics of China, Hangzhou Statistical Yearbook, Hangzhou Statistical Communique, CEIC 2007-2011

Hangzhou property market

Compared with the rapid economic growth, the property market in Hangzhou has been relatively stagnant over the past few years. According to the National Bureau of Statistics, 6.8 million sq.m. of residential properties were sold in Hangzhou in 2011. The average selling price increased from RMB7,616 per sq.m. in 2007 to RMB14,133 per sq.m. in 2010, representing a CAGR of 22.9%.

The table below sets forth selected data relating to real estate development in Hangzhou for the years indicated:

	2007	2008	2009	2010	2011
Total GFA of commodity properties completed (million sq.m.)	7.7	8.9	7.6	11.0	11.3
Total GFA of commodity properties sold (million sq.m.)	11.5	7.8	14.6	9.9	7.3
Total GFA of residential properties sold (million sq.m.)	10.4	6.8	13.1	8.0	6.8
Average price of commodity properties (RMB per sq.m.)	7,616	8,409	10,555	14,133	N/A

Sources: National Bureau of Statistics of China, Hangzhou Statistical Yearbook, Hangzhou Statistical Communique, CEIC 2007-2011

NINGBO

Overview

Located in the northeast of Zhejiang Province, Ningbo is an import seaport city and exporting center. Covering an area of approximately 9,816 square kilometers, Ningbo's total permanent population was approximately 5.8 million in 2011.

Benefiting from its strategic position in east China, Ningbo has witnessed substantial economic growth with its nominal GDP growing from RMB343.5 billion in 2007 to RMB605.9 billion in 2011, representing a CAGR of approximately 15.2%. Over the same period, per capita disposable income also grew from RMB22,307 in 2007 to RMB34,321 in 2011.

The table below sets forth selected data relating to economic development in Ningbo for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	343.5	396.4	432.9	516.3	605.9
Per capita GDP (RMB)	66,067	69,997	60,720	69,368	N/A
GDP growth rate (%)	14.9	10.1	8.9	12.5	10.0
Per capita disposable income of urban households (RMB)	22,307	25,196	27,237	30,166	34,321

Sources: National Bureau of Statistics of China, Zhejiang Statistical Yearbook, Ningbo Statistical Communique, CEIC 2007-2011

Ningbo property market

According to the National Bureau of Statistics, the average price of commodity properties grew from RMB6,251 per sq.m in 2007 to RMB11,224 per sq.m. in 2010, representing a CAGR of 21.5%. Sales revenue of commodity properties also increases from RMB50.3 billion in 2007 to RMB58.1 billion in 2011.

The table below sets forth selected data relating to real estate development in Ningbo for the years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.) . . .	N/A	7.8	6.7	6.4	8.8
Total GFA of commodity properties sold (million sq.m.)	8.0	4.5	8.2	6.9	5.3
Total GFA of residential properties sold (million sq.m.)	6.6	3.6	6.5	5.0	4.4
Average price of commodity properties (RMB per sq.m.).	6,251	7,224	8,992	11,224	N/A
Sales revenue of commodity properties (RMB billion)	50.3	32.4	73.3	77.5	58.1

Sources: National Bureau of Statistics of China, Zhejiang Statistical Yearbook, Ningbo Statistical Communique, CEIC 2007-2011

SOUTHERN CHINA

XIAMEN

Overview

Xiamen is the second largest city in Fujian province next to the capital Fuzhou. As one of the five earliest special economic zones, Xiamen benefits from foreign investments. The city covers an area of approximately 1,575 square kilometers and had a total permanent population of approximately 1.9 million in 2011.

Xiamen has achieved double-digit economic growth in the recent years with nominal GDP increasing from RMB138.8 billion in 2007 to RMB253.9 billion in 2011, representing a CAGR of 16.3%. Its per capita GDP also increased RMB56,188 to RMB70,734 over the same period.

The table below sets forth selected data relating to economic development in Xiamen for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	138.8	156.0	173.7	206.0	253.9
Per capita GDP (RMB)	56,188	62,651	68,938	58,337	70,734
GDP growth rate (%)	16.6	11.1	8.0	15.1	15.1
Per capita disposable income of urban households (RMB)	21,503	23,948	26,131	29,253	33,565

Sources: National Bureau of Statistics of China, Fujian Statistical Yearbook, Xiamen Statistical Communique, CEIC 2007-2011

Xiamen property market

According to the National Bureau of Statistics, 2.6 million sq.m.of residential properties were sold in 2011. The average selling price increased from RMB8,250 per sq.m. in 2007 to RMB8,883 per sq.m. in 2011.The table below sets forth selected data relating to real estate development in Xiamen for years indicated:

	2007	2008	2009	2010	2011
Total GFA completed (million sq.m.)	N/A	6.2	7.1	6.8	6.1
Total GFA of commodity properties sold (million sq.m.)	5.0	3.9	5.3	4.3	4.4
Total GFA of residential properties sold (million sq.m.)	3.7	1.5	4.0	2.4	2.6
Average price of commodity properties (RMB per sq.m.)	8,250	5,256	7,951	8,883	N/A
Sales revenue of commodity properties (RMB billion)	41.1	20.5	42.1	37.9	44.8

Sources: National Bureau of Statistics of China, Fujian Statistical Yearbook, Xiamen Statistical Communique, CEIC 2007-2011

QUANZHOU

Overview

Quanzhou is a prefecture-level city in southern Fujian province. As of 2010, Quanzhou is the 12th largest Chinese extended metropolitan area. The city covers an area of approximately 11,245 square kilometers and had a total permanent population of approximately 6.9 million in 2011.

Quanzhou's GDP ranks first in Fujian Province for 20 years. In recent years its nominal GDP grew from RMB228.4 billion in 2007 to RMB427.1 billion in 2011, and its per capita GDP increased at a CAGR of 15.3% from RMB29,601 to RMB52,245 over the same period.

The table below sets forth selected data relating to economic development in Quanzhou for the years indicated:

	2007	2008	2009	2010	2011
Nominal GDP (RMB billion)	228.4	270.5	307.0	356.5	427.1
Per capita GDP (RMB)	29,601	34,840	39,227	44,563	52,245
GDP growth rate (%)	15.9	14.1	12.5	12.8	13.5
Per capita disposable income of urban households (RMB)	18,097	20,420	22,913	25,155	28,703

Sources: National Bureau of Statistics of China, Fujian Statistical Yearbook, Quanzhou Statistical Communique, CEIC 2007-2011

Retail Property Market in China

The rapid urbanization and growth of disposable income in China has benefited the retail sector, which has experienced strong growth in recent years. As China's population becomes more affluent, its retail habits are shifting from spending on necessities towards discretionary spending. As a result, demand for retail spaces such as convenience stores, supermarkets and shopping malls has been growing quickly. This also presents a great opportunity for the PRC's retail property market.

OVERVIEW

We are a national leader in China's real estate market engaged in property development, investment and management across the country with strong presence in Western China, the Pan Bohai Rim and the Yangtze River Delta, and a growing presence in Southern China. For the six months ended June 30, 2012, we ranked eighth among all PRC real estate developers with contract sales of RMB17.5 billion (US$2.8 billion)*. As of June 30, 2012, we had 69 projects in 15 different cities under development or planning with a total land bank of approximately 35.0 million sq.m. in GFA. We have a wide product spectrum and a broad customer base. We offer residences for the mass market, the middle class and the affluent, and our residential property development projects cover a wide range of middle- to high-end products, including high-rise apartment buildings, low-rise garden apartments, townhouses and luxury stand-alone houses. We have also built various middle- to large-scale shopping malls and other investment properties. Our aim is to become one of the most respected and trusted national market leaders in the property industry in China.

Our business originated in Chongqing, the largest and most populous municipality in Western China, in 1994. Under our "Multiple Products, Selected Regional Focus and Compounding Profit" strategy, we first expanded our business into the Pan Bohai Rim, the Yangtze River Delta and then Southern China. In 2005, we established our presence in Beijing, China's capital and the top-tier city of the Pan Bohai Rim. In 2007, we expanded into Shanghai, the top-tier city of the Yangtze River Delta. In 2012, we expanded into Xiamen, one of the most populous cities in Southern China. Within each of these geographical regions, we have strategically aimed to initially capture the region's top-tier city, which we believe to be of strategic significance to establish our national presence, and then leveraged our success in that city to expand into the next-tier cities. In Western China, leveraging our success in Chongqing, we subsequently expanded into Chengdu in 2005, Xi'an in 2007 and Yuxi in 2010. In the Pan Bohai Rim, we entered into Shenyang and Qingdao in 2009, as well as Dalian and Yantai in 2010. In the Yangtze River Delta, we expanded our presence to Wuxi, Changzhou and Hangzhou in 2009 and Ningbo in 2011. We chose Xiamen, one of the most populous cities in Southern China, to expand our presence into the region in 2012.

We have established strong market positions in our strategically focused regions. We are the market leader in Chongqing and ranked first in terms of both contract sales and GFA sold from 2005 to 2011 and through the six months ended June 30, 2012*. We are also a leading player in Chengdu, the capital city of Sichuan province, the most populous province in Western China. In Chengdu, we ranked eighth in terms of contract sales in the six months ended June 30, 2012*. In the Beijing residential property market, we ranked third in terms of contract sales in 2011*. We also achieved considerable success in various other regions across China. We ranked first in Yantai, second in Changzhou, sixth in Qingdao, sixth in Xi'an, eighth in Wuxi and tenth in Hangzhou, respectively, in terms of contract sales for the six months ended June 30, 2012*.

In 2009, 2010 and 2011 and the six months ended June 30, 2012, we entered into sales contracts for our property development projects (including those undertaken by our jointly controlled entities) with an aggregate contract value of approximately RMB18.4 billion, RMB33.3 billion, RMB38.3 billion and RMB17.5 billion (US$2.8 billion), respectively. We believe that our strategic geographic expansion from Western China to the Pan Bohai Rim, the Yangtze River Delta and Southern China, together with organic growth of our business in cities in which we have already established a presence, have contributed to our overall growth in contract sales and reduced the geographic concentration of our business. As a percentage of our total contract sales, our contract sales from Western China decreased from 53.6% in 2009 to 51.7% in the six months ended June 30, 2012, and our contract sales from the Pan Bohai Rim decreased from 33.2% to

* Source: CRIC

25.1% during the same period, while contract sales from the Yangtze River Delta increased from 13.2% to 23.2% during the same period. Our revenue from property investment increased from RMB198.0 million in 2009 to RMB402.2 million in 2011 at a CAGR of 42.5% and increased by 34.8% from RMB168.2 million in the six months ended June 30, 2011 to RMB226.7 million (US$35.7 million) in the same period in 2012.

Depending on the construction and development stage, we categorize the GFA of both types of projects into three groups: completed GFA remaining unsold, GFA under development, and GFA under planning. For investment properties, completed GFA remaining unsold means the entire GFA of the investment properties as we continue to own them after completion of construction. Our GFA under development and GFA under planning constitute our land bank.

As of June 30, 2012, we had total completed GFA remaining unsold of 1,173,489 sq.m. from 29 projects, of which 19 were development properties and 10 were investment properties. As of the same date, our total GFA under development or planning was 35,028,973, covering 69 projects, of which 58 were development properties and 11 were investment properties. For further information regarding the GFA breakdown of our portfolio of projects under various stages of development, see "Business — Our Business — Overview of Our Land Bank and Our Completed Projects."

Our land bank includes GFA under development and GFA under planning. The following table summarizes our land bank by city as of June 30, 2012:

CITIES	Completed GFA Remaining Unsold	GFA Under Development	GFA Under Planning
	(sq.m.)	(sq.m.)	(sq.m.)
Western China			
Chongqing	819,273	3,171,047	3,319,453
Chengdu	264,002	2,088,323	1,917,293
Xi'an	501	1,016,432	1,371,761
Yuxi	—	—	821,619
Subtotal	*1,083,776*	*6,275,802*	*7,430,126*
Pan Bohai Rim			
Beijing	13,160	971,681	546,685
Yantai	—	533,538	7,166,528
Dalian	—	—	669,724
Shenyang	33,579	522,694	2,590,937
Qingdao	2,517	519,949	549,186
Subtotal	*49,256*	*2,547,862*	*11,523,060*
Yangtze River Delta			
Shanghai	24,146	375,998	290,800
Wuxi	1,031	367,698	862,622
Changzhou	1,106	1,108,383	1,150,714
Hangzhou	14,175	577,941	963,392
Ningbo	—	495,171	529,675
Subtotal	*40,458*	*2,925,191*	*3,797,203*
Southern China			
Xiamen	—	—	529,730
Subtotal	*—*	*—*	*529,730*
Total GFA	**1,173,489**	**11,748,854**	**23,280,119**

We believe we enjoy brand and product recognition among certain regulators (such as those mentioned below), customers and suppliers. Over the past decade, we have received a multitude of recognition and awards, including the following:

- In 2012, we were named "Most Valuable Public Company in the Real Estate Industry in China" (中國最具價值地產上市企業) jointly by Bo'ao Forum Real Estate Committee and The Guandian Real Estate New Media. We were also named one of "The Best 50 Public Companies in Asia Pacific" by Forbes Magazine in 2012;

- In 2011, we were included in the top-ten lists for "The Best Real Estate Companies in China" (中國房地產開發企業10強) and "The Most Stable Real Estate Companies in China," (中國房地產開發企業穩健經營10強) both jointly issued by The Real Estate Association of China, The Real Estate Research Committee of China and the Real Estate Evaluation Center of China;

- In 2010, our North Paradise Walk project in Chongqing was named "Best Landlord" in 2010 (together with CR Land's Shenzhen Mixc City and Hang Lung Properties' Shanghai Grand Gateway) by the China Shopping Center Development Association of Mall China (中國購物中心產業資訊中心和中購聯中國購物中心);

- For the years in which we were surveyed (2003, 2005, 2006 and 2009), we were consistently ranked number one in the "National Residential Customers' Satisfaction Survey" (全國住宅用戶滿意度調查), a survey conducted by the China Association for Quality (中國質量協會). For instance, in 2006, we scored 92.3 points in user satisfaction and 89.5 points in customer loyalty, out of a total of 100 points, the highest among more than 20 property companies surveyed;

- In 2009, our King Land project in Chengdu was awarded the Gold Prize of the "Zhan Tianyou Prize for Excellent Residential Project Areas 2009" by the China Civil Engineering Society (2009中國土木工程詹天佑獎優秀住宅小區金獎);

- In 2008, our "Longhu" (龍湖) brand name was accredited by the State Administration for Industry and Commerce as a "Well-known Trademark in China" (中國馳名商標);

- In 2007, our Crystal Town project in Chongqing was granted the "China Construction Project Luban Prize" (中國建築工程魯班獎), a prize given in recognition of the highest quality of construction work, by the Ministry of Construction and the Architecture Association of China (中國建築業協會);

- In 2007, we were recognized as one of the "Top 500 in 2006 China Enterprise Information" (2006年度中國企業信息化500強) by the National Information Evaluation Center of the China Electronic Commerce Association (CECA國家信息化測評中心) (one of the only two real estate companies in China winning such recognition); and

- In 2004, our Chunsen Land project in Chongqing won the "Next LA Citation Award" by the American Institute of Architects, Los Angeles in connection with its design.

Aside from our contract sales, we have access to diversified funding channels, thereby enabling us to increase liquidity and optimize our financing capabilities. Within the PRC, we have formed relationships with major domestic banks including ABC, CCB and ICBC. As of June 30, 2012, we had total credit facilities of approximately RMB47 billion (US$7.4 billion) from a group of major PRC banks including CCB, ABC and ICBC, among which approximately RMB33 billion (US$5.2 billion) were undrawn. In May 2009, our RMB1.4 billion corporate bond was listed on the Shanghai Stock Exchange, which was the only such issuance approved by the NDRC for non-State Owned Enterprise PRC real estate developers. We also have funding sources outside of China. Prior to our IPO in Hong Kong in 2009, we obtained a HK$2.52 billion term loan provided by various banking institutions and affiliates of real estate developers to pay up capital contributions to certain of our subsidiaries and as general working capital for our offshore subsidiaries. We fully repaid this term loan prior to our IPO in 2009. We completed a successful IPO in Hong Kong in November 2009 despite difficult market conditions at that time. Listing on the Hong Kong Stock Exchange provided us with a ready source of financing through public market fundraising. In April 2010, we obtained a HK$2.15 billion four-year syndicated loan on an unsecured basis from a number of international and domestic banking institutions in Hong Kong. In March 2011, we obtained HK$1.20 billion four-year club loan in Hong Kong from three banks. On April 7, 2011, we issued the 2011 Notes in an aggregate principal amount of US$750 million. In April 2012, we obtained a three-year syndicated loan of HK$2.43 billion in Hong Kong from nine banks.

OUR STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

We are a national leader in the PRC real estate market with strong presence in Western China, the Pan Bohai Rim and the Yangtze River Delta, and a growing presence in Southern China.

We are a national leader in the PRC real estate market. As of June 30, 2012, we had a total land bank of approximately 35.0 million sq.m. of GFA in 15 different cities across Western China, the Pan Bohai Rim, the Yangtze River Delta and Southern China. From 2005 to 2011, the amount of our contract sales grew from RMB3.5 billion to RMB38.3 billion at a CAGR of 49%.

We have succeeded in expanding our business from Western China into the Pan Bohai Rim, the Yangtze River Delta and Southern China, and have established a strong presence in all of our strategic regions except Southern China, a region we recently expanded into in June 2012. We established our presence in the PRC capital city of Beijing, the top-tier city of the Pan Bohai Rim, in 2005; in Shanghai, the top-tier city of the Yangtze River Delta, in 2007; and in Xiamen, one of the most populous cities of Southern China, in 2012. Within each of these geographic regions, we have adopted the strategy of initially capturing the top-tier city of that region and then leveraging our success in that city to expand into the next-tier cities. As a result, we have established a strong presence in each of Western China, the Pan Bohai Rim and the Yangtze River Delta. We believe that our presence in Southern China will continue to grow.

Western China. Our business originated in Chongqing in 1994, and following our success in Chongqing, we subsequently expanded into Chengdu in 2005, Xi'an in 2007 and Yuxi in 2010. We are the market leader in Chongqing, the largest and most populous municipality in Western China as well as in China. We ranked first in terms of both contract sales and GFA sold from 2005 to 2011 and through the six months ended June 30, 2012 in Chongqing[*]. We are also a leading player in the residential property market of Chengdu, the capital of Sichuan province, the most populous province in Western China. In Chengdu, we ranked eighth in terms of contract sales in the six months ended June 30, 2012[*]. In Xi'an, we ranked sixth in terms of contract sales in the six months ended June 30, 2012[*].

Pan Bohai Rim. We entered Beijing in 2005 and expanded into Shenyang and Qingdao in 2009 and Dalian and Yantai in 2010. Our products in this region have also been well-received by our customers. In the Beijing residential property market, we ranked third in terms of annual contract sales in 2011[*]. In Qingdao, our contract sales ranked sixth in the six months ended June 30, 2012[*]. We were also ranked first in terms of contract sales in Yantai in 2011 and the six months ended June 30, 2012[*].

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* Source: CRIC

Yangtze River Delta. We entered Shanghai in 2007, and expanded into Wuxi, Changzhou and Hangzhou in 2009. We achieved considerable success in Changzhou and Wuxi in the first year we launched pre-sales in those markets, and we continued to maintain our leading positions, ranking second, eighth and tenth, in Changzhou, Wuxi and Hangzhou, respectively, in terms of contract sales in the six months ended June 30, 2012*. Our projects, Wuxi Rose and Ginkgo Villa (Taike Yuan), Changzhou Chianti (Qing Long Project), and Hangzhou Rose and Ginkgo Villa (Xia Sha Project) received overwhelming market responses upon their respective launches in May, October and November 2010, with approximately 96%, 100% and 93% of the offered units subscribed for on the first day of pre-sales at premium pricing, generating approximately RMB1.9 billion, RMB1.3 billion and RMB1.2 billion of contract sales in 2010, respectively.

Southern China. Consistent with our expansion strategy, we expanded into Southern China by launching our first project, Jimei Guankou Project, in Xiamen, one of the most populous cities in Southern China, in 2012.

We believe that our track record of successful expansion in Western China, the Pan Bohai Rim, the Yangtze River Delta and Southern China, and our established nationwide presence will enable us to continue expanding our business into other regions of the PRC.

We deliver a wide spectrum of quality products through our proprietary product design bank and quick-turnover execution capabilities.

We have extensive experience in developing a wide range of properties including high-rise and low-rise apartment buildings, low-rise garden apartments, townhouses and luxury stand-alone villas. We offer residences to a broad customer base including the mass market, the middle class and the affluent segments. Apart from residential properties, we also develop and own investment properties and have expertise in operating shopping malls of various sizes and targeting different populations, including metropolitan shopping centers, community shopping centers or lifestyle shopping centers.

Our wide spectrum of quality products allows us to access a wide range of customers from different age groups and income brackets. This would not only diversify our target customer base but also increase our chance of securing demand for upgrades from our existing customers since we can offer them choices of higher-end properties as their purchasing power improves. Our multi-series product offerings based on modular product designs, combined with our quick turnover and quality work, have helped us replicate our success in various cities, achieve sales growth and brand building. Our diversified product portfolio also puts us in a better position to mitigate market risks in the PRC.

Over the years, we have developed a proprietary product design bank encompassing various structural layout modules, such as the quasi-detached villa, the courtyard-townhouse and the duplex apartment, and property styles, such as the Toscana, the Contemporary Chinese, the Mediterranean and the British styles. These innovative modular product designs are stored in our R&D management system and can be quickly fine-tuned, matched and combined to suit the tastes of customers in a broad range of markets. For example, our vertical split-level garden apartments, which were awarded a design patent in the PRC, feature low density and high construction quality in a compact layout. We have also incorporated contemporary Chinese architectural designs into our Wisdom Town project, British architectural designs into our Peace Hill County project and Mediterranean architectural designs into our Shanghai Rose and Ginkgo Villa project. We believe our projects have been well received in the market and we believe this illustrates the quality and versatility of our proprietary product design bank.

Our standardized development process and project execution capabilities enable us to generate cash inflow quickly and achieve positive cash flow soon after land acquisitions. Our 2011

* Source: CRIC

contract sales assets turnover rate, which is defined as contract sales divided by the average of the year's beginning and ending total assets, was 45.3%. For our typical project development, construction starts approximately three months after land acquisition and pre-sales occur approximately nine months after land acquisition. We typically reach cash break-even 12 months after land acquisition. This quick turnover strategy ensures a healthy cash flow during a development cycle. For example, one of our projects, Beijing Chianti, started pre-sales seven months after land acquisition and we achieved cash break-even nine months after land acquisition.

We have built a well-known premium brand supported by our quality product offerings and well-regarded property management services, as evidenced by our loyal customer base and superior pricing power.

We have maintained high standards across different product lines and have earned strong market recognition as well as various professional and governmental accreditations. In 2008, our "Longhu" (龍湖) brand name was accredited by the State Administration for Industry and Commerce as a "Well-known Trademark in China" (中國馳名商標). In 2009, our King Land project in Chengdu was awarded the Gold Prize of the "Zhan Tianyou Prize for Excellent Residential Project Areas 2009" by the China Civil Engineering Society (2009 中國土木工程詹天佑獎優秀住宅小區金獎). Some other projects that have won awards nationally and locally include the Crystal Town project for the mass market segment and the Fragrant Forest and the Blue Lake County projects for the luxury segment. In 2010, we, as the owner of North Paradise Walk in Chongqing, were awarded the "Best Landlord" among only three recipients in the PRC, by the China Shopping Center Development Association of Mall China (中國購物中心產業資訊中心和中購聯中國購物中心).

Sound property management, we believe, enhances customer satisfaction and preserves the investment value of our properties. We ranked number one in all four years (2003, 2005, 2006 and 2009) in which we were selected to participate in the "National Residential Customers' Satisfaction Survey" (全國住宅用戶滿意度調查) conducted by the China Association for Quality (中國質量協會). We believe our property management division has helped to differentiate and promote our brand name. Chongqing Xinlonghu is accredited as a Grade I Quality Property Management Enterprise (一級資質物業管理企業) as assessed by the Ministry of Construction in 2005. In March 2008, we were recognized as one of the "Top 10 Brand Names of Property Management Industry in China" (中國物業行業十大品牌) by People's Daily and China High-Tech Industrialization Association. In November 2008, we were recognized as one of the "Top 10 Excellent Property Management Enterprises with High Quality of Services of the Year" (2008中國優秀物業服務企業服務質量 Top 10) by China Real Estate Top 10 Research Group (中國房地產Top 10研究組).

Our brand premium is evidenced by our loyal customer base and superior pricing power. In a 2010 survey conducted by FG Consulting Co., Ltd. (北京賽惟諮詢有限公司), our customer satisfaction rate was 89%, customer referral rate was 82% and our repeated customer rate was 24%, all of which reflects our customers' satisfaction with our products and services and their loyalty to us. The success of our "Longfor" (龍湖) brand is also evidenced by our ability to command premium pricing for our property projects. For example, although Beijing Rose and Ginkgo Villa, our townhouse project, was priced at a higher average selling price than most luxury stand-alone villas (which generally command higher prices than townhouses) in the same district, the project still generated overwhelming market demand, with approximately 95% of the offered units subscribed for on the first day of pre-sales in 2007. As another example, although Wuxi Rose and Ginkgo Villa was priced at an average selling price, or ASP, higher than the market ASP of similar products, the project still generated overwhelming market demand, with approximately 96% of the offered units subscribed for on the first day of pre-sales in 2010.

We have a well-diversified and quality land bank across China to ensure our healthy growth.

Our land bank is well diversified across Western China, the Pan Bohai Rim, the Yangtze River Delta and Southern China, ensuring a well-balanced development presence. As of June 30, 2012, we had approximately 35.0 million sq.m. of quality land bank with approximately 40.2% in the Pan Bohai Rim, 39.1% in Western China, 19.2% in the Yangtze River Delta and 1.5% in Southern China. Approximately 6.2% of our land bank is located in top-tier cities including Beijing and Shanghai, 62.8% in second-tier cities including Chongqing, Chengdu, Xi'an, Wuxi, Hangzhou, Ningbo, Qingdao, Shenyang, Dalian and Xiamen and 31.0% in third-tier cities including Changzhou, Yantai and Yuxi. We target to assign approximately 15% of our land bank for commercial real estate developments with the remaining portion approximately equally distributed between high-density and low-density residential developments.

We have a low land cost relative to ASP. In the six months ended June 30, 2012, our contract sales ASP was RMB9,424 per sq.m. and our average land cost was RMB1,879 per sq.m., accounting for approximately 19.9% of our ASP. Given this low ratio, we can dedicate more capital and resources to building quality products and increasing our profit margin, ultimately delivering more value to both our customers and shareholders and consequently further strengthening our brand name. Our low land cost can also provide us with a better cushion against industry down cycles. In terms of location selection, we strategically purchase our land bank in cities where there is significant economic growth potential and that have planned new urban development, in order to capitalize on key future transportation infrastructure and landmarks and ensure premium pricing going forward.

We have continued to broaden our funding sources and maintained strong liquidity.

Aside from fundings from our contract sales, we have access to diversified funding channels as our business grows, thereby increasing liquidity and optimizing our financing capabilities.

Within the PRC, we have formed relationships with major domestic banks including ABC, CCB and ICBC. We have been given an AAA rating by CCB and an AAA+ rating ABC. As of June 30, 2012, we had total credit facilities of approximately RMB47 billion (US$7.4 billion) from a group of major PRC banks, including CCB, ABC and ICBC, among which approximately RMB33 billion (US$5.2 billion) were undrawn. In May 2009, our RMB1.4 billion corporate bond was listed on the Shanghai Stock Exchange, the only non-State Owned Enterprise PRC developer approved by the NDRC.

We also have funding sources outside of China. We completed a successful IPO in Hong Kong in November 2009 despite difficult market conditions at that time. Listing on the Hong Kong Stock Exchange provided us a ready source of financing through future public market fund raising. In April 2010, we obtained a HK$2.15 billion four-year syndicated loan on an unsecured basis from a number of international and domestic banking institutions in Hong Kong. In March 2011, we obtained HK$1.20 billion four-year club loan in Hong Kong from three banks. We issued the 2011 Notes in an aggregate principal amount of US$750 million. In April 2012, we obtained a three-year syndicated loan of HK$2.43 billion in Hong Kong from nine international banks.

Our cash and debt profile indicators also improved in recent years. Our average debt maturity was 4.0 years as of June 30, 2012. Our unsecured debt as a percentage of our total debts has increased from 26.3% in 2009 to 46.5% in the six months ended June 30, 2012. Our unrestricted ending cash balances in 2009, 2010, 2011 and the six months ended June 30, 2012 were RMB6,801.6 million, RMB9,863.1 million, RMB14,120.9 million and RMB17,047.4 million (US$2,683.4 million), respectively.

We have an efficient operation enabled by our decentralized decision-making structure, outstanding workforce and robust information technology system.

We have an efficient operation enabled by our decentralized decision-making structure, outstanding workforce and robust information technology system.

We are a national real estate development company with a decentralized, two-level decision-making structure. Our two-level structure, namely, the headquarters and the city-level management, is flat and nimble. Our headquarters delegate substantial power to the city-level management in making project-specific and city-specific operational decisions while retaining company-wide decision-making authority. We believe the decentralized decision-making structure is critical given the localized nature of the property business and the distinctive cultures in different regions of China. This structure also enables our senior management to be promptly informed of market developments and contributes crucially to our quick execution.

Pursuant to our human resources strategy, we recruit our managers with an emphasis on entrepreneurial spirit and our general staff on a service-oriented attitude. Emphasizing on-the-job training, we evaluate our employees comprehensively and provide them with career opportunities. We strive to cultivate a "One Longfor" corporate culture of commitment and discipline across the entire company. We emphasize passion and dedication and downplay title and status. We encourage collaboration and discourage bureaucracy. Our employees are driven by their passion for excellence and at the same time are highly disciplined and methodical. Our result-driven remuneration policy provides competitive total compensation (base salary, bonus and stock options). As of June 30, 2012, our employees had been collectively awarded approximately 5.91% of our Company through our stock award and stock options program.

Our information technology system is also key to our success. We have an integrated company-wide information technology system that allows us to maintain a high degree of intra-group transparency, which in turn enhances our internal control and helps institutionalize our best practices. This enables us to monitor the overall consistency of our operations while delegating more decision-making authority to our local subsidiaries. Since 1999, we have systematically invested in information technology to make our processes and product know-how easy to use and convenient to share. For example, our OA system enables us to assess our IT platform via the Internet or wireless cell phones at any time and anywhere as long as connectivity can be established. Our OA system comprises expandable modules which include office automation, knowledge management, cost management, project planning, human resources, and customer relationship management. In addition, we implemented business intelligence systems. Employees can, among other things, access the latest sales information, approve contracts, make payment instructions, share work experience, check the cost status and progress of each project, read company policies and regulations and handle administrative procedures such as filing expenses claims on a real-time basis. In 2007, we were recognized as one of the "Top 500 in 2006 China Enterprise Information" (2006年度中國企業信息化500強) by the National Informatization Evaluation Center of the China Electronic Commerce Association (CECA國家信息化測評中心) (one of the only two real estate companies in China winning such recognition).

OUR STRATEGY

We have adopted a "Multiple Products, Selected Regional Focus and Compounding Profit" strategy under which we focus initially on cultivating the capability to develop multiple types of properties in cities where we already operate and then expand selectively into other PRC regions that are expected to have a large inflow of population and, in particular, locations where higher income people prefer to reside. We aim to become a market leader in every regional market we enter into by establishing a business presence in a wide range of market segments. We believe that once we have a sizable market share in the targeted regional markets, we can maximize our bargaining power with suppliers and customers, attract more talented employees and be more effective in liasing with local government authorities. We seek to integrate residential and commercial developments to maximize synergy and we gradually roll out investment properties to achieve stable income growth. We believe our strategy will be effective in stabilizing our growth and exploiting the long-term growth of the PRC property market. We will continue to execute this strategy based on the following priorities.

Further implement our region-by-region growth strategy.

We have established a presence in 15 cities in four strategic regions of the PRC: Western China, the Pan Bohai Rim, the Yangtze River Delta and Southern China. We will continue to increase our presence in these regions. We plan to continue to consolidate our leadership position in Western China by maintaining our market leadership in Chongqing, increasing our market share in Chengdu, reinforcing our presence in Xi'an and Yuxi. In the Pan Bohai Rim, we intend to capitalize on our existing market position and further expand in Beijing. We have also succeeded in penetrating the Qingdao market. By leveraging our success and resources in Beijing and Qingdao, we plan to increase our presence in Shenyang and develop more projects in Dalian, Yantai and Shenyang. Furthermore, we intend to increase the number of projects in and around the Yangtze River Delta, including further expansion in the Wuxi, Changzhou, Hangzhou and Ningbo markets, and enlarge our Shanghai management team to support such growth. Within each of the Pan Bohai Rim, the Yangtze River Delta and Southern China regions, we will continue to explore opportunities in other cities as well.

We will also continue to explore business opportunities in other regions of the PRC. We are constantly monitoring the PRC real estate market and looking for the next strategic expansion target. Once we make a decision to enter into a new region, we will continue to follow our strategy of first capturing the key cities in that region and then leveraging our success in the key cities to gradually expand into lower-tier cities within that region.

Prudently expand our investment property portfolio.

Expanding our investment property portfolio is one of our key strategic focuses. As of June 30, 2012, we owned ten completed investment properties in Beijing, Chongqing and Chengdu, all of which we held for investment purposes. We have accumulated nine years of operational experience in managing investment properties since 2003. One of our key retail assets, the North Paradise Walk Mall (北城天街購物廣場), is regarded as a landmark mall in Chongqing. In 2010, we, as the owner of the North Paradise Walk Mall in Chongqing, were awarded the "Best Landlord," one of only three recipients in the PRC, by the China Shopping Center Development Association of Mall China. The investment properties we operate typically have high occupancy rates and generate steady rental income. Our revenue from property investment increased from RMB198.0 million in 2009 to RMB402.2 million in 2011 at a CAGR of 42.5% and increased by 34.8% from RMB168.2 million in the six months ended June 30, 2011 to RMB226.7 million (US$35.7 million) in the same period in 2012.

We will focus on developing mixed-use properties by conducting strategic land acquisitions. We will select locations for such developments near key transportation hubs and aim to transform such locations into new business districts. We believe land value in such locations is also likely to appreciate in value over time. Furthermore, by adopting a mixed-use project development strategy, we aim to take advantage of the stable and quality customer base at our residential projects that are usually near transportation hubs. We also plan to develop and operate an additional 10 mid- to large-scale shopping centers with a total expected GFA approximately 2.1 million sq.m. by the end of 2018.

We believe our investment properties portfolio will diversify our revenue sources and improve our revenue stability, which will reduce our exposure to volatility within any particular property segment.

Maintain our short development cycle to further strengthen our cash flow.

Our property development cycle is short. For our typical project, construction starts three months after land acquisition and pre-sales occur nine months after land acquisition. Coupled with our low land acquisition cost, we typically achieve positive cash flow within 12 months after land acquisition, which improves our liquidity position and helps us mitigate the adverse effects of market volatility.

We seek to maintain our short development cycle and fast turnover and continue to boost our operational efficiency. We believe that this strategy will continue to improve our cash flow, optimize our liquidity position and financing profile.

In addition, prevailing PRC government policies discourage the hoarding of excess land by, among other means, repossessing idle and vacant land and enhancing administration on LAT on the part of the government. Therefore, we believe maintaining a short development cycle helps us mitigate against such regulatory risks.

Further strengthen our well-recognized brand by providing value to our customers through innovative design.

We will continue to reinforce our premium brand image by providing value to our customers. Apart from continuing to provide quality products and premium property management, we will focus on maximizing the use of space to increase customer value through creative architectural planning and innovative product design. For example, we have introduced the "sky townhouse" in the Sunshine Riverside project in Chongqing and the "quasi-detached house" in our Beijing Chianti project. These products are designed to provide our customers a more comfortable living environment and better use of space compared to traditional architectural designs with a similar plot ratio.

Continue to align the interest of our management with shareholders and cultivate leadership and entrepreneurship qualities among our senior management team.

We will further increase our employees' ownership of our Company to further align our employees' interests with our shareholders.

We believe that apart from possessing professional skills, a senior management team with leadership and entrepreneurial qualities is a key for us to remain competitive in the long term and forms the basis on which we can formulate our management succession plan. We will continue to emphasize such qualities in our recruitment policy and offer appropriate internal and external trainings on a regular basis.

RECENT DEVELOPMENTS

On July 13, 2012, we acquired a parcel of land in Chengyang District, which is north-east of Qingdao, for total consideration of RMB475 million (US$74.8 million). The total site area is 210,500 sq.m. and the planned total GFA is 302,700 sq.m. The land is planned for residential/commercial mixed use.

On July 14, 2012, we acquired a parcel of land in Jinjiang, Quanzhou, which is centrally located and adjacent to the largest park in Quanzhou, for total consideration of RMB2,624 million (US$413.0 million). The total site area is 461,400 sq.m. and the planned total GFA is 1,220,000 sq.m. The land is planned for construction of a large residential and commercial community.

On July 26, 2012, we succeeded in our bid for a parcel of land in Dalian, situated in the core of Dalian Zhongshan District and next to a subway station, for total consideration of RMB1,652 million (US$260.0 million). The total site area is 62,800 sq.m. and the planned total GFA is 188,400 sq.m. The land is planned for high-end residential and commercial use.

On August 8, 2012, we succeeded in our bids for two parcels of land in Chongqing, situated in the core district of Liangjiang New District of Chongqing and next to a subway station, for total consideration of RMB4,220 million (US$664.3 million). The total site area is 879,000 sq.m. and the planned total GFA is 1,985,000 sq.m. The land is planned for low-density residential/commercial mixed use.

On August 22, 2012, we succeeded in our bid for the Dongjiu New Town project in Yixing, Jiangsu for total consideration of RMB1,257 million (US$197.9 million). The total site area is 309,000 sq.m. and the planned total GFA is 312,000 sq.m. The land is planned for high-end residential use.

On August 27, 2012, we acquired a parcel of land in Xidong, Wuxi for total consideration of RMB400 million (US$63.0 million). The total site area is 123,900 sq.m. and the planned total GFA is 148,700 sq.m. The land is planned for construction of medium- to high-end residential properties.

On August 27, 2012, we acquired a parcel of land in Binjiang District, Hangzhou for total consideration of RMB2,352 million (US$370.2 million). The total site area is 77,300 sq.m. and the planned total GFA is 247,500 sq.m. The land is planned for medium- to high-end high-rise residential buildings.

On September 6, 2012, we succeeded in our bid for a parcel of land in Tiexi District, Shenyang for consideration of RMB474 million (US$74.6 million). The total site area is 81,000 sq.m. and the planned total GFA is 171,000 sq.m.

On September 18, 2012, we conducted a placing of our existing shares and top-up subscriptions of our new shares to raise HK$3,088.8 million (US$398.2 million) in gross proceeds.

On September 26, 2012, we succeeded in our bid for a parcel of land in Chaoyang District, Beijing for total consideration of RMB1,470 million (US$231.4 million). The total site area is 66,300 sq.m. and the planned total GFA is 72,900 sq.m. The land is planned for low-density residential use.

OUR BUSINESS

Overview of Our Projects

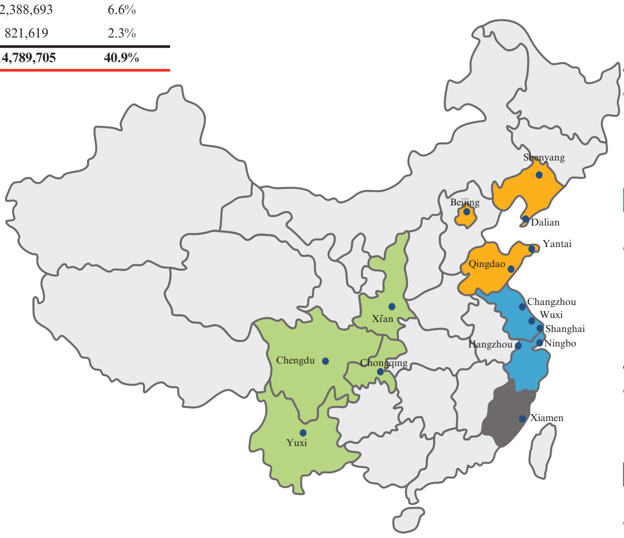
Our projects include both development properties, which we sell to customers, and investment properties, which we hold for investment purposes. If the construction of a development property is completed but not all of its GFA is sold, the development property would continue to be listed as one of our projects. Investment properties are listed as our projects regardless of the stage of its construction, as we continue to own them for investment purposes after completion of construction.

Depending on the construction and development stage, we categorize the GFA of both types of projects into three groups: completed GFA remaining unsold, GFA under development, and GFA under planning. For investment properties, completed GFA remaining unsold means the entire GFA of the investment properties as we continue to own them after completion of construction. Our GFA under development and GFA under planning constitute our land bank.

As of June 30, 2012, we had total completed GFA remaining unsold of 1,173,489 sq.m. from 29 projects, of which 19 were development properties and 10 were investment properties. As of the same date, our total GFA under development or planning was 35,028,973 sq.m., covering 69 projects, of which 58 were development properties and 11 were investment properties.

The chart below provides certain key information about all of our projects as of June 30, 2012.

Western China			
City	Number of Projects	Total GFA (sq.m.)	Proportion
Chongqing	16	7,309,774	20.2%
Chengdu	10	4,269,619	11.8%
Xi'an	8	2,388,693	6.6%
Yuxi	1	821,619	2.3%
Subtotal	**35**	**14,789,705**	**40.9%**



Pan Bohai Rim			
City	Number of Projects	Total GFA (sq.m.)	Proportion
Beijing	8	1,531 ,526	4.2%
Yantai	2	7,700,066	21.3%
Dalian	1	669,724	1.8%
Shenyang	5	3,147,210	8.7%
Qingdao	4	1,071,651	3.0%
Subtotal	**20**	**14,120,177**	**39.0%**

Yangtze River Delta			
City	Number of Projects	Total GFA (sq.m.)	Proportion
Shanghai	5	690,944	1.9%
Wuxi	6	1,231,352	3.4%
Changzhou	6	2,260,203	6.2%
Hangzhou	4	1,555,507	4.3%
Ningbo	2	1,024,846	2.8%
Subtotal	**23**	**6,762,852**	**18.7%**

Southern China			
City	Number of Projects	Total GFA (sq.m.)	Proportion
Xiamen	1	529,730	1.5%
Subtotal	**1**	**529,730**	**1.5%**

As some of our projects comprise multiple-phase developments on a rolling basis, a single project may include different phases at various stages of completion, under development or for future development. A project or certain phase of a project is considered completed when we have received the Completed Construction Works Certified Report from the relevant government construction authorities. A project or certain phase of a project is considered to be under development immediately following the issuance of the required construction works commencement permits and before completion of the project or the relevant phase of the project. A project or certain phase of a project is considered to be under planning when we have received the relevant land use rights certificates, or have signed the relevant land grant contracts, but have not yet obtained land use rights certificates, or have signed the confirmation letters on bidding for granting land use rights, but have not yet signed the relevant land grant contracts and, in each case, construction work has not yet commenced. With respect to properties for which confirmation letters on bidding for granting land use rights have been signed by the relevant government authority, according to the Rules on Bidding, Auctioning and Listing of State-owned Land Use Rights, which took effect on November 1, 2007, the confirmation letter on bidding for granting land use rights has legal effect on the successful bidders as well as the grantors. If the grantors change the bidding result, or if the successful bidders give up the target land, they shall assume legal responsibility. The winning bidders shall sign the State-owned Land Granting Contract with the grantors as prescribed in the confirmation letter on bidding for granting land use rights. On such basis, we have classified such properties as projects under planning.

We set out below the GFA breakdown of our portfolio of projects under various stages of development by planned use as of June 30, 2012:

	Completed GFA Remaining Unsold	GFA Under Development	GFA Under Planning
	(sq.m.)	(sq.m.)	(sq.m.)
Development	713,893	10,832,623	22,061,747
Investment	459,596	916,231	1,218,372
Total	1,173,489	11,748,854	23,280,119

A property is treated as "pre-sold" when the purchase contract has been executed but the property has not yet been delivered to the customer. A property is considered "sold" when the purchase contract with a customer has been executed and the property has been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document.

We include in this document the project names which we have used, or intend to use, to market our properties. Some of the names for property developments may be different from the names registered with the relevant authorities. They are subject to approval by the relevant authorities and are therefore subject to change.

Overview of Our Land Bank and Our Completed Projects

The following table sets forth certain key information about all of our projects as of June 30, 2012. For further details about our projects, see"Business — Our Property Development Projects."

As of June 30, 2012, we had total completed GFA remaining unsold of 1,173,489 sq.m. from 29 projects, of which 19 were development properties and 10 were investment properties. As of the same date, our total GFA under development or planning was 35,028,973 sq.m., covering 69 projects, of which 58 were development properties and 11 were investment properties.

Project[(1)]		Our Interest in the Project	Location	Completed GFA[(2)] Remaining Unsold	GFA Under Development[(3)]	GFA Under Planning[(4)]	Type
				(sq.m.)	(sq.m.)	(sq.m.)	
Western China							
Chunsen Land	春森彼岸	91.30%	Chongqing	120,762	150,243	185,621	Development
Chunsen Land	春森彼岸	91.30%	Chongqing	32,121	—	—	Investment
Peace Hill County	悠山郡	91.30%	Chongqing	21,621	62,815	60,848	Development
Toschna Villa	東橋郡	95.56%	Chongqing	69,916	428,609	120,921	Development
Bamboo Grove	江與城	49.57%	Chongqing	65,409	317,826	634,122	Development
Crystal Magic	紫晶城	91.30%	Chongqing	—	491,990	347,882	Development
University Town	大學城	95.56%	Chongqing	56,990	394,932	945,812	Development
University Town	大學城	95.56%	Chongqing	20,617	—	—	Investment
Mopan Shan	磨盤山	93.48%	Chongqing	72,604	646,204	336,137	Development
Beibei New Town.	北碚新城	91.30%	Chongqing	—	270,908	577,610	Development
North Paradise Walk	重慶北街	91.30%	Chongqing	146,262	—	—	Investment
Fairy Castle.	重慶紫都城	91.30%	Chongqing	29,413	—	—	Investment
Crystal Palace	重慶晶酈館	91.30%	Chongqing	41,554	—	—	Investment
West Paradise Walk.	西城天街	91.30%	Chongqing	111,654	—	—	Investment
MOCO Center	MOCO中心	91.30%	Chongqing	30,350	—	—	Investment
Fashion Paradise Walk . . .	時代天街	91.30%	Chongqing	—	407,520	110,500	Investment
Chongqing Subtotal				819,273	3,171,047	3,319,453	
Three Thousand Castles . .	三千集	93.48%	Chengdu	37,860	—	—	Investment
North Paradise Walk	北城天街	92.75%	Chengdu	—	220,991	—	Investment
Chengdu Flamenco Spain. .	弗萊明戈	91.30%	Chengdu	132,011	260,602	153,942	Development
Century Peak View	世紀城	49.13%	Chengdu	66,480	201,345	238,306	Development
Jade Town	小院青城	93.48%	Chengdu	8,063	43,520	30,981	Development
Wukuai Shi	五塊石	92.75%	Chengdu	19,588	405,375	—	Development
Mou Ma Heaven	牧馬天堂	91.43%	Chengdu	—	135,402	312,398	Development
Time Paradise Walk	時代天街	91.30%	Chengdu	—	821,088	342,670	Development
Time Paradise Walk	時代天街	91.30%	Chengdu	—	—	450,996	Investment
Jingyang Project	晉陽項目	94.17%	Chengdu	—	—	388,000	Development
Chengdu Subtotal				264,002	2,088,323	1,917,293	
Xi'an Fairy Castle	紫都城	91.30%	Xi'an	501	169,977	—	Development
Xi'an Fairy Castle II	紫都城二期	91.30%	Xi'an	—	84,419	—	Development
Xi'an Chianti	香醍國際	91.30%	Xi'an	—	400,959	1,158,259	Development
Chang'an Wonder	夜長安	91.30%	Xi'an	—	—	58,537	Development
Daxing Project	大興項目	94.17%	Xi'an	—	139,860	—	Development
Daxing Paradise Walk . . .	大興項目	94.17%	Xi'an	—	43,097	—	Investment
Crystal Town	水晶酈城	94.17%	Xi'an	—	178,120	—	Development
Waft Yard	大明宮項目	91.30%	Xi'an	—	—	154,965	Development
Xi'an Subtotal				501	1,016,432	1,371,761	
Fairy Lake	江川仙湖錦繡	91.30%	Yuxi	—	—	821,619	Development
Yunnan Subtotal.				—	—	821,619	
Western China Subtotal . .				1,083,776	6,275,802	7,430,126	
Pan Bohai Rim							
Azure Chianti.	蔚瀾香醍	91.30%	Beijing	3,395	12,596	—	Development
Changying	常營	91.30%	Beijing	—	325,742	0	Development
Niu Lan Shan.	牛欄山鎮居住項目用地	89.30%	Beijing	—	140,141	69,698	Development
Hou Sha Yu.	白辛莊	91.30%	Beijing	—	—	161,806	Development

Project[(1)]		Our Interest in the Project	Location	Completed GFA[(2)] Remaining Unsold	GFA Under Development[(3)]	GFA Under Planning[(4)]	Type
				(sq.m.)	(sq.m.)	(sq.m.)	
Daxing Project	大興項目	91.30%	Beijing	—	267,514	315,181	Development
Summer Palace Paradise Walk.	頤和星悅薈	89.93%	Beijing	6,320	—	—	Investment
Blossom Chianti	花盛香醍	91.30%	Beijing	3,445	—	—	Investment
Changying Paradise Walk .	長楹天街	91.30%	Beijing	—	225,689	—	Investment
Beijing Subtotal				13,160	971,682	546,685	
Yangma Island	養馬島項目	91.30%	Yantai	—	533,538	6,470,381	Development
Yangma Island B Plot . . .	養馬島B地塊	100.00%	Yantai	—	—	696,147	Development
Yantai Subtotal				—	533,538	7,166,528	
Longhe II	旅順龍河2期	48.40%	Dalian	—	—	669,724	Development
Dalian Subtotal				—	—	669,724	
Huishan Project.	輝山	98.49%	Shenyang	21,495	39,686	—	Development
Huishan Project II	輝山 II	98.49%	Shenyang	—	123,302	504,399	Development
Daoyi Project	道義	96.15%	Shenyang	12,084	235,920	1,458,739	Development
Daoyi Project II	道義項目 II	96.15%	Shenyang	—	—	409,574	Development
Ceramics City.	陶北項目	91.30%	Shenyang	—	123,786	218,225	Development
Shenyang Subtotal.				33,579	522,694	2,590,937	
Baisha Project	青島白沙河項目	95.20%	Qingdao	2,517	361,586	124,795	Development
Baisha Mall.	青島白沙河項目	95.20%	Qingdao	—	—	33,250	Investment
Baisha Project F Plot. . . .	青島白沙河F地塊	100.00%	Qingdao	—	117,499	179,655	Development
Shankeda Project	山科大項目	97.00%	Qingdao	—	40,864	211,486	Development
Qingdao Subtotal				2,517	519,949	549,186	
Pan Bohai Rim Subtotal . .				49,256	2,547,863	11,523,060	
Yangtze River Delta							
Sunshine City.	酈城	93.48%	Shanghai	24,146	61,488	—	Development
Sunshine City.	酈城	93.48%	Shanghai	—	18,934	—	Investment
Bai Yin Lu Project	白銀路項目	95.56%	Shanghai	—	145,458	—	Development
Long Xing Lu	松江龍興路項目	91.30%	Shanghai	—	150,118	—	Development
Hong Qiao CBD Project . .	虹橋項目	93.48%	Shanghai	—	—	290,800	Development
Shanghai Subtotal				24,146	375,998	290,800	
Taike Yuan	灩瀾山(太科園)	91.30%	Wuxi	1,031	120,857	—	Development
Taike Yuan II	太科園 II	91.30%	Wuxi	—	81,810	273,797	Development
Xihu Road	錫山區易買得地塊	91.30%	Wuxi	—	96,539	231,555	Development
Quite Tale.	陽山	91.30%	Wuxi	—	68,492	130,104	Development
Blue Lake	無錫淨湖水岸	91.30%	Wuxi	—	—	109,452	Investment
Wuxi Splendor	無錫源著	91.30%	Wuxi	—	—	117,714	Investment
Wuxi Subtotal				1,031	367,698	862,622	
Chianti	寧波龍山	91.30%	Ningbo	—	101,774	276,154	Development
Rose and Ginkgo Coast. . .	寧波灩瀾海岸	100.00%	Ningbo	—	393,397	253,521	Development
Ningbo Subtotal				—	495,171	529,675	
Qinglong Project	青龍	93.48%	Changzhou	1,106	174,537	—	Development
Qinglong Project II.	青龍 II	96.83%	Changzhou	—	263,784	197,738	Development
Dongjing 120 Project . . .	東經120	98.50%	Changzhou	—	274,045	—	Development

Project[(1)]		Our Interest in the Project	Location	Completed GFA[(2)] Remaining Unsold	GFA Under Development[(3)]	GFA Under Planning[(4)]	Type
				(sq.m.)	(sq.m.)	(sq.m.)	
Dongjing 120 Project II . .	東經120 II	100.00%	Changzhou	—	59,632	93,173	Development
Dongjing 120 Project II . .	東經120 (原山)	100.00%	Changzhou	—	—	213,100	Investment
Hongzhuang Project	洪莊	97.38%	Changzhou	—	336,385	646,703	Development
Changzhou Subtotal				1,106	1,108,383	1,150,714	
Xiasha Project	下沙項目	100.00%	Hangzhou	14,175	249,721	274,349	Development
Xiasha Project	下沙項目	100.00%	Hangzhou	—	—	183,360	Investment
Chaoshan Project	超山項目	91.30%	Hangzhou	—	328,220	—	Development
Hangzhou Keqiao.	柯橋項目	100.00%	Hangzhou	—	—	505,683	Development
Hangzhou Subtotal				14,175	577,941	963,392	
Yangtze River Delta Subtotal				40,458	2,925,191	3,797,203	
Jimei Guankou	集美灌口	93.36%	Xiamen	—	—	529,730	Development
Xiamen Subtotal.				—	—	529,730	
Southern China Subtotal .				—	—	529,730	
Total GFA				1,173,489	11,748,854	23,280,119	

Notes:

(1) Some project names are not final and are subject to change.

(2) "Completed GFA" is based on figures provided in surveying reports or Record of Acceptance Examination Upon Project Completion (竣工驗收備案證明) by relevant government departments.

(3) "GFA Under Development" is based on figures provided in the Planning Permit for Construction Works (建設工程規劃許可證).

(4) "GFA Under Planning" is based on figures provided or calculated based on figures in the land grant contracts and confirmation letters on bidding for granting land use rights.

OUR PROPERTY DEVELOPMENT PROJECTS

CHONGQING

Chunsen Land (春森彼岸)

Chunsen Land, a large-scale premium residential and retail project comprising high-rise apartments, retail units, offices and SOHO units, is located adjacent to Jiangbei District, Chongqing. The project was designed by MRY, America and was awarded the grand prize of "Next LA Citation Award" by the American Institute of Architects. The project is being developed by Chongqing Bei Longfor Land.

Based on our current plan, the project will occupy a total site area of approximately 160,191 sq.m. and have an aggregate GFA of 767,265 sq.m.

Peace Hill County (悠山郡)

Peace Hill County is planned to be a large-scale residential community comprising stand-alone villas, low-rise garden apartments, high-rise apartments, retail units and car parks. It is located in the economic and technology zone of Lijia Area (禮嘉片區), Chongqing. It is being developed by Chongqing Longhu Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 246,951 sq.m. and have an aggregate GFA of approximately 505,468 sq.m.

Toschna Villa (東橋郡)

Toschna Villa is a large-scale low-density project with low-rise garden apartments, townhouses, high-rise apartments and retail units. It is located in the University Town area of Shapingba District (沙坪壩區大學城片區), Chongqing. The project was developed by Chongqing Longhu Kaian.

The project occupies a total site area of approximately 615,175 sq.m. and has an aggregate GFA of approximately 1,037,674 sq.m.

Bamboo Grove (江與城)

Bamboo Grove, an exclusive low-rise residential development comprising low-rise garden apartments, high-rise apartments, stand-alone villas, duplex villas, townhouses, retail spaces and car parks, with cultural amenities and integrated facilities, is situated in the northern part of the North New Area of Chongqing and is next to the Jialing River. The project is being jointly developed by Juntion Development and Hongkong Land Holdings Limited, which is owned 49.6% by us and 50% by Hongkong Land Holdings Limited.

Based on our current plan, the project will occupy a total site area of approximately 778,648 sq.m. and have an aggregate GFA of approximately 1,724,719 sq.m.

Crystal Magic (紫晶城)

Crystal Magic is a large-scale integrated development situated in Yuzhong District (渝中區), Chongqing. The project is being developed by Chongqing Longhu Chengheng Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 199,986 sq.m. and have an aggregate GFA of approximately 1,313,901 sq.m. The project will comprise high-rise apartments, low-rise apartments, SOHO units, office, a retail area and car parks.

University Town (大學城)

University Town is located in Shapingba District, Chongqing. The project is being developed by Chongqing Kaian Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 588,220 sq.m. and have an aggregate GFA of approximately 1,753,889 sq.m. The project will comprise high-rise apartments, low-rise garden apartments, townhouses, retail units and car parks.

Mopan Shan (磨盤山)

Mopan Shan is located in Jiangbei District in Chongqing. This project is being developed by Chongqing Juntion Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 224,378 sq.m. and have an aggregate GFA of approximately 1,120,865 sq.m. The project will comprise high-rise apartments, low-rise garden apartments, retail units, SOHO units and car parks.

Beibei New Town（北碚新城）

Beibei New Town is located at the intersection of north Chongqing and is 20 minutes' drive from the downtown of Chongqing connected by the Chongqing-Wusheng Express Way. This project has two natural lakes of approximately 60,000 sq.m. and enjoys exceptional natural surroundings.

Based on our current plan, the project will occupy a total site area of approximately 542,680 sq.m. and has an aggregate GFA of 630,084 sq.m. The project will comprise quasi-detached houses, townhouses, low-rise apartments and commercial amenities of approximately 46,000 sq.m.

North Paradise Walk (重慶北城天街)

North Paradise Walk is a mixed-use project with residential and retail components. The development is situated in the Guanyinqiao commercial area of Jiangbei District of Chongqing. The project was developed by Chongqing Longhu Development.

The project occupies a total site area of approximately 58,710 sq.m. and has an aggregate GFA of approximately 345,658 sq.m. The project comprises a residential block named Waft Yard (楓香庭), a SOHO (small office home office) block named New Star (北岸星座) and a commercial complex named North Paradise Walk Mall (北城天街商區).

Chongqing Fairy Castle (重慶紫都城)

Chongqing Fairy Castle is a large-scale project with residential, retail and SOHO development. The project is situated in Yubei District (渝北區) of Chongqing. The project was developed by Chongqing Longhu Real Estate.

The project occupies a total site area of approximately 199,064 sq.m. and has an aggregate GFA of approximately 501,439 sq.m. The project comprises high-rise apartments, a block of SOHO units known as Fairy Constellation (紫都星座), a retail street called Fairy Paradise Walk (紫都天街), a shopping mall called Fairy Castle Mall (紫都主力店), retail units and car parks.

Crystal Palace (重慶晶酈館)

Crystal Palace is a large-scale project that comprises residential units, retail spaces and SOHO units. The development is located in the High-tech Zone of North New Area (北部新區) of Chongqing next to a sports park.

Based on our current plan, the project will comprise a building named Crystal Star with SOHO units, an office building named Crystal Cosmo, a retail complex named Crystal Palace together with car parks. The project was developed by Chongqing Longhu Development.

West Paradise Walk (西城天街)

West Paradise Walk is a commercial complex with SOHO units, office and retail spaces. The development is situated in a prime location of Yangjiaping Pedestrian Zone within the Jiulongpo District (九龍坡區楊家坪步行街核心地段) of Chongqing. The project was developed by Chongqing Longfor Xijie Real Estate.

The project occupies a total site area of approximately 28,316 sq.m. and has a total GFA of 197,554 sq.m. In addition to retail facilities, it comprises offices and SOHO units.

MOCO Center (MOCO中心)

MOCO Center is a residential and commercial development located near the High-tech Zone of North New Area of Chongqing with a sports park nearby. The project was developed by Chongqing Longhu Development.

The project occupies a total site area of approximately 20,500 sq.m. and has a total GFA of approximately 160,998 sq.m. The project comprises two high-rise apartment buildings, office area, retail area and car parks.

Fashion Paradise Walk (時代天街)

Fashion Paradise Walk is designed as a commercial complex with SOHO units, offices, hotels and retail spaces. The project is located in Daping, Yuzhong District of Chongqing, and has the largest commercial space in Asia.

The project occupies a total site area of approximately one million sq.m., and is four times as large as North Paradise Walk in Chongqing. Upon completion, this project will comprise two commercial streets, three shopping malls and eight plazas.

CHENGDU

Three Thousand Castles (三千集)

Three Thousand Castles is a large-scale integrated project with low-rise and high-rise apartments, SOHO units and retail spaces. It is located near Second Ring Road and is adjacent to our Three Thousand Lane project. The project is being developed by Chengdu Longhu Tongjin Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 75,787 sq.m. and have an aggregate planned GFA of approximately 471,683 sq.m.

North Paradise Walk (重慶北街)

North Paradise Walk is a mixed-use project with residential and retail components. The development is located in the Guanyinqiao commercial area of Jiangbei District of Chongqing.

The project occupies a total site area of approximately 58,710 sq.m. and has an aggregate GFA of approximately 345,658 sq.m. The project comprises a residential block named Waft Yard, a SOHO block named New Star and a commercial complex named North Paradise Walk Mall. The project was developed by Chongqing Longhu Development.

Chengdu Flamenco Spain (弗萊明戈)

Chengdu Flamenco Spain is a large scale residential project situated in New High-Tech Zone of West Chengdu. The project is being developed by Chengdu Xixi Real Estate and Chengdu Xixiang Real Estate.

Based on our current plan, the project has a total site area of approximately 126,137 sq.m. and have an aggregate GFA of approximately 755,647 sq.m. The project will comprise low-rise garden apartments, high-rise apartments, retail units and car parks.

Century Peak View (世紀城)

Century Peak View is a premium high-rise residential project situated in the central business district of Chengnan District, Chengdu, close to the Pride International Exhibition Centre. We own our interest in this project through Chengdu Jiaxun. This is a joint venture project, conducted via four joint venture entities, with ING Real Estate China Opportunity Fund LP ("ING"), Aetos Capital Asia T.E. II, Ltd. and Aetos Capital Asia II, Ltd. (together, "Aetos"). We have a 49.1% interest in the joint venture project. ING and Aetos indirectly hold a 50% interest in the project through the offshore holding company. We acquired the land by investing in the joint venture entities holding the land. The project is being developed by Chengdu Huixin, Chengdu Jinghui, Chengdu Tuocheng and Chengdu Jia'nan Real Estate.

Based on our current plan, the project has a total site area of approximately 48,062 sq.m. and a total planned GFA of approximately 583,958 sq.m. This project will comprise high-rise apartments and car parks.

Jade Town (小院青城)

Jade Town is a residential project situated at the top of the Qingchengshan Holiday Resort area. The project is being developed by Sichuan Longhu Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 210,505 sq.m. and have an aggregate GFA of approximately 106,834 sq.m. The development will comprise stand-alone villas, duplex villas, low-rise garden apartments and retail units.

Wukuaishi (五塊石)

Wukuaishi project is located in Jinniu District in Chengdu. We won the auction of this parcel of land in September 2009. The project is being developed by Chengdu Longfor Beicheng.

Based on our current plan, Wukuaishi project will occupy a total site area of 184,487 sq.m. and an aggregate GFA of approximately 947,057 sq.m. The project will comprise low-rise garden apartments, high-rise apartments, retail units, SOHO, offices and car parks.

Mou Ma Heaven (牧馬天堂)

Mou Ma Heaven Project is a residential development located in Xinjin Park County Muma Mountain, Chengdu. The project is adjacent to Longfor-Bridge County project and has a unique mountain landscape.

Based on our current plan, the project will have a total site area of approximately 448,582 sq.m. and a total planned GFA of approximately 626,800 sq.m. The project will comprise mainly of townhouses and duplex villas.

Time Paradise Walk (時代天街)

Time Paradise Walk is located on Hezuo Road, Hi-tech West District, Chengdu.

Based on our current plan, the project will occupy a total site area of approximately 305,675 sq.m., and have an aggregate GFA of 1,801,214 sq.m. It is to be developed into an integrated urban complex project comprising a shopping mall, high-rise apartments, retail units, SOHO units and LOFT units.

Jinyang Project (晉陽項目）

Jinyang Project is located in the west third ring area of downtown Chengdu. This parcel of land is shaped as a square. It has easy access to the public transportation network of the city, and is also highly populated around the area.

Based on our current plan, the project will occupy a total site area of approximately 96,700 sq.m. and will have an aggregate GFA of approximately 388,000 sq.m. The project is planned to be developed into an integrated residential and commercial community

XI'AN

Xi'an Fairy Castle (紫都城)

Xi'an Fairy Castle is a residential and commercial development located in Qujiang District (曲江區), Xi'an. The project is being developed by Xi'an Longfor Jincheng Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 68,939 sq.m. and have an aggregate GFA of approximately 272,153 sq.m. The project will comprise high-rise apartments, retail units and car parking spaces.

Fairy Castle II (紫都城二期)

Fairy Castle II is located in Qujiang New District, Xin'an. The site is located in the central area of Qujiang New District and is adjacent to the Longfor Fairy Castle project. The project will be for residential/commercial mixed-use. The project is being developed by Xi'an Longfor Jincheng Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 15,607 sq.m. and have a total planned GFA of approximately 71,741 sq.m.

Xi'an Chianti (香醍國際)

Xi'an Chianti is a large scale residential project located in Chanba District (滻霸新區), Xi'an. The project is being developed by Xi'an Longfor Xingcheng Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 500,885 sq.m. and have an aggregate GFA of approximately 1,567,120 sq.m. The project will comprise high-rise apartments, low-rise garden apartments, retail units and car parks.

Chang'an Wonder (夜長安)

Chang'an Wonder is a commercial project situated in the city center of Qujiang, Xi'an. The project is being developed by Xi'an Longfor Jincheng Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 30,889 sq.m. and have an aggregate GFA of approximately 43,535 sq.m. for investment purposes. The project will comprise retail area and car parks.

Daxing Project (大興項目)

Daxing South Land — Longfor MOCO International Project is located at No. 20, Xinghuo Road, Lianhu District, Xi'an. It is a commercial development and is part of the planned Xi'an International Trade and Commerce Base project. We won the auction for the land in March 2010. The project is being developed by Xi'an Longfor Runrong.

Based on our current plan, the project will occupy a total site area of approximately 24,503 sq.m. and have a total planned GFA of approximately 179,583 sq.m.

Crystal Town (水晶酈城)

Crystal Town is a large-scale project that comprises residential units, retail spaces and SOHO units. The development is located in the High-tech Zone of North New Area of Chongqing and is next to a sports park. It comprises a building named Crystal Star with SOHO units, an office building named Crystal Cosmo, a retail complex named Crystal Palace (晶酈館) together with car parks. The project was developed by Chongqing Longhu Development.

The project occupies a total site area of approximately 233,799 sq.m. and has an aggregate GFA of approximately 669,107 sq.m.

Waft Yard(大明宮項目)

Waft Yard Project is located within the Daming Palace National Heritage Park, the biggest site park in the world. It is only one kilometre away from the historical relics or Daming Palace and close to Line 4 of Xi'an Subway which is currently under construction. The parcel of land is planned to be developed into a high-end residential and commercial development.

The project occupies a total site area of approximately 36,300 sq.m. and has an aggregate GFA of 127,000 sq.m.

YUNNAN

Fairy Lake (江川仙湖錦繡)

Fairy Lake Project is located in the city of Yuxi, Yunnan Province. Fairy Lake is the largest deep freshwater lake in China and its water quality is superior. The project will be developed into an international eco-tour project consisting of holiday hotels, local-style business streets and spas. The project is being developed by Yunnan Jiangchuan Yeheng.

Based on our current plan, the project will occupy a total site area of approximately 1,187,833 sq.m. and have a total planned GFA of approximately 822,100 sq.m.

BEIJING

Azure Chianti (蔚瀾香醍)

Azure Chianti is a residential and commercial development project located in Liyuan Town, Tongzhou District of Beijing and is connected to the Jingtong Highway (京通高速) and the Urban Rail Transit Batong Line. The project is being developed by Beijing Longfor Tianxing Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 55,435 sq.m. and have an aggregate GFA of approximately 135,242 sq.m. The project will comprise high-rise apartments, duplex villas, low-rise apartments, retail units and car parks.

Changying (常營)

Changying Project is located in Chaoyang District, Beijing. The project is located within Changying Village, Chaoyang District. The Changying Station on Subway Line 6 is within the project area. The project is being developed by Beijing Tongrui Wanhua Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 131,897 sq.m. and have a total planned GFA of approximately 558,518 sq.m. The project will comprise residential housing, apartments and retail units.

Niu Lan Shan (牛欄山鎮居住項目用地)

Niu Lan Shan is a residential project located in Shunyi District, Beijing. The project is adjacent to the north side of the Longfor Chianti Riverside. The project is being developed by Beijing Longfor Xingshun.

Based on our current plan, the project will occupy a total site area of 109,593 sq.m. and have a total planned GFA of approximately 152,670 sq.m.

Hou Sha Yu (白辛莊)

Hou Sha Yu is a residential project located in Shunyi District, Beijing.

Based on our current plan, the project will occupy a total site area of approximately 163,165 sq.m. and have a total planned GFA of approximately 65,446 sq.m.

Daxing Project (大興項目)

Daxing Project is located in Beizang Village, Daxing District, Beijing and is near the Biomedical Base Station on the southern extension of Subway Line 4. The project is for residential and commercial mixed-use.

Based on our current plan, the project will occupy a total site area of approximately 165,338 sq.m. and have a total planned GFA of approximately 462,946 sq.m.

Summer Palace Paradise Walk (頤和星悅薈)

Summer Palace Paradise Walk is located near the Summer Palace, Haidian District, Beijing.

Based on our current plan, the project will occupy a total site area of approximately 7,400 sq.m., and have an aggregate GFA of 7,872 sq.m. It is to be developed into a comprehensive commercial project comprising retail units, restaurants and other recreational facilities.

Blossom Chianti (花盛香醍)

Blossom Chianti is a large scale residential community located in Banbidian (半壁店) of Tongzhou District, Beijing, adjacent to Tongzhou Railway Station. The project was developed by Beijing Longfor Zhongbai Real Estate.

The project occupies a total site area of approximately 99,442 sq.m. and has a total GFA of approximately 213,365 sq.m. It comprises low-rise garden apartments, townhouses, retail units and carpark spaces.

Changying Paradise Walk (長楹天街)

Changying Paradise Walk is located in Chaoyang District, Beijing. The project is located within Changying Village, Chaoyang District. The Changying Station on Subway Line 6 is inside the project area. The project is being developed by Beijing Longfor Tongrui Wanhua Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 131,897 sq.m. and will have a total planned GFA of approximately 558,518 sq.m. The project will comprise residential housing, apartments and retail units.

YANTAI

Yang Ma Island (養馬島項目)

Yang Ma Island is an exclusively residential housing project located in Mouping District, Yantai. The project occupies an extremely rare coast line and will be developed into a high-profile community consisting of leisure facilities, holiday resorts, business facilities and spas. The project is being developed by Yantai Longhu Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 4,182,586 sq.m. and have a total planned GFA of approximately 6,996,311 sq.m.

Yangma Island B plot（養馬島B地塊）

Yangma Island B plot Project is located in the shallow water area of Muping District, Yantai, Shandong Province and between Land A and C that we have already acquired. It has a privileged access to the eastern coast and will be developed into a low-density residential development in line with our plans for the development of Land A and C.

Based on our current plan, the project will occupy a total site area of approximately 685,600 sq.m. and has an aggregate planned GFA of 696,100 sq.m.

DALIAN

Lüshun Longhe II (旅順龍河2期)

Lüshun Longhe II is located at the Southwest of Xincheng District, Lüshun, Dalian. It is at the intersection of three key areas. It is 25km from the airport and 3km from the old city of Lüshun. The construction of the supporting railway system will be completed in May 2013. We acquired the land jointly with Shimao Property Holding Limited, and the project will be developed into a high-profile community consisting of residential housing and commercial units.

Based on our current plan, the project will occupy a total site area of approximately 608,710 sq.m. and have a total planned GFA of approximately 669,724 sq.m.

SHENYANG

Huishan Project (輝山)

Huishan Project is a residential project located in Huishan District. It is being developed by Shenyang Longhu Real Estate.

Based on our current plan, the project will occupy a total site area of 84,086 sq.m. and have an aggregate GFA of approximately 85,849 sq.m. The project will comprise stand-alone villas, high-rise apartments, retail units and car parks.

Huishan Project II (輝山 II)

Huishan Project II is located in Shenbei New District, Shenyang. The site is located in Shenbei New District Huishan Development District and is adjacent to Qipan Moutain. The project is being developed by Shenyang Longhu Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 371,311 sq.m. and a total planned GFA of approximately 589,278 sq.m. The project will comprise low-density housing, high-rise apartments, retail units and car parks.

Daoyi Project (道義)

Daoyi Project is our second project in Shenyang. It is a residential project located in Daoyi District (道義區). The project is being developed by Shenyang Longfor Xinbei Real Estate.

Based on our current plan, the project will occupy a total site area of 684,420 sq.m. and have an aggregate GFA of approximately 1,795,331 sq.m. This project will comprise high-rise apartments, stand-alone villas, low-rise garden apartments, retail units and car parks.

Daoyi Project II (道義項目 II)

Daoyi Project II is located in Shenbei New District, Shenyang. The site is located in Shenbei New District Daoyi Development District. The project is being developed by Shenyang Longfor Xinbei Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 204,787 sq.m. and have a total planned GFA of approximately 409,574 sq.m. The project will comprise low-density housing, high-rise apartments, retail units and car parks.

Ceramics City (陶北項目)

Ceramics City Project is located adjacent to the south side of the second ring road and is only a 15-minute drive from the municipal government. It has an easy access to the public transportation network and is surrounded by well-established communities.

Based on our current plan, the project will occupy a total site area of approximately 113,500 sq.m., and has an aggregate GFA of 318,000 sq.m. The project will comprise high-rise apartments, low-rise garden apartments and commercial amenities.

QINGDAO

Baisha Project (青島白沙河)

Baisha Project is a residential development located in the Baishahe area of Chengyang District, Qingdao. The project is near the sea and has a beautiful natural landscape. The project is being developed by Qingdao Longfor Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 509,300 sq.m. and have a total planned GFA of approximately 665,411 sq.m. The project will comprise of high-rise apartments, stand-alone villas and townhouses.

Baisha Project F Plot (青島白沙河F地塊)

Baisha Project F Plot is located in the Baishahe area of Chengyang District, Qingdao. This parcel of land was obtained in December, 2009. The project is near the waterfront with a beautiful ocean view.

Based on our current plan, the project will occupy a total site area of approximately 509,000 sq.m. and will have a total planned GFA of approximately 620,000 sq.m.

Shankeda Project（山科大項目）

Shankeda Project is located to the east of the Xiaozhu Mountain National Forest Park and adjacent to Shandong University of Science and Technology. This parcel of land is one of the most prominent hillside lands in Qingdao and will be developed into low-density residential and commercial communities.

Based on our current plan, the project will occupy a total site area of approximately 223,200 sq.m., and has an aggregate GFA of 225,400 sq.m.

SHANGHAI

Sunshine City (酈城)

Sunshine City is a residential and commercial development located in Jiading New City (嘉定新城), Jiading District (嘉定區) of Shanghai and is connected to Xiwang Road and Maiji Road and is adjacent to a light rail station. The project is being developed by Shanghai Hengchi Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 178,248 sq.m. and have an aggregate GFA of approximately 452,754 sq.m. The project will comprise high-rise apartments, low-rise garden apartments, townhouses, SOHO, limited-price housing, retail units and car parks.

Bai Yin Lu Project (白銀路項目)

Bai Yin Lu Project is located in Jiading New City, Shanghai. The site is located in the central area of Jiading New City, very close to Subway Line 11. The project is being developed by Shanghai Hengyi Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 62,819 sq.m. and have a total planned GFA of approximately 148,154 sq.m. The project will comprise standalone villas, townhouses, high-rise apartments and retail units.

Long Xing Lu (松江龍興路項目)

Hill of Good Hope is located in Songjiang New City, Shanghai. The site is located in the central area of Songjiang New City, with convenient access to supporting facilities and is close to the Subway Line 9. The project is being developed by Shanghai Hengchi Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 92,734 sq.m. and have a total planned GFA of approximately 150,254 sq.m. The project will comprise standalone villas, high-rise apartments and retail units.

Hong Qiao CBD Project（虹橋項目）

Hong Qiao CBD Project is located in phase one of Shanghai Hongqiao Central Business District, is the largest piece of waterside land within the District and is only 500 meters away from the interchange station of Shanghai Subway and the high-speed rail. Hong Qiao CBD Project is an integrated development for commercial use, and 49% of the property under this Project will be saleable while the remaining 51% will be held by us for investment. The "Longfor - Paradise Walk" brand for shopping malls will therefore be introduced to the central business districts of Shanghai and further influence the Yangtze Delta Area.

Based on our current plan, the project will occupy a total site area of approximately 78,752 sq.m., and has an aggregate planned GFA of 290,800 sq.m.

WUXI

Taike Yuan 灩瀾山(太科園)

Taike Yuan is a residential development located in Taihu International Scientific and Technology District (太湖國際科技園區). The project is being developed by Wuxi Longfor Real Estate.

Based on our current plan, the project will occupy a total site area of 188,496 sq.m. and have an aggregate GFA of approximately 311,380 sq.m. The project will comprise high-rise apartments, stand-alone villas, duplex villas, retail units and car parks.

Taike Yuan II (太科園 II)

Taike Yuan II is residential development located in the central part of Wuxi. The project is being developed by Wuxi Jia'nan Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 125,404 sq.m. and have a total planned GFA of approximately 393,209 sq.m. The project will comprise duplex villas, high-rise apartments, townhouses and retail units.

Xihu Road (錫山區易買得地塊)

Xihu Road Project is mixed-use development located at Xihu Road, Xishan District, Wuxi. The project has access to comprehensive supporting facilities and convenient transportation and is near Xishan District Government as well as Subway Line 2.

Based on our current plan, the project will occupy a total site area of approximately 145,903 sq.m. and have a total planned GFA of approximately 398,158 sq.m. The project will comprise high-rise apartments, low-rise garden apartments, serviced apartments, shopping malls and underground garages.

Quite Tale（陽山）

Quite Tale project is located in Yangshan County, Huishan District, Wuxi, and is approximately 18 kilometers away from downtown Wuxi. As the "Peach Cultural Base" of Wuxi, Yangshan County has various natural resources including geological parks and wetland parks.

Based on our current plan, the project will occupy a total site area of approximately 124,800 sq.m., and has an aggregate GFA of 149,700 sq.m. This project will comprise quasi-detached houses, duplex villas and low-rise garden apartments.

Blue Lake (無錫淨湖水岸)

Jing Hu is a shopping center development project located in Wuxi New District, Wuxi. It is the first community shopping center in Wuxi Software District. It has a convenient multi-layer transportation system that enables reaching across the whole inner city area as well as reaching the nearest city within 30 minutes.

Based on our current plan, the project will occupy a total site area of approximately 27,437 sq.m and have a total planned GFA of 109,452 sq.m.

Wuxi Splendor (無錫源著)

Wuxi Splendor Project is mixed-use project located on Xihu Road, Xishan District, Wuxi. The project is close to stores, restaurants and public transportation, including Subway Line 2.

Based on our current plan, the project will occupy a total site area of approximately 145,903 sq.m. and will have a total planned GFA of approximately 398,158 sq.m. The project will comprise high-rise apartments, low-rise garden apartments, serviced apartments, shopping malls and underground parking space.

NINGBO

Chianti (寧波龍山)

Chianti Project has easy access to the main road of Longshan New City, Binhai District, Ningbo.

Based on our current plan, the project will occupy a total site area of approximately 298,300 sq.m. and will have a total planned GFA of approximately 364,700 sq.m. The project will comprise high-rise apartments, low-rise garden apartments and retail units.

Rose and Ginkgo Coast (寧波灩瀾海岸)

Rose and Ginkgo Coast is located in Beilun District, Ningbo, Zhejiang Province.

Based on our current plan, the project will occupy a total site area of approximately 505,800 sq.m., and have an aggregate GFA of 626,500 sq.m. It is to be developed into a mixed-use project with both commercial and residential components.

CHANGZHOU

Qinglong Project (青龍)

Qinglong Project is a residential project located in the Qinglong Living Area (青龍生活區) in Changzhou.

Based on our current plan, the project will occupy a total site area of 164,855 sq.m. and have an aggregate GFA of approximately 280,700 sq.m. This project will comprise high-rise apartments, stand-alone villas, low-rise garden apartments, retail units and car parks.

Qinglong Project II (青龍 II)

Qinglong Project II is a residential project in Changzhou. This parcel of land is located in the Qinglong Living Area (青龍生活區) in Changzhou. This project will be developed by Changzhou Jia'nan Real Estate.

Based on our current plan, the project will occupy a total site area of 143,965 sq.m. and have a total planned GFA of approximately 470,668 sq.m. This project will comprise high-rise apartments, stand-alone villas, low-rise garden apartments, retail units and car parks.

Dongjing 120 Project and Dongjing 120 Project II (東經120和東經120II期)

Dongjing 120 Project & Dongjing 120 Project II is a mixed-use development located on the east side of Dongjing 120 Road, Xinbei District, Changzhou, the south side of Hehai East Road, and the west side of Dongzhi River. It is located in the central area of Xinbei District Dinosaur Park Zone, near the China Dinosaur Park and the Dinosaur Valley Hot Spring (the No. 1 hot spring in East China). The project is to the west of the government key project of "Three Rivers, Three Parks," the Dongzhi River Binhe landscape belt and the boat pier. The project is being developed by Changzhou Jiabo Real Estate and Changzhou Jiateng Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 384,720 sq.m. and have a total planned GFA of approximately 472,489 sq.m. The project comprises courtyard villas, high-rise apartments and shopping area.

Hongzhuang Project (洪莊)

Hongzhuang Project is a residential development located in Gulou District, Changzhou. The project is located in the urban area and has access to comprehensive supporting facilities and convenient transportation. The project is being developed by Changzhou Jiayue Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 294,440 sq.m. and have a total planned GFA of approximately 917,228 sq.m. The project will comprise stand-alone villas, low-rise garden apartments, high-rise apartments and retail units.

HANGZHOU

Xiasha Project (下沙項目)

Xiasha Project is a mixed-use development located in Hangzhou Economic and Technology Development District. It is close to the Xiasha Station on the Subway Line 1 in Hangzhou, which is currently under construction. The project is being developed by Hangzhou Longfor Real Estate.

Based on our current plan, the project will occupy a total site area of approximately 177,478 sq.m. and have a total planned GFA of approximately 823,155 sq.m. The project comprises high-rise apartments, low-rise garden apartments, MOCO units, serviced apartments and a business district (集中商業).

Chaoshan Project (超山項目)

Chaoshan project is a high-end residential community development project located in the Yuhang District, Hangzhou. It is the first residential project to be built in the Chaoshan scenic area, which is only nine kilometers to Linping District, Fucheng, Hangzhou.

Based on our current plan, the project will occupy a total site area of approximately 118,051 sq.m. and have a total planned GFA of approximately 324,000 sq.m.

Keqiao Project（柯橋項目）

Keqiao Project is located in the Kexi area in Shaoxing, which is an emerging hotspot of the city development. Shaoxing's GDP per capital exceeds RMB100,000, higher than any other city in Zhejiang Province.

Based on our current plan, the project will occupy a total site area of approximately 167,000 sq.m. and has an aggregate GFA of 400,700 sq.m. The project comprises townhouses, low- and high-rise apartments and neighbouring commercial centers.

XIAMEN

Jimei Guankou（集美灌口）

Jimei Guankou Project is located in Jimei District, Xiamen, Fujian Province, which is the earliest residential area formed in the process of population movement in Xiamen from the downtown.

Based on our current plan, the project will occupy a total site area of approximately 270,185 sq.m., and has an aggregate GFA of 529,890 sq.m. The project comprises townhouses, duplex villas, high-rise apartments and commercial amenities.

PRIMARY LAND DEVELOPMENT PROJECTS (土地一級開發項目)

Apart from engaging in our development projects, we also actively participate in primary land development activities. Primary land development refers to the process of investing and developing the target land before the land is granted. The process includes compensating the owner for the acquired land, leveling off the land, developing infrastructure and turning land without infrastructure or with incomplete infrastructure or undemolished houses into saleable land, which is well equipped with infrastructure and leveled to accommodate the government's urban planning. The subsequent process of further developing the land after completion of primary land development is referred to as secondary land development. As of the date of this document, we had one primary land development project in Beijing, the Niu Lan Shan (牛欄山) project, which occupies a total site area of approximately 374,736 sq.m. We seek to acquire the rights to the secondary land developments through public tender, auction or listing-for-bidding.

Chongqing Longfor Real Estate entered into a joint land renovation and development agreement with the government in 2006 in respect of the Hong'en Si primary land development project and paid a deposit of RMB794 million. As a result of change in the development plan of the relevant region, Chongqing Longfor Real Estate entered into an agreement to terminate the joint land renovation and development on December 15, 2008, pursuant to which the government had to pay to Chongqing Longfor Real Estate compensation of RMB1,100 million which includes the deposit. As of December 31, 2010, Chongqing Longfor Real Estate had received all of the compensation.

Based on our current plan, we will continue to be involved in similar projects. We believe that apart from the agreed compensation received from the projects, our participation will enhance our professional image in the area. We believe this will, in turn, increase our potential to acquire the rights to the secondary land developments of these sites when the relevant land is put up for tender.

PROJECT DEVELOPMENT

Roles of Our Headquarters and Regional Companies

We operate under a decentralized corporate structure. While our regional companies enjoy management autonomy in handling project-level operations, our headquarters, which we believe should remain nimble, is in charge of providing overall strategic direction, promoting best practices among regional companies, maximizing economies of scale in sharing capital and market intelligence, nurturing human resources, designing appraisal and incentive systems and controlling risks. As a result, despite our decentralized structure, we share a common corporate culture, work under the same operating system and policies, and are able to redeploy and rotate our managers freely among our operating companies, thereby reducing the possibility of any regional company from becoming overly independent.

In terms of division of labor, our headquarters are responsible for:

- formulating strategy and budgeting;
- building corporate-wide operation and information technology systems;
- deciding on land acquisition and fund-raising;
- setting accounting policies and consolidating financial information;
- setting human resources policies;
- maintaining investor, public and government relations;
- internal control and internal audit; and
- exploring and entering new regional markets.

Our regional companies are responsible for:

- implementing land acquisition decisions;
- obtaining government permits required for project development;
- architectural design and product research and development;
- cost assessment and procurement;
- engineering and managing projects;
- sales and marketing;
- providing property management services;
- managing customer relations; and
- developing and managing rental properties.

The following outlines the key work flows for our property development business.

Site Selection

To ensure the investment return of a project, a site will be selected only after thorough and stringent analysis involving different checks and balances and where certain investment benchmarks, such as project internal rate of return and profit margin, are met.

Site selection is typically conducted via a three-stage process. First, the development department of a regional company is responsible for identifying a potential project, conducting market research and performing a primary screening. Second, should a potential project pass the primary screening, the Project Management Office ("PMO"), which consists of the heads of all the functional departments in charge of different stages of development of the project, will be summoned to conduct an in-depth study based on the collective experience of the parties involved and data extracted from our project database. At this stage, the positioning of the project will be decided, a "pre-final" version of the design drawings will be produced and an in-depth model will be built to calculate the returns of the project under different scenarios. Thereafter, a detailed feasibility study together with the advanced-stage drawings and model will be submitted to the finance department of the headquarters for fact-checking before submitting to the investment decision committee of the headquarters, which consists of the Chief Executive Officer, the Chief Financial Officer and the General Managers of various business functions and regional companies, for its final investment decision.

Land Acquisition

According to the "Regulations on the Granting of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-sale"《招標拍賣掛牌出讓國有土地使用權規定》, which has been effective since July 1, 2002, all land to be developed for commercial purposes, including for business or residential property development purposes, must be granted through public tender, auction and listing-for-sale. In the case of public tender, the relevant authorities will assess either solely on tender prices or, alternatively, by reference to a matrix of parameters, including tender prices, credit record of the bidders, quality of the development proposals, in determining whom to grant such rights. On the other hand, where land use rights are granted through auction or listing-for-sale, the highest bidder normally wins.

We may enter into letters of intent or framework agreements with the relevant governmental authorities in respect of land development before the process of the tender, auction and listing for sale of the land.

Grantees of land use rights may dispose of their land use rights through private sales, subject to the terms and conditions of the original land use right granting contracts and the relevant PRC laws and regulations. To the extent permitted by law, we may acquire land use rights in the secondary market from third parties through negotiated transfers. We may also obtain such rights by acquiring equity interests in companies that hold the relevant land use rights.

In addition, we also proactively participate in primary land development to enhance our position in acquiring quality land plots. During the process of primary land development, we would try and obtain an in-depth understanding of the condition of the land and other related matters, such as its surrounding area, so as to allow us in gaining additional time for optimal investment planning while demonstrating to the local government our development and financial strengths. These provide us with a competitive advantage in acquiring land in the tender process.

Financing

We rely on internally generated funding including proceeds from pre-sales, proceeds from other investors, bank loans and external fund raising from capital markets, to finance our costs of construction and payments of land grant premiums.

Our policy is to finance our property development projects through internal resources to the extent practicable so as to reduce the level of external funding required. We use the pre-sale proceeds of a project to fund a portion of our project construction costs for such project or to repay bank loans obtained for such project. Under PRC laws, we may pre-sell properties prior to the completion of construction upon satisfaction of certain requirements, though the pre-sale proceeds are required to be used for developing the same project. There are various PRC laws and regulations governing the pre-sale of properties, which impose conditions to be fulfilled before the pre-sale of a particular property can commence. These include obtaining the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing.

Project Design

To maximize project value, our regional companies have dedicated in-house professional research and development departments responsible for the overall planning and conceptual design. We constantly send our in-house architects and designers overseas to expose them to new innovative designs and ideas in order to keep them abreast of architectural innovation.

Our architects study the characteristics of each specific site we acquired to lay out the optimal product mix and use of space. Apart from innovative project planning, we have also invested in product innovation. In the past several years, we have successfully designed and launched various types of new products, such as “Spanish-style courtyards” and “sky townhouses.” These products enable our residents to enjoy a spacious, quality environment, which would otherwise only be offered by lower density projects. These products were well-received by our customers and we were able to fetch a premium on product prices.

Apart from internal experts, we also retain reputable international architects and designers to assist us in the architectural and interior design. In addition, we hire renowned international landscape designers for the landscape design of our projects.

Contracting, Procurement, Project Management and Quality Control

We outsource substantially all of our construction works to external contractors. As of June 30, 2012, we had engaged approximately 205 general contractors, all of whom are Independent Third Parties and the duration of our relationships with these contractors range from two months to 17 years. We are not engaged in the construction business. Pursuant to the "Law on Tender and Bidding of the PRC" (中華人民共和國招標投標法) and the "Tender Law & the Rules on the Tender Scope & Criteria for Construction Projects" (工程建設項目招標範圍和規模標準規定), we are required to select contractors by way of a tender process in respect of certain construction projects. We have a tender committee which is comprised of our engineering department and our procurement department whereby our engineering department assesses the work quality of the external contractor and our procurement department prepares the tender document.

We conduct the following pre-selection work on contractors before offering construction contracts to them:

- researching and collecting information about prospective contractors via industry associations, industry information centers, recommendations from internal sources and cooperation between contractors and architects;
- narrowing the list of candidates by interviewing them in person or via telephone, and by inspecting and assessing their quality, financial status and business reputation;
- selecting contractors based on assessment results before proceeding with the tender process;
- verifying the management, construction and project capability of the contractors by inviting other entities that have previously worked with them to comment;
- answering queries raised by the contractors in accordance with the tender document;
- inviting contractors to visit the sites of our projects, hold seminars and clearly explain our engineering concepts;
- requesting the contractors to issue letters of undertaking in respect of labor capacity, availability and quality;
- selecting a contractor based on various criteria; and
- supervising the progress during construction and control quality by applying high standards of examination during completion.

Our contractors carry out various construction works including foundation digging, general construction, installation of equipment, as well as decoration and engineering work. The contractors are subject to warranties stipulated in the relevant construction contracts in respect of the quality and construction completion schedule. Under our standard construction contract, contractors are required to pay fines in the event of a delay and bear the costs of curing any construction defects.

We make payment in stages to our contractors in accordance with the terms and conditions as stipulated in the standard construction contract signed between us and the contractors. The percentage of stage payments varies from case to case. In general, the contractors will be paid for approximately 70% to 80% of the work completed on a monthly basis. Upon completion of the project, the contractors will have received approximately 70% to 90% of the total payment. At closing and settlement, we will settle 95% to 98% of the total payment, and retain the remaining 2% to 5% as retention money.

In terms of selecting major construction materials, our procurement department is in charge of price negotiation and assisting the relevant regional company in carrying out the purchase. Through special purpose regional companies, we bulk purchase major construction materials for sale to our project companies within the region for cost control purposes. All our construction materials are held for use in connection with the construction of our projects only. For construction materials that are particularly important to our construction projects, we will seek tenders from various suppliers and will conduct similar quality and pricing assessments.

For each project, the engineering department will set up a project management team with a project manager as the person in charge. Prior to the commencement of the construction works, the project manager will organize the project management team to prepare the "Project Management Guidelines," "Construction and Supervision Units Screening and Assessment Report," "Implementation Plan of Access to Water Supply, Electricity and Roads and Land Leveling and Economic Analysis" and "Plan of Project Construction by Phases and Economic Analysis" based on the specific conditions of the project. They will also prepare analysis and reports on the project implementation plan, project staffing, key technical parameters, major difficulties in project construction and risks involved in project construction. These analyses and reports are essential to the overall management and supervision by our headquarters. The construction works of the project will commence only after such analyses and reports have been reviewed and approved by our headquarters and the general manager of the relevant regional company.

We place a great deal of emphasis on quality control and management of our projects. The following are some important measures or procedures we adopt for quality control of our projects:

- we implement a "model adaptation" system where the quality control system of any "model project" will be referred to and adapted for the construction of other projects;

- we have in place a research and development department for each regional company which conducts inspection of the projects under construction and provides comments thereon on a monthly basis;

- we retain qualified professional firms, as well as the quality supervision units of the relevant local government authorities to oversee and supervise the overall construction of our projects;

- we compile various sets of standardized technical guidelines for construction management of each project (such as the "Rules on Project Construction Management of Chongqing Company 2007");

- we carry out quality control in accordance with the relevant laws, regulations, and other compulsory standards promulgated by the relevant PRC governmental authorities and other industry associations; and

- we ensure that our contractors comply with the relevant rules and regulations including environmental, labor, social and safety regulations, and thereby minimize our risks and liabilities by appointing independent construction engineers or our own representatives to supervise the progress of the contractors on site.

Sales and Marketing

The sales and marketing department of each of our regional companies is responsible for marketing our property products. In marketing our products, we focus not only on selling our property products to potential customers, but also on reinforcing and maintaining customer satisfaction during the pre- and post-sales periods by managing the entire purchase and residence cycles of our customers. We target customers who seek a high living standard. We conduct comprehensive monthly market research, surveys and sales analysis. Our headquarters negotiate with the media companies and allocate resources to regional companies. We market our properties mainly by way of outdoor advertising and print media. We place special emphasis on the design and environment of the sales centers and the show flats at the development sites, as well as the friendly, helpful and honest attitude of our frontline staff so as to create a memorable shopping experience for our potential customers.

We retain external agents including advertising companies to assist with the marketing of our properties. Our sales and marketing department coordinates with these agents in formulating and executing strategies and plans, and the agents assist and coordinate with our sales and marketing department to achieve various sales targets.

The sales process of our property projects generally begins with pre-sales. We generally pre-sell properties prior to completion of construction and use the sales proceeds as cash flow and for financing our project development. There are various PRC laws and regulations governing pre-sale of properties, which impose conditions to be fulfilled before the pre-sale of a particular property can commence. These include obtaining the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing.

Customers Payment Arrangements

Our customers may purchase their property either through one lump sum payment or through mortgage loans. Should our customer choose to make a lump sum payment for the purchase, the customer will be required to fully settle the purchase price shortly after the date of the execution of the contract. Should the customer wish to settle the purchase through mortgage, the customer is required to pay at least 30% to 60% of the purchase price as down payment.

We assist our customers with mortgage loans. Customers may seek mortgage facilities through various banks with which we have made arrangements. We generally provide guarantees as security for mortgage loans from the banks to our customers. Such guarantees will only expire when our customers have obtained the Building Ownership Certificate and the mortgage has been registered in favor of the bank. Timing for the issuance of Building Ownership Certificates to individual purchasers varies depending on where the property is situated. Guarantees provided by us would cover the full value of mortgages granted by the banks to our customers for their purchases and any payment or penalty imposed by mortgagee banks for defaults in mortgage payment by the purchasers. See "Risk Factors — We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgagees if our purchasers default."

Delivery of Properties

We aim to deliver properties to our customers within the time frame prescribed in the sale and purchase contracts (including the pre-sale contracts). Under the current PRC rules and regulations, we are required to obtain a "Record of Acceptance Examination Upon Project Completion" (竣工驗收備案證明) prior to delivering properties to our customers. As of the date of this document, we have complied with such requirement.

The sales and marketing departments of our regional companies are responsible for delivering properties to our customers. There are guidance notes setting out procedures and division of responsibilities among our functional departments to ensure that they work closely together in carrying out instructions and in monitoring the progress of delivery. For example, our engineering department may conduct on-site inspection before delivery and furthermore, we may from time to time arrange for our customers to inspect their purchased property prior to the expected delivery date to ensure the properties meet our prescribed standards as well as our customers' needs. Our property management companies provide comprehensive pre-sale training to our staff responsible for direct liaison with customers for delivery. We always stay in touch with our customers after delivery to obtain their feedback on future improvement of our products and services.

In general, we assist our customers in applying for strata-title Building Ownership Certificates (分戶產權證). See “Risk Factors — We may encounter delay in issuance and delivery of title documents after sale and such delay may in turn give rise to claims from our customers.”

INVESTMENT PROPERTIES

Over the years, we have developed eight shopping malls along three product lines, namely, the Paradise Walk series, which are metropolitan shopping malls, Starry Street series, which are community shopping malls, and MOCO, which are household and lifestyle shopping centers. As of June 30, 2012, the Group has investment properties of 438,979 sq.m. which have commenced operation with an occupancy rate of 98.6%.

We plan to complete and commence operation of 10 additional mid- to large-scale shopping centers with a total area of approximately 2.1 million sq.m. by the end of 2018. These shopping centers will be located in Chongqing, Chengdu, Xi’an, Beijing, Qingdao, Wuxi, Changzhou and Hangzhou.

We have accumulated nine years of operational experience of managing investment properties since 2003. Our main shopping center, the North Paradise Walk Mall (北城天街購物廣場), is regarded as a landmark mall in Chongqing. In 2010, we, as the owner of the North Paradise Walk in Chongqing, were named “Best Landlord,” one of only three recipients in PRC, by the China Shopping Center Development Association of Mall China. The investment properties we operate typically have high occupancy rate and generate steady rental income for us. Our revenue from property investment increased from RMB198.0 million in 2009 to RMB402.2 million in 2011 at a CAGR of 42.5% and increased by 34.8% from RMB168.2 million in the six months ended June 30, 2011 to RMB226.7 million (US$35.7 million) in the same period in 2012.

Our operating subsidiaries in each region of the PRC where we have established a business presence will be responsible for conducting market surveys, procuring tenants, and developing and managing commercial properties. Such subsidiaries are currently involved in managing our investment projects in North Paradise Walk Mall, Starry Streetm Crystal Palace of Crystal Town, Fairy Castle Paradise Walk, West Paradise Walk, MOCO Center and Three Thousand Mall.

Our profitability may be subject to fluctuation according to the revaluation of our investment properties. See “Risk Factors — Our financial results for each of the three financial years ended December 31, 2009, 2010 and 2011 and each of the six-month periods ended June 30, 2011 and 2012 included the changes in fair value of investment properties and our results may fluctuate due to such changes.” Depending on the general economic and market conditions, in line with our “Multiple Product, Selected Regional Focus and Compounding Profit” strategy, we intend to further expand our business to the development of investment properties. The following table shows our existing and planned investment property developments till 2018. Whether any of these investment property development will be completed on schedule will be affected by a lot of factors, some of which will be beyond our control.

Projects[1]	**Cities**	**GFA**	**Actual Completion Date**	**Planned Completion Date**
		(sq.m.’000)		
North Paradise Walk	Chongqing	146	2003	—
Crystal Palace	Chongqing	42	2005	—
Fairy Castle	Chongqing	29	2006	—
West Paradise Walk	Chongqing	112	2008	—
Three Thousand Mall (Sanqianji)	Chengdu	38	2010	—
MOCO Center	Chongqing	30	2010	—

Projects[1]	Cities	GFA	Actual Completion Date	Planned Completion Date
		(sq.m.'000)		
Summer Palace Paradise Walk	Beijing	6	2011	—
Chunsen Land	Chongqing	32	2011	—
Blossom Chianti	Beijing	3	2012	—
University Town	Chongqing	21	2012	—
Sunshine City	Shanghai	19	2012	—
North Paradise Walk (Wukuaishi)	Chengdu	221	—	2013
Daxing Paradise Walk	Xi'an	43	—	2013-2014
Changying Paradise Walk	Beijing	226	—	2014
Baisha Mall	Qingdao	33	—	2015
Wuxi Splendor	Wuxi	118	—	2014
Dongjing 120 Project II	Changzhou	213	—	2015
Fashion Paradise Walk	Chongqing	518	—	2016
Time Paradise Walk	Chengdu	451	—	2016
Xiasha Mall	Hangzhou	183	—	2017
Blue Lake	Wuxi	109	—	2018

(1) Some project names are not final and are subject to change.

PROPERTY MANAGEMENT

We place great emphasis on property management as we believe it enhances property value for our customers and improves our brand name. We predominantly provide property management services to our customers through our own property management companies. Our property management teams normally get involved in the early stage of property development and participate throughout the overall design planning stage to minimize future maintenance costs. We charge our customers management fees on a monthly or quarterly basis.

We believe we have a strong property management team. We offer our team members attractive remuneration packages as well as frequent training to update them on the relevant skills and knowledge required in property management. In providing property management services, we embrace a concept of "For you forever" (善待你一生) and we are committed to providing all our property owners with comprehensive and considerate professional property management services. We conduct semi-annual customer surveys on our management performance. We obtained the ISO 9002 certification in recognition of our quality property management in 1998.

Under PRC law, owners have a right to engage or dismiss a property management company if owners together holding exclusive parts within the managed area representing more than half of the total area of buildings and owners representing more than half of the total number of owners agree.

PROPERTIES FOR SELF-OCCUPATION

Our corporate headquarters are located in Fusheng Building, No.4 Huixin East Street, Chaoyang District, Beijing, PRC. We rent our headquarters from an independent third party for a term commencing on April 1, 2008 and expiring on March 31, 2013. We also maintain offices in Chongqing, Chengdu, Beijing, Shanghai, Xi'an, Shenyang, Wuxi, Qingdao, Hangzhou and Hong Kong where we have operations. Our offices in these cities are housed in leased properties owned by independent third parties or in our own properties. Key information of these offices is summarized below:

Property		Occupancy Status	Lease Expiration Date
1.	No. 4 Hui Xin East Street, 7/F, Tower 2, Fusheng Plaza, Chaoyang District, Beijing, China	Leased	March 31, 2013
2.	No. 4 Hui Xin East Street, 3/F, Tower 1, Fusheng Plaza, Chaoyang District, Beijing, China	Leased	October 31, 2012
3.	No. 26, Lane 168, Da Du He Road, 10/F, Bei An Chang Feng Building K, Putuo District, Shanghai, China	Leased	September 30, 2014
4.	No. 38 Hongji Middle Road, Jinjiang District, Chengdu, China	Self-owned	N/A
5.	No. 1 Gaoxin Second Road, 39/F, China Merchants Bank Building, Gaoxin District, Xi'an, China	Leased	November 19, 2015
6.	No. 4 North Paradise Walk Street, 6-7/F, New Star Building, Jiangbei District, Chongqing, China	Self-owned	N/A
7.	No. 77-2 North Station Road, 15/F, Block B, Everbright Building, Shenhe District, Shenyang, China	Leased	August 18, 2016
8.	No. 345-2 Zhong Cheng Road, 11/F, Haidu Business Center, Chengyang District, Qingdao, China	Leased	August 31, 2013
9.	No. 2 Science & Technology Park Road, 21/F, Hydra Building, Singapore Hangzhou Science & Technology Park, HEDA, Hangzhou, China	Leased	April 15, 2015
10.	No. 537 Huang Pu Road, 19/F, Tader Building, Hi-Tech Zone, Dalian, China	Leased	February 28, 2015
11.	No. 777 Middle Rili Road, 16/F, Shanshan Plaza, Yinzhou District, Ningbo, China	Leased	May 14, 2014
12.	No. 77 East Jinghui Road, Building 8, Taihu Technology Park, New District, Wuxi, China	Self-owned	N/A
13.	Huixi Building, 25/F, Hongta District, Yuxi, Yunnan, China	Leased	January 31, 2013
14.	No. 301 East Gangcheng Avenue, 7/F, Tower B, Nanshan Century Plaza, Laishan District, Yantai, China	Leased	September 30, 2015
15.	No. 100 Lujiang Road, 17/F, Fortune Center, Siming District, Xiamen, China	Leased	October 31, 2014

In addition to the above, we also have other leased properties in the PRC, which are being used by our regional companies.

SUPPLIERS AND CUSTOMERS

Our major suppliers are construction material suppliers and construction contractors, and the five largest suppliers accounted for approximately 16.9%, 8.3% and 9.8% of our total purchases for the three financial years ended December 31, 2009, 2010 and 2011, respectively. Our single largest supplier for the three financial years ended December 31, 2009, 2010 and 2011 accounted for approximately 5.4%, 2.5% and 3.2% of our purchases, respectively. Our five largest customers accounted for approximately 0.7%, 2.6% and 2.8%, respectively, of our total revenue for the same periods, and our single largest customer accounted for approximately 0.2%, 0.8% and 0.8%, respectively, of our total revenue for the same periods.

COMPETITION

Competition in the PRC property market has intensified over the past few years. We compete against state-owned, privately owned and international developers in the PRC. Key competitive factors include the size and the geographic location of land reserves, the types of properties offered, brand recognition, price, and design and service qualities.

We believe that the PRC property market has large growth potential. However, different regions of the PRC have different regulatory restrictions on property development and consumer preference typically varies between different regions of the PRC. We therefore utilize a "Multiple Products, Selected Regional Focus and Compounding Profit" strategy to develop our business by undertaking various development projects and selling different types of properties in an effort to capture a leading market position in each regional market. We ranked:

- first in Chongqing, in terms of both contract sales and GFA of residential properties sold from 2005 to 2011 and through the six months ended June 30, 2012, according to China Index Academy, CRIC and dichan.sina.com.cn;

- third in Beijing, in terms of contract sales of residential properties in 2011, according to CRIC;

- eighth in Chengdu, in terms of contract sales of residential properties in the six months ended June 30, 2012, according to CRIC; and

- first in Yantai, second in Changzhou, sixth in Qingdao, sixth in Xi'an, eighth in Wuxi, and tenth in Hangzhou in terms of contract sales of residential properties in the six months ended June 30, 2012, according to CRIC.

We believe that, with our solid foothold in multiple regions, diversified product portfolio, expertise in both development as well as investment properties, we are less vulnerable to changes in market condition. Further, given our brand recognition, product creativity, credibility, reputation, quality products and services and our excellent management skills in developing properties in the past years, we believe we can react promptly to the challenges in the PRC property market.

INTELLECTUAL PROPERTY

We believe our well-known brand, as formally recognized on a national level, is an invaluable asset. In March 2008, our trademark "Longhu" ("龙湖") was awarded a Well-known Trademark in China by the State Administration for Industry and Commerce of the People's Republic of China ("SAIC"). We have built up our brand through consistent delivery of high-quality services and products of various types. We will use all reasonable and proper measures to protect our proprietary rights with regard to intellectual property developed in the process of our business development. We have made applications in respect of innovative designs of certain of our projects. For example, our vertical split-level garden apartments features low density and high construction quality in a compact layout and the design was awarded a patent in the PRC.

Under Hong Kong law, a person or entity may acquire statutory protection in a trademark by registering the name with the Trade Marks Registry. As of the date of this document, we have registered the following trademarks with the Hong Kong Trade Marks Registry:

(A) Longfor 龙湖地产

(B) Longfor 龙湖地产

(C) LongFor 龙湖地产

(D) LongFor 龍湖地產

We have also registered various Internet domain names related to our company and our brand names.

INSURANCE

We maintain assets insurance policies for our properties and assets. We effect all-risk insurance and third-party insurance for certain of our projects under development (including our investment properties), as we did in the first and second phases of the Bamboo Grove and the Chunsen Land projects. We maintain insurance policies including property all-risk insurance, public liability insurance, and loss of profit insurance with respect to our investment properties, including insurance coverage for damages arising from or in connection with the occurrence of an earthquake where any amount so claimed exceeds RMB400,000. Our insurance policies cover two property projects under construction, namely the Bamboo Grove project and the Chunsen Land project in Chongqing, for damages arising from or in connection with the occurrence of an earthquake.

We have also contributed to social insurance for our employees as required by the PRC social security regulations such as a pension contribution plan, medical insurance plan, unemployment insurance plan and work-related injury insurance plan. Our insurance policies cover all our employees for injuries arising from or in connection with the occurrence of an earthquake.

To help ensure construction quality and safety, we engage qualified professional firms as well as the quality supervision units of the relevant local government authorities to oversee the construction process. For further information, see "— Contracting, Procurement, Project Management and Quality Control." Under the current PRC regulatory regime, property construction companies are responsible for quality and safety control during the construction period and are required to take out accident insurance for construction workers carried out at construction sites. We deduct quality assurance reserve funds for the construction project from the construction payment to the property construction companies. We have taken steps, as described above, to prevent construction accidents and personal injuries. Furthermore, under PRC law, construction companies bear primary civil liability where they are responsible for causing personal injuries, accidents and death arising out of their construction work, unless they can prove themselves not at fault. The owner of a construction property may also bear civil liability where he is responsible for causing the personal injuries and deaths, unless he can prove himself not at fault.

ENVIRONMENTAL MATTERS

Property developers are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities.

Each of our property development projects is required under PRC law to undergo environmental assessments. We submit the relevant environmental impact study, report or environmental impact analysis table to the environmental authorities before approval is granted for commencement of construction of our projects. In obtaining approval, an entity must have filed, during the phase of feasibility study of the construction project, an environmental report of the construction project, an environmental impact report and an environmental impact registration form (collectively, "EIE Documents"). All EIE Documents are subject to the approval of the authorized environmental protection administrations. If, following the approval of such environmental impact evaluation documentation, the nature, scale, location and applied production technique of the project undergo substantial changes or, for whatever reason, the construction project does not start within five years of the approval date of the EIE Documents, the construction entity must re-submit such EIE Documents for approval. The approval from the relevant government authorities specifies the standards applicable to the implementation of the construction works as regards to air pollution, noise emissions and water and waste discharge and we enforce these conditions while the construction project is in progress. Such measures are required to be incorporated into the design, construction and operation of the general constructions. Upon completion of each property development, the relevant government authorities also inspect the site to ensure that applicable environmental standards have been complied with, and the resulting reports are then presented together with other specified documents to the local construction administration authorities for their records.

Construction waste is produced by all our projects. We have obtained approvals on all EIE Documents submitted in relation to our projects. Furthermore, we have obtained ISO 14001: 1996 certification in recognition of the quality of our environmental performance of our Fragrant Forest project and we have successfully renewed this certification each year since.

Specific measures taken by us to ensure our compliance with applicable environmental laws and regulations include conducting noise level tests, electro-magnetic radiation level tests, and concrete fillers tests, inspecting the construction materials on site and removing materials which do not comply with environmental laws and regulations, conducting weekly sampling and additional sampling on site to ensure compliance and immediately requiring contractors to rectify any problems. Construction contractors are responsible for compliance with applicable environmental laws and regulations during the construction stage.

We encourage our contractors to use equipment and facilities and to adopt or develop new technologies which are more environmentally friendly. Although inventing environmental protection technology is beyond the scope of our business, we are highly conscious of the need for environmental protection and will always look to adopt new technologies that are helpful in protecting the environment. For example, we have engaged and consulted environmental specialists and we impose contractual obligations on contractors requiring them to comply with environmental laws and regulations and to use only products and technologies which are in compliance with environmental laws and regulations.

LEGAL PROCEEDINGS

We have been involved in litigation proceedings in the past concerning the quality of our products and services or contractual arrangements with our external contractors which, in our view, are immaterial in terms of their impact on our financial and operational conditions. In addition, we are subject to legal or arbitration proceedings, disputes or claims in the ordinary course of business. None of our directors has been or is currently subject to any legal proceedings, legal disputes or arbitration procedures and there is no other litigation or claim of material importance pending or threatened against any member of us.

LABOR AND SAFETY

According to the Labor Law of the PRC (中華人民共和國勞動法), the Labor Contract Law of the PRC (中華人民共和國勞動合同法) and the Implementing Regulations of the Labor Contract Law of the PRC (中華人民共和國勞動合同法實施條例), labor contracts shall be concluded if labor relationships are to be established between our employees and members. We must provide wages which are no lower than local minimum wage standards to the employees from time to time. We are required to establish a system for labor safety and sanitation, strictly abide by State rules and standards and provide relevant education to our employees. We are also required to provide our employees with labor safety and sanitation conditions that satisfy or meet State rules and standards and carry out regular health examinations of our employees engaged in hazardous occupations.

As required under Social Insurance Law of People's Republic of China (中華人民共和國社會保險法), the Regulation of Insurance for the Interim Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), the Regulations on Work-related Injury Insurances (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Trial Procedures for Childbirth Insurance for Enterprise Employees (企業職工生育保險試行辦法) and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例), we provide our employees in the PRC with a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds.

According to the Safety Production Law of the PRC (中華人民共和國安全生產法) enacted by the Standing Committee of the National People's Congress on June 29, 2002 and enforced on November 1, 2002, entities that are engaged in production and business operation activities within the PRC shall observe all relevant laws, rules and regulations concerning production safety and establish and perfect the conditions and system of responsibility for production safety. It requires that entities shall maintain conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. It also requires entities to offer education and training programs to their employees regarding production safety. The design, manufacture, installation, use, checking and maintenance of safety equipment is required to conform with applicable national or industrial standards. In addition, it requires entities to provide labor protection equipment that meets the national or industrial standards to employees and to supervise and educate them to wear or use such equipment according to the prescribed rules.

Our human resources department is responsible for dealing with employees' safety and security matters. We are planning to further strengthen and improve our systems and management in respect of labor and safety in all respects in order to reduce potential future risks in this regard. Measures taken by us to comply with the above-mentioned applicable laws and regulations include requiring the contractors to prepare a work safety implementation plan; requiring the contractors to comply with our onsite work safety requirements; paying for work safety related expenses; distributing work safety protection gear to workers; imposing a contractual obligation on the contractors to comply with work safety guidelines and consider related expenses; appointing experienced personnel to conduct weekly and additional work safety inspections and supervision; and ensuring the workers have the prerequisite qualifications for special construction work.