SINO-OCEAN 远洋地产

遠洋地產控股有限公司

Sino-Ocean Land Holdings Limited

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

(Stock Code: 03377)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reference is made to the announcements of Sino-Ocean Land Holdings Limited (the "**Company**") dated 27 April 2011 and 6 May 2011 in respect of the proposed issue of the Perpetual Subordinated Capital Securities (the "**Announcements**"). Unless otherwise defined, all terms used herein shall have the same meanings as those defined in the Announcements.

The board of Directors of the Company is pleased to announce that all the conditions precedent under the Subscription Agreement have been fulfilled and the issue of the Perpetual Subordinated Capital Securities was completed on 13 May 2011.

Please refer to the attached offering circular in relation to the Perpetual Subordinated Capital Securities (the "**Offering Circular**"), which has been published on the website of the SGX-ST on 16 May 2011. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained therein.

The posting of the Offering Circular on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.09(2) of the Listing Rules, and not for any other purposes.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

By order of the Board
Sino-Ocean Land Holdings Limited
Adrian Sum
Company Secretary

Hong Kong, 16 May 2011

As at the date of this announcement, the board of Directors of the Company comprises three executive Directors, namely, Mr. Li Ming, Mr. Wang Xiaoguang and Mr. Chen Runfu; three non-executive Directors, namely, Ms. Liu Hui, Mr. Yang Zheng and Mr. Cheung Vincent Sai Sing; and four independent non-executive Directors, namely, Mr. Tsang Hing Lun, Mr. Gu Yunchang, Mr. Han Xiaojing and Mr. Zhao Kang.

IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO EITHER (1) ARE QIBS (AS DEFINED BELOW) OR (2) HAVE ADDRESSES OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the preliminary offering circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the preliminary offering circular. In accessing the preliminary offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from Sino-Ocean Land (Perpetual Finance) Limited (the "Issuer") or Sino-Ocean Land Holdings Limited (the "Company") as a result of such access.

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

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

Confirmation of your Representation: In order to be eligible to view the following preliminary offering circular or make an investment decision with respect to the securities, investors must be either (I) qualified institutional buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) or (II) located outside of the United States (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing the following preliminary offering circular, you shall be deemed to have represented to the Issuer and the Company that (1) either (a) you and any customers you represent are QIBs or (b) the electronic mail address that you gave the Company and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to the delivery of this preliminary offering circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the preliminary offering circular has been delivered to you on the basis that you are a person into whose possession the preliminary offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the preliminary offering circular to any other person. If this is not the case you must return the preliminary offering circular to the Company immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Goldman Sachs (Asia) L.L.C., BOCI Asia Limited and The Hongkong and Shanghai Banking Corporation Limited (the "Joint Lead Managers") or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Company, the Joint Lead Managers or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will provide a hard copy version to you upon request.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply' function on your e-mail software, will be ignored or rejected.

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

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

Sino-Ocean Land (Perpetual Finance) Limited

(incorporated with limited liability in the British Virgin Islands)

US$400,000,000 Perpetual Subordinated Capital Securities Callable 2016

unconditionally and irrevocably guaranteed on a subordinated basis by

SINO-OCEAN 远洋地产

遠洋地產控股有限公司

Sino-Ocean Land Holdings Limited

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

(Stock Code: 03377)

Issue Price: 100%

The Perpetual Subordinated Capital Securities Callable 2016 (the "Securities") will be issued in an initial aggregate principal amount of US$400,000,000 by Sino-Ocean Land (Perpetual Finance) Limited (the "Issuer") irrevocably guaranteed on a subordinated basis (the "Guarantee") by Sino-Ocean Land Holdings Limited (the "Guarantor" or the "Company").

The Securities confer a right to receive distributions (each a "Distribution") for the period from and including May 13, 2011 (the "Issue Date") at the applicable rate described below. Distributions are payable semi-annually in arrear on May 13 and November 13 (each a "Distribution Payment Date"). The rate of distribution applicable to the Securities shall be 10.25% in respect of the period from, and including, the Issue Date to, but excluding, May 13, 2016, and thereafter shall be the Relevant Reset Distribution Rate (as defined in "Terms and Conditions of the Securities"). The Issuer may elect to defer a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by providing Holders with not more than 10 nor less than five business days' notice prior to the relevant Distribution Payment Date. Any Distribution so deferred ("Arrears of Distribution") shall bear interest as if it constituted the principal of the Securities. The Issuer may further defer any Arrears of Distribution by complying with the foregoing notice requirement and is not subject to any limits as to the number of times Distributions and Arrears of Distribution can be deferred.

The Securities are perpetual securities and have no fixed final redemption date. The Securities may be redeemed in whole, but not in part, at the option of the Issuer at 100% of their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) (each as defined in "Terms and Conditions of the Securities") and any Distribution accrued to the date fixed for redemption upon the occurrence of a change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after May 6, 2011 such that the Issuer or the Guarantor would be required to pay Additional Tax Amounts (as defined in "Terms and Conditions of the Securities") and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, by taking reasonable measures available to it.

The Issuer may, on giving not less than 30 nor more than 60 days' notice to the Holders (as defined in "Terms and Conditions of the Securities"), redeem all, but not some only, of the Securities at (a) 100% of their principal amount together with any Arrears of Distribution, Additional Distribution Amount and Distribution accrued to the date fixed for redemption on any Call Date which is also a Reset Date (each as defined in "Terms and Conditions of the Securities"); or (b) 101% of their principal amount together with all outstanding Arrears of Distribution, Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption on any Call Date which is not a Reset Date. The Securities may also be redeemed in whole, but not in part, at the option of the Issuer at (a) their applicable Early Redemption Amount (as defined in "Terms and Conditions of the Securities") if such redemption occurs prior to May 13, 2016 or (b) their principal amount together with any Arrears of Distribution, Additional Distribution Amount and Distribution accrued to the date fixed for redemption if such redemption occurs on or after May 13, 2016, (A) upon the occurrence of (i) an Equity Disqualification Event; (ii) a Change of Control; or (iii) a Breach (each as defined in "Terms and Conditions of the Securities"); or (B) when at least 90% in principal amount of the Securities has already been redeemed, or purchased and cancelled. See "Terms and Conditions of the Securities — Redemption, Purchase and Cancellation".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Admission of the Securities to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor or the Securities.

Investing in the Securities involves certain other risks. See "Risk Factors" beginning on page 11.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered, sold or delivered within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold only (1) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A ("Rule 144A") or another applicable exemption (the "Restricted Securities") and (2) outside the United States in compliance with Regulation S under the Securities Act ("Regulation S") (the "Unrestricted Securities"). For a description of certain restrictions on re-sale or transfer, see "Transfer Restrictions".

The Unrestricted Securities will be evidenced by a global certificate (the "Unrestricted Global Certificate"), which will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Restricted Securities will be evidenced by a global certificate (the "Restricted Global Certificate" and, together with the Unrestricted Global Certificate, the "Global Certificates"), which will be registered in the name of a nominee of, and deposited with a custodian for, The Depository Trust Company ("DTC"). Ownership interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their respective participants. Definitive registered certificates evidencing holdings of Securities will only be available in certain limited circumstances. See "Summary of Provisions relating to the Securities in Global Form".

Sole Global Coordinator and Sole Structuring Advisor

Goldman Sachs (Asia) L.L.C.

Joint Lead Managers and Joint Bookrunners

Goldman Sachs (Asia) L.L.C. **BOC International** **HSBC**

Offering Circular dated May 6, 2011

NOTICE TO INVESTORS

This offering circular has been prepared by the Issuer and the Company solely for use in connection with the proposed placement of the Securities. Both the Issuer and the Company, as well as Goldman Sachs (Asia) L.L.C., BOCI Asia Limited and The Hongkong and Shanghai Banking Corporation Limited (together, the "Joint Lead Managers"), reserve the right to withdraw the offering of the Securities at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Securities offered hereby.

This offering circular is personal to the prospective investor to whom it has been delivered by the Joint Lead Managers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Securities. Distribution of this offering circular to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without the Issuer's prior written consent is prohibited. The prospective investor, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make any photocopies of this offering circular.

This offering circular is intended solely for the purpose of soliciting indications of interest in the Securities from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Trust Deed and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering circular has been obtained by the Issuer and the Company from publicly available sources deemed by it to be reliable. Notwithstanding any investigation that the Joint Lead Managers may have conducted with respect to the information contained herein, the Joint Lead Managers do not accept any liability in relation to the information contained in this offering circular or its distribution or with regard to any other information supplied by or on the Issuer's or the Company's behalf.

You should rely only on the information contained in this offering circular. The Issuer and the Company have not authorized anyone to provide you with information that is different. This offering circular may only be used where it is legal to sell the Securities. The information in this document may only be accurate at the date of this offering circular. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the Issuer's or the Company's affairs and those of each of their respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Prospective investors hereby acknowledge that (i) they have not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with any investigation of the accuracy of such information or their investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Issuer, the Company, the Securities or the Guarantee (other than as contained herein and information given by the Issuer's or the Company's duly authorized officers and employees, as applicable, in connection with investors' examination of the Issuer and the Company, and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Company or the Joint Lead Managers.

In making an investment decision, prospective investors must rely on their examination of the Issuer and the Company and the terms of this offering, including the merits and risks involved. Neither the Securities nor the Guarantee have been approved or recommended by any United States federal or state securities commission or any other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any Securities or Guarantee offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

None of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Registrar, the Paying Agent or the Transfer Agent, or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Securities offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisers as to legal, tax, business, financial and related aspects of a purchase of the Securities. None of the Joint Lead Managers, the Trustee, the Registrar, the Paying Agent or the Transfer Agent makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering circular. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Registrar, the Paying Agent or the Transfer Agent accepts any responsibility for the contents of this offering circular or for any other statement made or purported to be made by the Joint Lead Managers or on their behalf in connection with the Issuer and the Company or the issue and offering of the Securities. Each of the Joint Lead Managers, the Trustee, the Registrar, the Paying Agent or the Transfer Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement.

For this offering, the Issuer, the Company and the Joint Lead Managers are relying upon exemptions from registration under the Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the Securities Act. **Prospective investors are hereby notified that sellers of the Securities may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A.** The Securities are subject to restrictions on transferability and resale. Purchasers of the Securities may not transfer or resell the Securities except as permitted under the Securities Act and applicable state securities laws. See "Transfer Restrictions". Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The distribution of this offering circular and the offer and sale of the Securities may, in certain jurisdictions, be restricted by law. Each purchaser of the Securities must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Securities or possesses or distributes this offering circular, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. See "Plan of Distribution" for a description of certain restrictions on the offer and sale of the Securities, and the circulation of documents relating thereto, in certain jurisdictions.

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS (ASIA) L.L.C. (THE "STABILIZING MANAGER") OR ANY PERSON ACTING FOR THE STABILIZING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, UNDERTAKE STABILIZATION ACTION, INCLUDING OVER-ALLOTING SECURITIES OR EFFECTING TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. NO STABILIZATION ACTION SHALL BE TAKEN PRIOR TO THE DATE ON WHICH THE EARLIEST PUBLIC ANNOUNCEMENT OF THE OFFER OF THE SECURITIES WHICH STATES (AMONGST OTHERS) THE OFFER PRICE IS MADE THROUGH THE SGX-ST, OR AFTER THE EARLIER OF (I) THE DATE OF EXPIRY OF THE PERIOD OF 30 CALENDAR DAYS FROM THE DATE OF LISTING OF THE SECURITIES ON THE SGX-ST, (II) THE DATE OF EXPIRY OF THE PERIOD OF 60 CALENDAR DAYS FROM THE DATE ON WHICH THE EARLIEST PUBLIC ANNOUNCEMENT OF THE OFFER OF THE SECURITIES WHICH STATES THE OFFER PRICE IS MADE THROUGH THE SGX-ST AND (III) THE DATE ON WHICH THE STABILIZING MANAGER HAS BOUGHT THE TOTAL NUMBER OR PRINCIPAL AMOUNT OF THE SECURITIES THAT THE STABILIZING MANAGER MAY BUY TO UNDERTAKE STABILIZATION ACTION AS STATED IN THIS OFFERING CIRCULAR. THE TOTAL NUMBER

OF THE SECURITIES THAT THE STABILIZING MANAGER MAY BUY TO UNDERTAKE STABILIZATION ACTION SHALL NOT EXCEED 20% OF THE TOTAL NUMBER OR PRINCIPAL AMOUNT OF THE SECURITIES BEING OFFERED PRIOR TO ANY OVER-ALLOTMENT.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this offering circular, references to:

- "we", "our", "us", "the Company" and "the Guarantor" are to Sino-Ocean Land Holdings Limited and, as the context requires, its consolidated subsidiaries;
- the "Issuer" are to Sino-Ocean Land (Perpetual Finance) Limited, a wholly-owned subsidiary of the Company;
- the "PRC" or "China" are to the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- "China Life" are to China Life Insurance Company Limited (中國人壽保險股份有限公司);
- "COSCO Group" are to China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), a PRC wholly state-owned enterprise;
- "Sinochem Group" are to Sinochem Group (中國中化集團公司), a PRC wholly state-owned enterprise under the supervision of SASAC;
- "Sinochem Corporation" are to Sinochem Corporation (中國中化股份有限公司), a joint stock limited liability company formed in 2009, 98% of the equity interest of which is owned by Sinochem Group and 2% by COSCO Group;
- "Sinochem Hong Kong" are to Sinochem Hong Kong (Group) Company Limited (formerly known as Sinochem Hong Kong (Holdings) Company Limited), a company incorporated with limited liability in Hong Kong in 1989, which is wholly-owned by Sinochem Corporation;
- "CBRC" are to the China Banking Regulatory Commission;
- "MOFCOM" are to the Ministry of Commerce of the PRC;
- "MSLR" are to the Ministry of State Land and Resources of the PRC;
- "NDRC" are to the National Development and Reforming Commission;
- "PBOC" are to the People's Bank of China;
- "SAFE" are to the State Administration of Foreign Exchange of the PRC;
- "SAIC" are to the State Administration for Industry and Commerce;
- "SASAC" are to the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
- "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America;
- "HK$" and "HK dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region; and
- "RMB" or "Renminbi" are to the Renminbi, the official currency of the PRC.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this offering circular represents the site area and GFA of the entire project, including those attributable to the minority shareholders of non-wholly owned project companies included in our consolidated financial statements.

Solely for your convenience, this offering circular contains translations of certain Hong Kong dollar amounts into U.S. dollar amounts, Renminbi amounts into Hong Kong dollar amounts, and Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Hong Kong dollars amounts into U.S. dollar amounts and of Renminbi amounts into U.S. dollar amounts has been made at the rate of HK$7.7810 to US$1.00 and RMB6.6000 to US$1.00, respectively, the exchange rates set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States ("Federal Reserve Board") on December 31, 2010; and the translation of Renminbi amounts into Hong Kong dollar amounts has been made at the rate of RMB0.85093 to HK$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on December 31, 2010. Further information on exchange rates is set forth in "Exchange Rate Information". You should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar or HK dollar amounts, as the case may be, or any HK dollar amounts could be converted into any U.S. dollar amounts, at the rates indicated or at all.

GLOSSARY OF TECHNICAL TERMS

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

"aggregate GFA"	the total of saleable/rentable GFA and non-saleable/rentable GFA
"CAGR"	compound annual growth rate
"certificate of completion"	the construction project planning inspection and clearance certificate (建 設工程竣工驗收備案) issued by various local bureaus in China including the fire protection department, planning department, environmental protection department and air defense department with respect to the completion of property projects subsequent to their onsite examination and inspection
"commodity properties"	residential properties, commercial properties and other buildings that are developed by real estate developers for the purposes of sale or lease after their completion
"construction land planning permit"	the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"construction permit"	the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority
"construction works planning permit"	the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"GFA"	gross floor area
"land bank"	the total amount of GFA from all of the following: (i) projects for which the relevant governmental authorities have granted us land use rights certificates; and (ii) projects for which we have entered into land grant contracts or successfully tendered but have not yet obtained land use rights certificates. Land bank is calculated based on the amount of "remaining GFA". "Remaining GFA" is not equivalent to "remaining saleable GFA" as it includes both saleable and non-saleable remaining GFA
"land grant contract"	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
"land use right certificate"	a certificate issued by a local property and land resources bureau in the PRC with respect to land use rights

"land use right transfer agreement" ..	an agreement in respect of the transfer of the land use right of a parcel of land by the previous grantee of the land use right in the secondary market
"LAT"	land appreciation tax
"non-saleable/rentable GFA"	the amount of GFA that is not for sale or for rent, which typically includes communal facilities and service areas
"pre-sale"	sales of properties prior to the completion of their construction after the satisfaction of certain conditions under PRC laws and regulations
"pre-sale permit"	the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"primary land development"	a type of development whereby we are appointed by a government department to carry out certain planning, removal, resettlement and foundational infrastructure work ahead of the tender, bid, or auction process of a given plot of land to a property developer
"property ownership certificate"	the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"saleable/rentable GFA"	the amount of GFA that a property developer intends to sell or rent and that does not exceed the multiple of the site area and the maximum permissible plot ratio
"sq.m."	square meter
"urbanization rate"	the percentage of a given population of a defined area that lives in an urban area

PRESENTATION OF FINANCIAL AND OTHER DATA

Our consolidated financial statements as at December 31, 2008, 2009 and 2010 and for the years then ended have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). HKFRS differs in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). For a discussion of certain significant differences between HKFRS and U.S. GAAP, see "Description of Certain Differences between HKFRS and U.S. GAAP".

Certain amounts and percentages included in this offering circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

FORWARD-LOOKING STATEMENTS

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

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

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

INCORPORATION BY REFERENCE

We hereby incorporate by reference the consolidated financial statements of the Company with respect to the year ended December 31, 2008 together with the independent auditor's reports thereon issued by PricewaterhouseCoopers ("PwC") dated March 26, 2009, as contained in the 2008 Annual Report of the Company. Such documents are deemed part of this offering circular.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this offering circular. As it is a summary, it does not contain all of the information that may be important to you. You should therefore read this offering circular in its entirety.

Terms defined elsewhere in this offering circular shall have the same meanings when used in this summary.

Overview

We are one of the leading property developers in Beijing and the Pan-Bohai Rim and are actively implementing our strategic plan for expansion across the PRC with a focus on cities along the coast and the Yangtze River. We focus on developing mid- to high-end residential properties, high-end office premises, retail space, serviced apartments and hotels. We had 48 projects in various stages of development as of December 31, 2010 in high-growth cities across the PRC, including Beijing, Tianjin, Dalian, Shenyang, Qingdao, Qinhuangdao and Changchun in the Pan-Bohai Rim; Shanghai and Hangzhou in the Yangtze River Delta, Zhongshan in the Pearl River Delta; Wuhan, Chongqing and Chengdu in the Mid-West region of the PRC and several centers of tourism including Huangshan, Haikou and Sanya.

In conjunction with our focus on high-end products and professional services, we have built "Sino-Ocean 遠洋地產" into a strong brand in Beijing and in the Pan-Bohai Rim and Pearl River Delta regions. As of December 31, 2010, our total land bank included a total planned GFA of approximately 20.6 million sq.m., approximately 16% of which was located in Beijing, 63% in other cities in the Pan-Bohai Rim, 7% in the Pearl River Delta area, 7% in the Mid-West region of the PRC, 6% in the Yangtze River Delta and 1% in Hainan.

For the three years ended December 31, 2008, 2009 and 2010, we generated approximately 90%, 93% and 93% of our revenue, respectively, from property development. For the three years ended December 31, 2008, 2009 and 2010, our revenue was RMB6,487 million, RMB8,824 million and RMB13,721 million, respectively, and the profit attributable to our equity holders was RMB1,388 million, RMB1,582 million and RMB2,444 million, respectively. In line with our expansion strategy, we anticipate that revenue attributable to the sale of properties outside Beijing will increase as a percentage of our overall revenue going forward.

Our Company was established in 1993 as a real estate subsidiary of COSCO Group. In December 2009, we completed a placement of 934,000,000 shares to China Life at a subscription price of HK$6.23 per share. Immediately following this purchase, China Life held 16.57% of our shares. In January 2010, China Life further increased its stake in us to 24.07%, as a result of a purchase of 423,000,000 shares from Sinochem Corporation, and became our largest shareholder. On December 21, 2010, COSCO Group, which had held 16.85% of our shares as of June 30, 2010, disposed of its entire shareholding in us. In December 2010, Chen Din Hwa, chairman of Nan Fung Group, ("Mr. Chen") became a significant shareholder in our Company, and as of December 31, 2010, he held 12.84% of our shares.

Our Strengths

We believe that our success and future prospects are supported by the following strengths:

- Leading position in the Pan-Bohai Rim;
- Proven ability to capitalize on high-growth opportunities in the Pan-Bohai Rim and Pearl River Delta regions;
- Strategic partnerships with established developers;
- Geographically diverse land bank with multi-product development portfolio;
- Proven track record of successfully identifying, securing and developing prime sites;
- Strong customer focus and reputable brand name; and
- Experienced and capable management team and employees.

Our Strategies

Our vision is to become the premier diversified property developer in China. Our strategies to achieve this vision are:

- Strengthen our leading position in Beijing and elsewhere in the Pan-Bohai Rim;
- Continue to capture market opportunities through additional geographic diversification across China;
- Continue to use discipline in selectively expanding and prudently managing our land bank;
- Continue to improve cost management and operating efficiencies; and
- Focus on enhancing the "Sino-Ocean" brand by leveraging value-added products and services.

SUMMARY FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information for the periods indicated.

The summary consolidated financial information for the years ended December 31, 2008, 2009 and 2010 set forth below is derived from our published audited consolidated financial statements for such respective years. Our audited consolidated financial statements for each of the years ended December 31, 2009 and 2010 are included in this offering circular. Our audited consolidated financial statements for the year ended December 31, 2008 are incorporated by reference in this offering circular.

Our consolidated financial statements are prepared and presented in accordance with HKFRS, which differs in certain material respects from U.S. GAAP. For a discussion of these differences, see "Summary of Certain Differences between HKFRS and U.S. GAAP". We have not attempted to reconcile our consolidated financial statements to U.S. GAAP, but had we done so it may have had a material impact on the financial information included herein.

Consolidated Income Statement Information

	Year ended December 31,			
	2008	**2009**	**2010**	**2010**
	(RMB)	**(RMB)**	**(RMB)**	**(US$)**
		(in millions)		
Revenue	6,487	8,824	13,721	2,079
Cost of sales	(3,667)	(6,167)	(9,596)	(1,454)
Gross profit	2,820	2,657	4,125	625
Other income	215	211	240	36
Other (losses)/gains — net	127	(8)	188	28
Fair value gain on investment properties	—	709	567	86
Selling and marketing costs	(251)	(319)	(441)	(67)
Administrative expenses	(420)	(320)	(457)	(69)
Operating profit	2,491	2,930	4,222	639
Fair value (loss)/gain on derivative financial instruments	56	—	—	—
Finance costs	(161)	(310)	(287)	(43)
Share of losses of jointly controlled entities	—	(35)	(9)	(1)
Share of losses of associates	(2)	(18)	(72)	(11)
Profit before income tax	2,384	2,567	3,854	584
Income tax expenses	(939)	(929)	(1,415)	(214)
Profit for the year	1,445	1,638	2,439	370
Attributable to:				
Equity holders of the Company	1,388	1,582	2,444	371
Non-controlling interests	57	56	(5)	(1)

Selected Consolidated Balance Sheet Information

	As at December 31,			
	2008	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
Non-current assets	4,169	7,777	8,338	1,263
Property, plant and equipment	305	325	215	33
Investment properties	1,984	3,984	4,989	756
Current assets	39,099	54,372	84,393	12,787
Properties under development	18,444	22,254	41,393	6,272
Land under development	1,840	927	2,439	370
Completed properties held for sale	4,243	3,484	2,649	401
Trade and other receivables	1,588	1,720	3,566	540
Restricted bank deposits	810	896	1,057	160
Cash and cash equivalents	8,027	17,620	13,977	2,118
Total assets	43,268	62,149	92,731	14,050
Non-current liabilities	9,569	18,186	20,628	3,125
Borrowings	8,779	17,187	19,276	2,921
Current liabilities	15,916	20,076	38,977	5,906
Borrowings	5,965	4,653	9,920	1,503
Trade and other payables	5,010	4,526	10,831	1,641
Advances from customers	3,749	9,495	16,235	2,460
Capital and reserves attributable to equity holders	16,653	23,368	31,071	4,708
Non-controlling interests	1,130	519	2,055	311
Total equity and liabilities	43,268	62,149	92,731	14,050

SUMMARY OF THE OFFERING

The following is a brief summary of some of the terms of the offering relating to the Securities. For a more complete description of the Securities, see "Terms and Conditions of the Securities" in this offering circular. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Securities".

Issuer	Sino-Ocean Land (Perpetual Finance) Limited.
Guarantor	Sino-Ocean Land Holdings Limited.
Issue..	US$400,000,000 Perpetual Subordinated Capital Securities Callable 2016.
Guarantee..	The Guarantor has irrevocably guaranteed on a subordinated basis the due payment of all sums expressed to be payable by the Issuer under the Securities. The obligations of the Guarantor in that respect are contained in the Trust Deed relating to the Securities.
Status and Subordination of the Securities	The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. In the event of the Winding-Up of the Issuer, the rights and claims of the Holders shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer other than the claims of holders of Parity Securities.
Subordination of the Guarantee.........	In the event of the Winding-Up of the Guarantor, the rights and claims of the Holders shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Guarantor and ahead of the Perpetual Subordinated Convertible Securities, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Guarantor, other than the claims of holders of Parity Securities.
Set-off..	Each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all rights of set-off, distribution or retention. No Holder may exercise, claim or plead any right of set-off, distribution or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Securities or the Guarantee, as the case may be.
Issue Price	100%
Form and Denomination	The Securities will be issued in registered form in the denomination of US$200,000 each and higher integral multiples of US$1,000.

Distributions..	The Securities confer a right to receive distributions (each a "Distribution") from and including the Issue Date at the Distribution Rate payable semi-annually in arrear on May 13 and November 13 in each year, subject as provided in the Conditions.
Distribution Rate	The Distribution Rate shall be (i) in respect of the period from, and including the Issue Date to, but excluding May 13, 2016 (the "First Call Date"), 10.25% per annum and (ii) in respect of the periods (A) from, and including, the First Call Date to, but excluding, the immediately following Reset Date and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate where "Initial Spread" means 8.31% "Relevant Reset Distribution Rate" means the Treasury Rate with respect to the relevant Reset Date plus the Initial Spread plus the Step-Up Margin per annum, and "Step-Up Margin" means 3.00%
Step up after Breach of Covenant or Change of Control..........................	If a Breach occurs or if the Issuer does not redeem the Securities following the occurrence of a Change of Control, the then-prevailing Distribution Rate and each subsequent Distribution Rate shall be increased by 3.00% per annum with effect from (and including) (i) in the case of a Breach, the date falling 60 days after the date of such Breach or (ii) in the case of a Change of Control, the date falling 60 days after the date on which the Change of Control occurred; provided that the maximum aggregate increase in the Distribution Rate shall be 3.00% per annum. For the avoidance of doubt, the 3.00% increase relating to a Breach or Change of Control would be separate from and in addition to any applicable "Step-Up Margin" in relation to a Relevant Reset Distribution Date. Following such an increase in the Distribution Rate, in the event that the relevant Breach is cured or the combined shareholding of all State-Owned Enterprises in the Guarantor is larger than the beneficial shareholding of any other single shareholder of the Guarantor, upon written notice being given to the Holders and the Trustee, the Distribution Rate shall be decreased by 3.00% per annum with effect from (and including) (i) in the case of a Breach, the date falling 30 days after the date the Trustee receives evidence to its satisfaction of the cure of such Breach or (ii) in the case of the combined shareholding of all State-Owned Enterprises in the Guarantor being larger than the beneficial shareholding of any other single shareholder of the Guarantor, the date falling 30 days after the date the Trustee receives evidence to its satisfaction of the same; provided that the maximum aggregate decrease in the Distribution Rate shall be 3.00% per annum.

Optional Deferral of Distributions.......	The Issuer may, at its sole discretion, elect to defer a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders, the Trustee and the Principal Agent not more than 10 nor less than five Business Days prior to each relevant Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred. Any Distribution so deferred shall bear interest as if it constituted the principal of the Securities. The Issuer may further defer any Arrears of Distribution by complying with the foregoing notice requirement. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can be deferred. "Compulsory Distribution Payment Event" means circumstances in which during the three-month period ending on the day before the relevant Distribution Payment Date either or both of the following have occurred: (a) a discretionary dividend, distribution or other payment has been paid or declared by the Guarantor (or in the case of any Parity Securities, the issuer thereof) on or in respect of any Junior Securities, preference shares or any Parity Securities of the Guarantor (other than any discretionary dividend, distribution or other payment paid or declared by a wholly-owned Subsidiary of the Guarantor to either (i) the Guarantor or (ii) another wholly-owned Subsidiary of the Guarantor); or (b) the Issuer or the Guarantor (or in the case of Parity Securities, the issuer thereof) has at its discretion repurchased, redeemed or otherwise acquired any of its Junior Securities, preference shares or Parity Securities.
Arrears of Distribution........................	Any Distribution not paid on a Distribution Payment Date shall constitute an "Arrears of Distribution". Arrears of Distribution may be satisfied by the Issuer (in whole or in part) at any time by giving notice of such election to Holders not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice. All notices of payment of any Arrears of Distribution are irrevocable.

Restrictions in the case of a Deferral	If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full unless (a) the Issuer or the Guarantor has satisfied, in full, all outstanding Arrears of Distribution; or (b) the Issuer or the Guarantor is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders, each of the Issuer and the Guarantor shall not: (i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend or other payment is made on any Junior Securities, preference shares or Parity Securities; or (ii) redeem, reduce, cancel, buy-back or acquire for any consideration any Junior Securities, preference shares or Parity Securities.
Expected Closing Date	May 13, 2011.
Maturity Date	There is no maturity date.
Redemption at the Option of the Issuer	The Issuer may redeem all, but not some only, of the Securities at (a) 100% of their principal amount together with all outstanding Arrears of Distribution, Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption on any Call Date which is also a Reset Date (each as defined in "Terms and Conditions of the Securities"); or (b) 101% of their principal amount together with all outstanding Arrears of Distribution, Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption on any Call Date which is not a Reset Date. The Issuer may also redeem all, but not some only, of the Securities at (a) their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (b) 100% of their principal amount together with all outstanding Arrears of Distribution, Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption, when at least 90% in principal amount of the Securities has already been redeemed, or purchased and cancelled.

Tax Redemption................................	The Issuer may redeem all, but not some only, of the Securities at 100% of their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and any Distribution accrued to the date fixed for redemption, at the option of the Issuer upon a change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after May 6, 2011 such that the Issuer or the Guarantor would be required to pay Additional Tax Amounts and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it (a "Gross-Up Event"). If the Issuer gives a Tax Redemption Notice but a holder elects that his Securities shall not be redeemed, no Additional Tax Amounts shall be payable in respect thereof and payment of all amounts shall be subject to the deduction of withholding of the relevant taxation required to be withheld or deducted.
Redemption on an Equity Disqualification Event....................	The Issuer may redeem all, but not some only, of the Securities at (i) their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (ii) their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption if such redemption occurs on or after the First Call Date in the event there are any changes or amendments to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as amended from time to time, which result in the Securities ceasing to qualify as equity in the financial statements of the Guarantor (an "Equity Disqualification Event").
Redemption for Change of Control....	The Issuer may redeem all, but not some only, of the Securities at (i) their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (ii) their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption if such redemption occurs on or after the First Call Date, if immediately before giving such notice, a Change of Control has occurred and is continuing.
Redemption for Breach of Covenant..	The Issuer may redeem all, but not some only, of the Securities at (i) their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (ii) their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption if such redemption occurs on or after the First Call Date, if a breach of certain covenants set out in the Conditions occurs and is continuing. See "Terms and Conditions of the Securities — Restrictive Covenants".

Limited rights to institute proceedings	The right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with the Conditions.
Proceedings for Winding-Up	If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor do not make payment in respect of the Securities or the Guarantee, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Trust Deed, the Securities and the Guarantee and the Trustee may institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or claim in the liquidation of the Issuer, the Guarantor or both of them (as applicable) for such payment.
Substitution or Variation	If a Special Event has occurred and is continuing, then the Issuer may (without any requirement for the consent or approval of the Holders) and subject to the Issuer having satisfied the Trustee immediately prior to the giving of any notice that the relevant provisions have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Principal Paying Agent and the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the receipt by it of a certificate of the directors of the Issuer) agree to such substitution or variation. "Special Event" means a Gross-Up Event, an Equity Disqualification Event or any combination of the foregoing.
Book-Entry Only	The Securities will be issued in book-entry form through the facilities of Euroclear, Clearstream and DTC for the accounts of their participants.
Governing Law	The Securities (save for the provisions relating to subordination which will be governed by, and construed in accordance with, Hong Kong law in respect of the Guarantee and the laws of the British Virgin Islands in respect of the Securities) will be governed by, and shall be construed in accordance with, English law.
Trustee	The Bank of New York Mellon, London Branch
Listing	Approval in-principle has been received for the listing of the Securities on the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of US$200,000 so long as the Securities are listed on the SGX-ST.
Use of Proceeds	Financing of new and existing projects (including construction costs, land costs and investment properties) and for general corporate purposes.

Prior to making any investment decision, you should consider carefully all of the information in this offering circular, including the risk factors and uncertainties described below. Our business, financial condition or results of operations could be materially adversely affected by any of these considerations and uncertainties. Additional considerations and uncertainties not presently known to us, or which we currently deem immaterial, may also have an adverse effect on an investment in the Securities.

Risks Relating to our Business

We are dependent on the performance of the PRC property sector, particularly in Beijing and the Pan-Bohai Rim.

We are subject to the conditions of the real estate market in the PRC generally and in Beijing and the Pan-Bohai Rim in particular. As of December 31, 2010, approximately 16% of our land bank was located in Beijing and 63% was located in other cities in the Pan-Bohai Rim. We expect our business will continue to be heavily affected by the state of the property market in the PRC, particularly in Beijing and the Pan-Bohai Rim. Any adverse developments in the supply of and demand for property or in property prices in the PRC, particularly in Beijing and the Pan-Bohai Rim, would have a material adverse effect on our business, financial condition and results of operations.

Demand for private residential properties in the PRC has grown significantly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. In addition, demand for properties has been affected and will continue to be affected by the macro economic control measures implemented by the PRC government from time to time. In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and to stabilize the growth of specific sections, including the property market, to a more sustainable level. In January 2010, the PRC government resumed measures to control inflation and slow the price increases in the property market, as the economy and the real estate market recovered. Any government efforts to regulate the pace of economic growth in China may affect the real estate markets where we operate. See “Risk Factors — Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property market in China”.

In addition, the future demand for different types of properties is uncertain. If we do not respond to changes in market conditions or customer preferences in a timely manner, our results of operation will be adversely affected. There can be no assurance that our property development and investment activities will continue at past levels or that we will be able to benefit from the future growth, if any, of the property markets in Beijing, or the Pan-Bohai Rim, or other parts of the PRC.

Increasing competition in the PRC, particularly in the Pan-Bohai Rim, may adversely affect our business and financial condition.

In recent years, a large number of property developers have undertaken property development and investment projects in the Pan-Bohai Rim and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local homebuilders.

The intensity of the competition among property developers in the Pan-Bohai Rim and elsewhere in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased costs for land acquisition and construction, an oversupply of properties in certain parts of the PRC, including Beijing, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the commodity properties we sell. Any of the above may adversely affect our business, financial condition and results of operations.

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

We cannot assure you that we will be successful when expanding into other cities in China.

We are currently developing projects outside Beijing and are rapidly expanding our operations in other areas of China. Our active penetration into other areas in China may place a strain on our managerial, operational and financial resources and will further contribute to an increase in our financing requirements. Our experience as primarily a residential property developer in Beijing may not be applicable in other regions. We cannot assure you that we will be able to replicate our successful business models and leverage such experience to expand into other parts of China or outside China. When we enter new markets, we may face intense competition from developers with experience or established presence in the geographical areas or segments that we plan to expand into and from other developers with similar expansion plans. There is no assurance that we will be successful in expanding into other areas in China and that our revenue from those projects in other areas in China will grow at the rate we anticipate or at all. For example, we could face considerable reputational and financial risks if our development projects outside Beijing are mismanaged or do not meet the expectations of customers.

We may not be able to successfully manage our growth.

We have been rapidly expanding our operations in recent years, including by expanding into new cities and regions. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

The global economic slowdown and financial crisis since 2008 have negatively impacted, and may continue to negatively impact, our business.

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

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices;
- the economic slowdown has adversely impacted home owners and potential property purchasers, which may lead to a further decline in the general demand for property products and a further erosion of their selling prices; and
- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

Although certain parts of the PRC property market showed signs of recovery in the second half of 2009 and 2010 due in large part to stimulus measures adopted by the PRC government, we cannot assure you that the property market will continue to recover, nor can we predict how long the recent economic slowdown may last and to what extent it may impact us. If the recent economic slowdown and financial crisis continue for a prolonged period or further deteriorate, the demand for our products and our ability to obtain necessary financing for our operations could be materially and adversely affected, which in turn would negatively impact our business, financial condition, results of operations and prospects.

Our business depends on the availability of an adequate supply of sites.

We derive our revenue principally from the sale of properties that we have developed. As a result, our revenue is not of a recurring nature but is dependent on our ability to obtain prime sites and complete and sell our developments. We must replenish and increase our land bank in order to maintain the growth of our business. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain substitute land sites for development in the future at prices that allow us to achieve reasonable returns upon sale to our customers.

The PRC government controls substantially all of the land supply in the PRC. As a result, the policies of the PRC government towards land supply will affect our ability to acquire land use rights for the sites we have identified for future developments and our land acquisition costs. In the PRC, land use rights for residential or commercial property developments must be sold by public bidding, auction or listing-for-sale. In addition, the PRC government may limit the supply of land available for development in the cities in which we have or intend to have development projects. We cannot assure you that we will be successful in tendering or bidding for sites. In addition, we have acquired and in the future intend to acquire land by acquiring other property development companies and we cannot assure you that we will be able to obtain applicable government approvals for companies so acquired.

The PRC government regulates the manner in which land can be developed. For example, following announcements by the State Council and other government bodies concerning new directives to adjust the structure of the PRC residential housing market, MSLR issued the "Urgent Notice of Further Strengthening the Administration of the Land" (Guo Tu Zi Dian Fa [2006] No. 17) (《關於當前進一步從嚴土地管理的緊急通知》(國土資電發[2006]17號)) on May 30, 2006 providing for restrictions on land supply for high-end residential property developments, including, in particular, the discontinuation of new land supply for villa projects. On December 18, 2006, the MSLR and the NDRC issued the 2006 version of the "Catalogue of Restricted Use of Land" (《限制用地項目目錄(2006年本)》) and the 2006 version of the "Catalogue of Prohibited Use of Land" (《禁止用地項目目錄(2006年本)》) (together with the catalogue of Restricted Use of Land (2006 version), the "Catalogue of Restricted Use of Land"), which restricted the area of a parcel of land granted for low-density and large-size commodity housing (projects with a plot ratio less than 0.1 and GFA more than 144 sq.m. for each set) and prohibited the use of land for villa development. On November 10, 2009, the MSLR issued the supplement to the 2006 version of the "Catalogue of Restricted Use of Land" (《限制用地項目目錄(2006年本增補本)》), which restricted the area of a parcels of land granted for commodity housing development to 7 hectares in small cities, 14 hectares in medium-size cities and 20 hectares in large cities. In March 2010, the MSLR published the "Notice on Increasing the Supply of Land for Real Estate Development and the Tightening of Regulation" (Guo Tu Zi Fa [2010] No. 34) (《關於加強房地產供應和監管有關問題的通知》(國土資發[2010]34號)), which reiterated the policies prohibiting new land grants for villa construction and restricting land supply for high-end residential property development. On February 5, 2011, the MSLR issued the "Circular on the Issues of the Management and Control of Land Supply for Urban Residential Properties" (Guo Tu Zi Fa [2011] No. 2) (《國土資源部關於切實做好2011年城市住房用地管理和調控重點工作的通知》(國土資發[2011]2號)), which required strict controls on the use of land supply for large-size commercial housing and prohibited the use of land supply for villas.

On September 28, 2007, the MSLR promulgated the "Regulation on the Grant of State-owned Land Use Rights for Construction through Competitive Bidding, Auction and Listing-for-Sale"(Order of MSLR [2007] No. 39) (《招標拍賣掛牌出讓國有建設用地使用權規定》(國土資源部令[2007]第39號)), effective on November 1, 2007. This regulation provides, among other things, that property developers must pay the relevant land use right grant premiums in full according to the provisions of the relevant land grant contract for the entire parcel under the land grant contract before they can apply for land registration or obtain a land use rights certificate. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use rights certificate for the corresponding portion of land in order to commence development, which had been a practice of developers in many Chinese cities. On November 18, 2009, the Ministry of Finance, the MSLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly issued the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (Cai Zong [2009] No. 74)(《關於進一步加強土地出讓收支管理的通知》(財綜[2009]74號)), which raises the minimum down payment on land use right grant premiums to 50% of the total premium and requires the land use right grant premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. On March 8, 2010, the MSLR issued the "Circular on Strengthening Real Estate Land Supply and Supervision" (Guo Tu Fa [2010] No. 34) (《關於加強房地產用地供應和監管有關問題的通知》(國土資發[2010]34號)), which sets the minimum land use right grant premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted and sets the bidding deposit at no less than 20% of the minimum land use right grant premium. Additionally, a land grant contract must be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land use right use right grant premium must be paid within one month of signing the land grant contract. The remaining amount must be paid in full within one year of the date of the land grant contract in accordance with its provisions. The implementation of these regulations will require property developers to maintain a higher level of working capital. We cannot assure you that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of these requirements.

On April 17, 2010, the State Council issued the "Notice on Firmly Preventing Overly Fast Growth of Real Property Prices in Certain Cities" (Guo Fa [2010] No. 10) (《國務院關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)), which states that the PRC government is considering new land use right granting mechanisms other than competitive bidding, auction and listing-for-sale. The new mechanisms may include "comprehensive bid evaluation" (綜合評標), "one-time bidding" (一次競價) and "mutual bidding" (雙向競價). Because few details have been provided regarding these new mechanisms, there can be no assurance that these new mechanisms, if adopted in the future, will not materially and adversely affect our ability to obtain land use rights.

On September 21, 2010, the MSLR and the Ministry of Housing and Urban-Rural Development issued the "Notice on Further Strengthening the Regulations of Real Estate Land and Construction Management" (Guo Tu Zi Fa [2010] No. 151) ("Circular 151") (《關於進一步加強房地產用地和建設管理調控的通知》(國土資發[2010]151號)), according to which parcels of land may only be granted with applicable planning and construction conditions and land use standards; additionally, Circular 151 prohibits the granting of (i) two or more parcels of land as a bundle or (ii) "undeveloped land". Additionally, after land is granted, Circular 151 prohibits companies and individuals from changing the planning and construction conditions without due authorization. On January 26, 2011, the General Office of the State Council issued the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (《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》(國辦發[2011]1號)), which prohibits transfers of land and property development projects if the amount of property development investment actually made (excluding the land use right grant premium) is less than 25% of the total investment amount expected to be made in respect of the project.

If changes in government policy lead to a reduction in land supply, our business, future financial condition and results of operations may be materially and adversely affected.

Our business may be adversely affected by increases in interest rates.

We cannot assure you that we will have adequate cash flow to service our financing obligations. We have substantial interest obligations for our borrowings, and, for the years ended December 31, 2008, 2009 and 2010, our interest expense on total borrowings (including the capitalized portion) was RMB1,073 million, RMB989 million and RMB1,486 million, respectively. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. The PBOC from time to time adjusts the benchmark lending rates. For example, the PBOC raised the benchmark one-year lending rate six times during 2007 from 6.12% at the beginning of the year to 7.47% as of December 21, 2007. The benchmark lending rate for RMB-denominated loans with a one-year term had declined to 5.31% as of April 30, 2010 but has been raised from 5.31% on October 1, 2010 to 6.06% in February 2011 and most recently to

6.31% on April 6, 2011. The PBOC may raise the benchmark lending rate again in order to control the growth rate of the Chinese economy or for other policy objectives. Any increases in interest rates on our borrowings, including as a result of interest rate increases by the PBOC, may have a material adverse effect on our financial condition and results of operations.

In addition, increases in interest rates by the PBOC will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties, which could, in turn, adversely affect our business, financial condition and results of operations.

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

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

In addition, any decreases in property prices or adverse developments in the property market after the acquisition of a parcel of land and prior to pre-sales or sales of completed property developments on such land could also have an adverse impact on our business, financial condition and results of operations. In the first four months of 2010, we acquired a number of parcels of land prior to the introduction of various stringent measures by the PRC government in April 2010 to curtail the overheating of the property market in China. There can be no assurance that we will be able to sell completed properties on such land at selling prices that we anticipated at the time of acquisition of such land parcels.

We may not be able to obtain adequate funding for our property developments.

We generally fund our development projects through bank loans, internal cash flows, including proceeds from the pre-sale and sale of our properties, and capital raisings. There is no guarantee that we will always have sufficient funds available to fund all our future property developments.

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

- forbid commercial banks in the PRC from extending loans to property developers to finance land use right grant premiums;
- restrict commercial banks in the PRC from extending loans for the development of luxury residential properties;
- prohibit commercial banks in the PRC from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- forbid commercial banks in the PRC from extending loans to projects falling within the Catalogue of Prohibited Use of Land;
- restrict, in principle, property development loans provided by commercial banks from being used for projects in areas other than where the commercial bank is located;
- prohibit commercial banks in the PRC from providing loans to projects in which less than 35% of the project's capital is equity, or where there is a failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits;

- require commercial banks in the PRC to be prudent in extending loans (i) to property developers in circumstances where the development and construction of the relevant land has not commenced within one year from the commencement date stipulated in the land grant contract or where the development and construction of the land has commenced but the area in which the development and construction has commenced is less than one-third of the total area to be developed and constructed or the amount invested by the developer is less than 25% of the total amount expected to be invested in the project and (ii) to projects falling within the 2006 version of the "Catalogue of Restricted Use of Land" and its supplement;
- prohibit commercial banks in the PRC from extending loans to property developers that hold idle lands for two years or longer and prohibit commercial banks from extending other loans secured by such idle land to the property developers;
- prohibit commercial banks in the PRC from providing loans for new development projects to real estate developers that have been found to be leaving their land idle and speculating on land; and
- prohibit commercial banks in the PRC from extending new real estate property loans, or extending existing loans, to real estate developers that hold idle land, that have changed the land use and land status, that have delayed the commencement date and completion date of construction, or that have delayed the launch of sales of property projects for speculative purposes (see "the Notice on the Improvement of Diversified Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發 [2010]275號)).

In addition, the PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. Since June 2008, in order to stimulate the PRC economy, the PBOC decreased the reserve requirement ratio for large-scale commercial banks four times from 17.5% to 15.5% in December 2008. The PBOC adjusted the reserve requirement ratio for commercial banks six times in 2010 and twice in 2011, most recently increasing it to 20.5% in April 2011, in order to curtail potential overheating of the economy. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including us, by commercial banks in China.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. In November 2009, the PRC government raised the minimum down payment of land use right grant premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land use right grant premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land use right grant premium. Additionally, a land grant contract must be entered into within ten working days after the land grant deal is closed, and the down payment of 50% of the land use right grant premium must be paid within one month of signing the land grant contract. The remaining amount must be paid in full within one year of the date of the land grant contract in accordance with its provisions, subject to limited exceptions. These policies may limit our ability to acquire land and fund our projects. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land use right grant premiums for past acquisitions) or property developments.

We cannot assure you that we will be able to obtain bank loans or renew existing credit facilities granted by financial institutions in the future on reasonable terms or at all or that any fluctuation in the interest rate will not affect our ability to fund our property developments.

Our level of indebtedness may adversely affect our future strategy and operations.

As at December 31, 2010, on a consolidated basis, we had approximately RMB29,196 million of total bank and other borrowings, consisting of a non-current portion of approximately RMB19,276 million and a current portion of approximately RMB9,920 million. As at such date, we had approximately RMB31,071 million in equity attributable to holders of the Company and our net gearing ratio (total interest bearing borrowings minus cash and cash equivalents and restricted bank deposits divided by equity attributable to holders of the Company) was approximately 46%. Our level of indebtedness may adversely affect our future strategy and operations in a number of ways, including:

- our debt service requirements will reduce the funds available to us for other purposes;
- our ability to obtain adequate financing for working capital and capital expenditures for our projects on terms which will enable such projects to achieve a reasonable return to us may be limited; and
- our leverage may hinder our ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that our level of indebtedness and such restrictions will not materially and adversely affect our ability to finance our future operations or capital needs, successfully operate our business, engage in other business activities or pay dividends or distributions.

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

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of our property development projects, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. For some of our recently established project companies and projects held for future development, we have not yet obtained such permits, licenses, certificates and approvals, including in some cases, the relevant land use right certificates or qualification certificates for real estate development. For example, Qingdao Yuanjia Property Company Limited ("青島遠佳置業有限公司"), Dalian Yuanfeng Property Company Limited ("大連源豐置業有限公司"), Dalian Yongtu Property Company Limited ("大連永圖置業有限公司"), Dalian Zhiyuan Property Company Limited ("大連至遠置業有限公司"), Dalian Shijia Property Company Limited ("大連世甲置業有限公司"), Dalian Shengji Property Company Limited ("大連聖基置業有限公司"), Dalian Runfeng Property Company Limited ("大連潤峰置業有限公司"), Dalian YunTai Property Company Limited ("大連雲泰置業有限公司"), Qingdao Yuanjing Property Company Limited ("青島遠景置業有限公司"), Hainan Zhejiang Yexiang Village Construction and Development Company Limited ("海南浙江椰香村建設開發有限公司"), Shanghai Yuanzheng Property Company Limited ("上海遠正置業有限公司"), Shanghai Yuanwang Property Company Limited ("上海遠望置業有限公司") and Sino-Ocean Real Estate Zhenjiang Company Limited ("遠洋地產鎮江有限公司") (the "13 Project Companies") are now conducting early stage work ahead of construction of their respective real estate development projects and have not yet obtained qualification certificates for real estate development.

The 13 Project Companies are in the process of applying for their respective qualification certificates for real estate development. In addition, qualification certificates for real estate development of Dalian Kaimeng Real Estate Development Company Limited ("大連凱盟房地產開發有限公司"), Hangzhou Yuanyang Laifu Real Estate Development Company Limited ("杭州遠洋萊福房地產開發有限公司"), Sanya South Olympic Garden Company Limited ("三亞南國奧林匹克花園有限公司"), Dalian Sky-Upright Property Limited ("大連正乾置業有限公司") and Sanya Tangli Manor Investment Company Limited ("三亞棠棣莊園投資有限公司") (the "5 Project Companies") have expired. The 5 Project Companies are in the process of applying for their respective renewed qualification certificates for real estate development. Further, the qualification certificate for property management of Dalian Yuanyang Jiye Property Management Company Limited ("大連遠洋基業物業管理有限公司") has expired and it is in the process of applying for renewed qualification certificates for property management.

We cannot assure you that we will not encounter problems in fulfilling the conditions precedent to the receipt of approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. We may also be subject to periodic delays in our property development projects due to building moratoria in any of the areas in which we operate or plan to operate. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, financial condition and results of operations.

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

On July 10, 2007, SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the Ministry of Commerce" (Hui Zong Fa [2007] No.130) ("Notice No. 130") (《國家外匯管理局綜合司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》(匯綜發[2007]130號)). Notice No.130 provides, among other things, (i) that the local foreign exchange authorities must not process foreign debt registrations or applications for the settlement of foreign debt submitted by real estate enterprises with foreign investment that obtained approval certificates from and registered with the relevant commercial authority on or after June 1, 2007; and (ii) that the local foreign exchange authorities must not process foreign exchange registrations (or any change of such registrations) or foreign exchange settlements regarding capital account items and sale of foreign exchange submitted by foreign-invested real estate enterprises that obtained approval certificates from local commerce departments on or after June 1, 2007. Instead, such registrations and applications must be filed with MOFCOM. This new regulation effectively prohibits us from injecting funds raised offshore into our PRC project companies by way of shareholder loans. Without having the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each distribution payment date to pay the distribution due and payable under the Securities.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government. Where a PRC subsidiary is a foreign-invested real estate enterprise, it must register with MOFCOM, which may take considerable time and delay the injection of funds into such subsidiaries. This may adversely affect the financial condition of our PRC subsidiaries and may cause delays in our projects. We cannot assure you that we have obtained or will obtain in a timely manner all relevant approval certificates or registrations for all our operating subsidiaries in the PRC to comply with this regulation.

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

Because we derive our revenues principally from the sale of property, our results of operations may vary significantly from period to period.

At present, we derive substantially all of our revenues from the sale of residential properties that we have developed, and we only derive a very small portion of our revenues from returns on investment properties such as rental income. Our results of operations may fluctuate in the future due to a combination of factors, including the overall schedules of our property development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties that we have developed and any volatility in expenses such as land costs and construction costs.

Furthermore, according to our accounting policy for revenue recognition, we recognize revenue from sale and pre-sale of our properties upon delivery, which normally takes place one to two years after the commencement of pre-sales. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Revenue recognition". Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties which we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue, if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs as well as a limited supply of land.

In addition, seasonal variations have caused fluctuations in our interim revenues and profits, including quarterly and semiannual results. Our operations are primarily focused on northern China, where the climate in winter is not suitable for construction work. We therefore typically seek to complete the construction of, and deliver, most of our properties by November. As a result, we have typically recognized substantially more revenue in the second half of the year than in the first half of the year, and our interim results do not proportionally reflect our annual results.

In light of the above, we believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues from period to period.

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

Construction costs comprise one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property development projects, with the cost of third party contractors remaining relatively stable. However, as the construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to renegotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

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

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

On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of pre-selling uncompleted properties be discontinued on the grounds that it creates significant market risks and generates transactional irregularities. At the "two meetings" (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People's Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of the PBOC, put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of the PBOC, published an article suggesting that the way to perfect the system for commodity housing pre-sale of China is to abolish the financing function of pre-sale. On July 24, 2007, an economy research group under the NDRC proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. However, there can be no assurance that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of upfront expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, financial condition and results of operations.

We have experienced periods of net cash outflow from operating activities in the past.

In 2010, we had net cash used in operating activities in the amount of approximately RMB17,205 million. In 2009, we had net cash used in operating activities in the amount of approximately RMB406 million. The increase in net cash used in operating activities was primarily due to cash used for our expansion of land bank, as we acquired land parcels with a total GFA of approximately 6.6 million sq.m. in 2010.

Due to the nature of the property development business, we may from time to time experience net operating cash outflow, when imbalances occur between the timing of our cash inflows relating to the pre-sale of properties and our cash outflows relating to the construction of properties and the purchases of land.

We cannot assure you that we will not experience periods of net operating cash outflow in the future. If we continue to have net operating cash outflow in the future, our financial condition may also be adversely affected.

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

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of the land use right grant premium and fees and designation of the use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land use right grant premium. If we do not commence development for more than two years from the date required by the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions, force majeure or necessary work to be completed before commencement of the development. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital actually invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land. According to Circular 151, (i) after the land use right is granted no one may change the planning and construction conditions without due authorization (if property developers apply for changes in land planning and construction conditions but do not commence construction on schedule under the construction conditions of the land grant, the land authorities may take back the land and re-grant the land use rights to other parties); and (ii) construction of all residential projects must commence within one year from the land delivery date specified in the relevant land allocation decisions or the land grant contracts, and must be completed within three years from the commencement date of the project. According to the "Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market" (Guo Tu Zi Fa [2010] No. 204) (《關於嚴格落實房地產用地調控政策

促進土地市場健康發展有關問題的通知》(國土資發[2010]204號)) promulgated by the MSLR on December 19, 2010, if a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contract or relevant laws or regulations, the developer will be disqualified from obtaining land in any government-run bidding process.

We are subject to legal and business risks if our project companies fail to obtain or renew their qualification certificates.

All real estate developers in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. The "Provisions on Administration of Qualification Certificates of Real Estate Developers" (Order of Ministry of Construction No.77) (the "Provisions on Administration of Qualification") (《房地產開發企業資質管理規定》(建設部令第77號)) provide that a newly established developer must first apply for a temporary qualification certificate with a one-year term, which can be renewed for a maximum of a two-year period. After the two-year period, the developer must apply for a formal qualification certificate as set out in the Provisions on Administration of Qualification. All formal qualification certificates are subject to annual inspection. In reviewing an application to issue, grant or renew a qualification certificate, the relevant government authority considers the real estate developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or inappropriate operations.

Property developers in the PRC must also produce a valid qualification certificate when they apply for a pre-sale permit. If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, but continues to carry on real estate development, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of the date of this offering circular, some of our project companies have not yet obtained or renewed their qualification certificates. See " — Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments." We cannot assure you that the qualification certificates of any of our project companies will be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project or project management companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations.

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Pursuant to "the Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (Order of the State Council [1993] No. 138) (the "Land Appreciation Provisional Regulations") (《中華人民共和國土地增值稅暫行條例》(國務院令[1993]第138號)), LAT shall be exempt for the sale of ordinary standard residences if the appreciation value does not exceed 20% of the total deductible items. Deductible items include acquisition cost of land use rights, development cost of land, construction cost of new buildings and facilities or assessed value for used properties and buildings, taxes related to the transfer of real estate and other deductible items as stipulated by the Ministry of Finance. Sales of commercial properties are not eligible for such exemption. Pursuant to the "Detailed Rules for the Implementation of Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (Cai Fa Zi [1995] No. 6)(the "Land Appreciation Detailed Implementation") (《中華人民共和國土地增值稅暫行條例實施細則》(財法字[1995]6號)), an additional 20% of deductible expenses may be deducted in the calculation of the land appreciation amount.

On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (Guo Shui Fa [2006] No. 187) (《關於房地產開發企業土地增值稅清算管理有關問題的通知》(國稅發[2006]187號)) ("Notice 187"), which requires that:

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

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

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

Local provincial tax authorities can formulate their own implementation rules according to Notice 187 and local circumstances, and there is, as a result, uncertainty as to how they will enforce this notice.

To further strengthen LAT collection, the State Administration of Taxation released the "Rules on the Administration of the Settlement of LAT" (Guo Shui Fa [2009] No. 91) (《土地增值稅清算管理規程》(國稅發[2009]91號)) effective on June 1, 2009, which prescribes the circumstances of the settlement, the materials that are to be filed for settlement, and details relating to the procedures for examination and verification of settlement.

We believe we have made sufficient provisions based on our estimate of the amount of applicable LAT payable in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but we only prepay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2008, 2009 and 2010, we made provisions for LAT in the amount of RMB420 million, RMB248 million and RMB403 million, respectively. We are not certain as to when the PRC tax authorities will collect the amount of LAT in full (if at all). In the event that the LAT we have provided for is actually collected by the PRC tax authorities, our cash flow and financial position will be affected. Furthermore, in the event that LAT eventually collected by the PRC tax authorities exceeds the amount we have provided for, our net profits after tax will be adversely affected.

If our contract counterparties fail to comply with our contractual arrangements with them, our business will suffer and our financial condition may be materially and adversely affected.

We enter into a significant number of contracts in connection with our land acquisitions, including various land grant contracts. Once we enter into a contract in connection with our land acquisitions, we may be required to pay substantial amounts of money, although there may be a period of time before formal title to the land is transferred to us or land use rights certificates are delivered to us. If our contract counterparties fail to comply with our contractual arrangements with them or if the business conditions of our counterparties deteriorate, we may not be able to continue to enjoy our rights under the relevant contractual arrangements and our business will suffer and our financial condition may be materially and adversely affected.

We rely on external contractors for all of our property construction and are subject to risks relating to the performance of these contractors.

We do not maintain an in-house construction team. External contractors carry out construction of all of our real estate projects. These contractors are also responsible for procuring all necessary construction equipments and most of the basic construction materials, such as steel and concrete. Completion of our projects is, therefore, subject to the performance of these independent contractors. We cannot ensure that the services rendered by the independent third party contractors will be timely provided or be satisfactory to us or match the targeted quality level we require. If these services are not timely provided or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed cost to which they committed contractually and we may have to bear such additional amounts. In addition, contractors may experience financial or other difficulties (including labor disputes with its employees) that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of our property developments or resulting in additional costs for us. Any of these factors could adversely affect our business, financial condition, results of operations and reputation.

Our operations may be adversely affected if any member of key management leaves.

We depend on the services provided by our management and other qualified and experienced staff. Competition for such talented employees is intense in the property development sector in the PRC. In case any core management team member leaves and we fail to find a suitable substitute, our business will be adversely impacted. Moreover, as our business continues to grow and we expand into other regional markets in the PRC, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and prospects will be negatively affected.

Our results of operations have included fair value gain on investment properties, which are unrealized and our results may fluctuate due to revaluations resulting in further fair value gains or losses on investment properties.

We reassess the fair value of our investment properties at every reported balance sheet date. Our valuations are based on the market value for which the property could be exchanged between knowledgeable and willing parties in an arm's length transaction. Unrealized capital gains on our investment properties at the relevant balance sheet dates and do not reflect profit generated from the sale or rental of our investment properties. Such fair value gains do not generate any actual cash inflow to us unless and until such investment properties are disposed of at similarly valued amounts. The amount of our fair value gains has been, and may continue to be, significantly affected by the prevailing property markets and may be subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control. There can be no assurance that we will continue to record similar levels of fair value gains or that the fair value of our investment properties will not decrease in the future. In the event that there is a material downward adjustment in our investment properties in the future, our results of operations and profits may be adversely affected.

Our substantial shareholders may take actions that are not in public shareholders' best interests.

China Life and Mr. Chen Din Hwa are our two largest shareholders with 24.07% and 12.84% equity interests, respectively, in our Company as of December 31, 2010. See "Principal Shareholders". Accordingly, subject to our memorandum of association and our Articles of Association and the Hong Kong Companies Ordinance, China Life, by virtue of its significant ownership of our share capital as well as its ability to designate a representative on our Board of Directors (the "Board"), and Mr. Chen, by virtue of his significant ownership of our share capital, will be able to exercise significant control or exert significant influence over our business or otherwise on matters of significance to us and other shareholders by voting at the general meetings of shareholders or at the Board of Directors' meetings. It is possible that the interests of China Life and Mr. Chen may differ from the interests of other shareholders and these shareholders are free to exercise their votes according to their interests.

Potential liability for environmental problems could result in substantial costs.

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

We have conducted environmental impact assessments for most of our construction projects. Further, an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit additional environmental impact documents, issue orders to suspend the construction and/or impose penalties for any projects that have not, prior to the commencement of construction, received approval following the submission of the environmental impact assessment documents. We cannot assure that these investigations will reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. In the event that we are subjected to any regulatory action as a result of our failure to carry out such environmental impact assessments fully or at all, our reputation, business, financial condition and results of operations may be adversely affected.

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

Most of our purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income. In addition, to curtail the overheating of the property sector, between 2006 and 2008, the PRC government implemented, among other things, regulations that increased the down payment requirement for mortgage loans in respect of residential and commercial properties. Beginning in the second half of 2008, in order to mitigate the impact of the recent global economic slowdown, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Furthermore, the minimum down payment ratio for residential properties was lowered to 20% for units with a floor area of less than 90 sq.m. per unit. However, to curtail the overheating of the PRC property market, the General Office of the State Council on January 7, 2010 issued the "Circular on Facilitating the Stable and Healthy Development of Property Market" (Guo Ban Fa [2010] No. 4) (《關於促進房地產市場平穩健康發展的通知》(國辦發[2010]4號)), which provides that, for those who purchase property with a mortgage loan, the down payment for the second property bought with mortgage loans may not be less than 40% of the total purchase price. On April 17, 2010, the State Council issued the "Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities" (Guo Fa [2010] No. 10) (《國務院關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)) which provides that, for a property that is larger than 90 sq.m., the down payment may not be less than 30% of the purchase price for a first time home buyer; and the down payment for the second property bought with mortgage loans may not be less than 50% of the purchase price and the loan interest rate may not be less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate must significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or further properties bought with mortgage loans or to non-residents who cannot provide any proof of tax or social insurance payment for more than one year. On September 29, 2010, the PBOC and the CBRC issued the "Notice on the Improvement of

Diversified Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)), according to which, (i) commercial banks must not extend loans for the purchase of third or subsequent residences or for the purchase of a residence by a non-local resident who cannot provide proof of tax or social insurance payments for more than one year; (ii) the minimum down payment for a primary residence must be 30% of the purchase price; and (iii) the minimum down payment for a second residence must not be less than 50% of the purchase price and the loan interest rate must not be lower than 110% of the benchmark lending interest rate. On January 26, 2011, the General Office of the State Council issued the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (《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》(國辦發[2011]1號)), which requires that the minimum down payment for a second residence must not be less than 60% of the purchase price of the property and the loan interest rate must not be lower than 110% of the benchmark lending interest rate. On April 30, 2010, the Beijing municipal government issued the "Notice on Implementation of State Council's Policies on Resolutely Curbing the Rapid Rising of House Prices in Certain Cities" (Jing Zheng Fa [2010] No. 13) (《北京市人民政府貫徹落實國務院關於堅決遏制部分城市房價過快上漲文件的通知》(京政法[2010]13號)), which ordered the implementation of the State Council's policies banning mortgage loans for purchases of third or subsequent properties or to non-local residents in Beijing who cannot provide proof of tax or social insurance payments for more than one year. This notice also imposed interim measures limiting each family to buying only one new commodity house in Beijing. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

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

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

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days of delivery of the property or within a timeframe set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes which typically takes one to two years. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for the relevant properties and apply for the general property ownership certificate in respect of these properties. We are then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any other reason beyond our control.

Disputes with joint venture partners may adversely affect our business.

We carry out some of our business through joint ventures with our PRC or foreign partners. Such joint venture arrangements involve a number of risks, including:

- disputes with joint venture partners in connection with the performance of their obligations under the relevant projects or joint venture agreements;
- disputes as to the scope of each party's responsibilities under these arrangements;
- financial difficulties encountered by a joint venture partner affecting its ability to perform its obligations under the joint venture agreements or other contracts with us; or
- conflicts between the policies or objectives adopted by the joint venture partners and those adopted by us.

Any of these and other factors may adversely affect our business, financial condition and results of operations and would divest resources and management's attention.

***We cannot predict the effect on our business of sales of our shares by holders of significant numbers of our shares*.**

As of December 31, 2010, China Life owned 24.07% of our shares and Mr. Chen Din Hwa owned 12.84%. There can be no assurance that such shareholders will not, at any time or from time to time, sell these shares at prices they determine to be acceptable. For instance, COSCO Group, which had held 16.85% of our shares as of June 30, 2010, had disposed of its entire shareholding as of December 21, 2010. We cannot predict the effect of such sales on the perception of our Company among our customers or potential customers, or among individuals and entities with whom we engage in business. Consequently, there can be no assurance that any such sales will not have an adverse impact on the prevailing market price of the Securities or a material adverse effect on our business, financial condition or results of operations.

We must bear resettlement costs associated with our property developments.

As we expand our business operations, we may engage in primary development, provided that suitable opportunities exist. In such circumstances, it is likely that we will be indirectly required to compensate owners and residents of demolished buildings for their relocation and resettlement in accordance with the relevant PRC laws and regulations. On January 21, 2011, the State Council issued the Regulations on the Expropriation of Houses on State-owned Land and Compensation (Order of the State Council No. 590) (《國有土地上房屋徵收與補償條例》(國務院令第590號)), which provides that government entities at the city and county level shall be responsible for house expropriation and compensation work within their respective administrative regions. The regulations mandate that a compensation agreement shall be executed by the relevant house expropriation department and the entities or individuals whose houses have been expropriated which addresses, among other things, the payment and the amount of compensation, the term of payment, the location and area of the house exchanged, the removal expenses, temporary placement expenses or transitional housing, losses from closure of business operations, period for moving, mode of transition and period of transition. The compensation payable shall not be less than the market value of property of a similar nature as of the date of the expropriation decision. However, we cannot assure you that these authorities will not change their formulae for calculating compensation and increase the level of compensation. If they do, land acquisition costs may be subject to substantial increases which could adversely affect our financial condition. In addition, if we or the local government fail to reach an agreement over compensation with the current or former residents, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay the development of our projects.

We do not have insurance to cover potential losses and claims in our operations.

We do not maintain insurance for destruction of or damage to our property developments business whether they are under development or have been completed and are pending delivery, other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements. We also do not carry insurance against personal injuries that may occur during the construction of our property developments. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on work sites. Although we believe any such liability that may arise would be borne by third party construction companies, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages and liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial condition could be adversely affected.

We enter into arrangements with banks to facilitate the provision of mortgage facilities to purchasers of our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers until the earlier of (i) completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks and (ii) the settlement of mortgage loans between the bank and purchasers of our properties. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank will assign its rights under the loan and the mortgage to us and we will have full recourse to the property. We have in the past experienced some defaults by our purchasers of their mortgage loans. However, we have been able to recover almost all of the default payments from the relevant property owners shortly after the event of default. During the period from January 1, 2007 to December 31, 2010, we did not experience any material cases of such defaults.

We do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks. As at December 31, 2008, 2009 and 2010, our outstanding guarantees over the mortgage loans of our customers amounted to approximately RMB1,544 million, RMB1,812 million and RMB2,925 million, respectively.

If a significant number of purchasers default on their mortgages and our guarantees are called upon, our results of operations and financial condition could be adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the purchaser or that we cannot sell such properties due to unfavorable market conditions or other reasons.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to adverse changes in the performance of our properties.

As investment properties are in general relatively illiquid, our ability to promptly sell them in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to close a sale in respect of an investment property.

Should we decide to sell a property subject to a management agreement or tenancy agreement, we may have to obtain consent from, or pay termination fees to, our management partners or our anchor retail tenants.

In addition, investment properties are not readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property can be sold. We cannot assure you that we will have funds available for these purposes. These factors and any other factors that would impede our ability to respond to adverse changes in the performance of our investment properties could affect our ability to retain tenants and to compete with other market participants, as well as affecting our results of operations.

Risks Relating to Property Development in the PRC

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

We are subject to property market conditions in the PRC generally and, in particular, in Beijing, the Pan-Bohai Rim and Pearl River Delta regions, and the other areas in which we operate. 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 and 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, financial condition and results of operations.

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

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

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

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

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment.

From 2004 to the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-size units and low-cost rental properties;
- adopting the "70/90 rule" which requires at least 70% of the total GFA of residential projects approved or constructed on or after June 1, 2006 to consist of units with a GFA of less than 90 sq.m. per unit;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of property if the property as a primary residence has a GFA of 90 sq.m. or more;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment required to obtain a bank loan to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- imposing a business tax levy on the entire sales proceeds from re-sale properties if the holding period is shorter than five years as of June 1, 2006, and ruling that: (i) for the transfer of an ordinary residence five years or more after purchase, the business tax is exempted; and (ii) in the case of a non-ordinary residence, the business tax is to be levied on the difference between the sales proceeds and the original purchase price if the transfer occurs more than five years after the purchase date;
- imposing a ban on onward transfer of uncompleted properties;
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt payments of an individual borrower to 55% of his or her monthly income;
- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of the land use right for land being idle for two years or more;
- forbidding commercial banks in the PRC from extending loans: (i) to property developers to finance land use right grant premiums; (ii) to property developers that hold idle lands for two years or longer and prohibit commercial banks from extending other loans secured by such idle land to the property developers; (iii) to projects falling within the Catalogue of Prohibited Use of Land or that are not in compliance with planning permits or in which less than 35% of the project's capital is equity, or where there is a failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits; (iv) for new development projects to real estate developers who have been found to be leaving their land idle and speculating on land; and (v) secured by commodity properties that have been vacant for more than three years;
- requiring commercial banks in the PRC to be prudent in extending loans: (i) to property developers in circumstances where the development and construction of the relevant land has not commenced within one year from the commencement date stipulated in the land grant contract or where the development and construction of the land has commenced but the area in which the development and construction has commenced is less than one-third of the total area to be developed and constructed or the amount invested by the developer is less than 25% of the total amount expected to be invested in the project; and (ii) to projects falling within the Catalogue of Restricted Use of Land;
- imposing sanctions or even revoking business qualifications of developers who are hoarding properties for speculation or in order to drive up property prices;
- imposing a stop order and cancellation for projects not in compliance with their construction plans; and

- banning land grants for villa construction and restricting the provision of land for high-end residential property construction.

The PRC government's restrictive regulations and measures to curtail the overheating of the property sector could increase our operating costs in adapting to these regulations and measures, limit our access to capital resources or even restrict our business operations. We cannot be certain that the PRC government will not issue additional and more stringent regulations or measures, which could further slow down property development in China and adversely affect our business, financial condition, results of operations and prospects.

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

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development including reducing the minimum capital funding requirement for real estate development from 35% to 20% for affordable housing projects and ordinary commodity residential property projects and to 30% for other property projects and imposing a new business tax policy ruling that: (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years after the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for two years or more from the purchase date and a ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; and (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date.

However, beginning in December 2009, the PRC government began to adjust its policies and introduced new measures in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. These policies include:

- In December 2009, the PRC government adjusted the business tax, so that from January 2010: (i) business tax will be levied on the entire sale proceeds upon the transfer of a non-ordinary residence by an individual within five years, instead of two years, after the purchase date; (ii) for the transfer of a non-ordinary residence five years or more from the purchase date or an ordinary residence within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices; and (iii) in the case of an ordinary residence, the business tax is exempted if that transfer occurs more than five years after the purchase date;
- in March 2010, the MSLR began requiring property developers to pay at least 50% of the down payment on land use right grant premiums within a month of agreeing to acquire the land use rights;
- in April 2010, the State Council mandated that banks require at least a 50% down payment from second-home purchasers (at mortgage rates of no less than 1.1 times benchmark rates), after it had increased the minimum down payment to 40% in January 2010. The State Council also mandated that banks require a 30% down payment from purchasers of first homes that are larger than 90 square meters;
- in April 2010, the State Council required banks to stop making loans to home buyers who already own two or more properties. The State Council also required banks to stop making loans to non-residents without tax returns or proof of social security contributions in the city of the home purchase;
- in April 2010, the Beijing municipal government imposed interim measures limiting each family to buying only one new commodity house in Beijing; and

- in April 2010, the Ministry of Housing and Urban-Rural Development began prohibiting property developers from receiving any form or disguised form of payment from purchasers which is in the nature of earnest money or a deposit if a pre-sale permit is yet to be received for a commodity housing project.

The level of investment in real property and infrastructure construction in China may decrease as a result of these or other measures, and our sales volume and average selling price could decrease significantly as a result. For more details of the new policies adopted by the PRC government since April 2010, see "Regulation". We cannot assure you that the PRC government will not adopt more stringent policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

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

The lack of an effective liquid secondary market for residential property may discourage investors from acquiring new properties because re-sale 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 residential developments.

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

The non-compliant GFA of some of our completed property developments may be subject to governmental approval and additional payments.

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorized by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we will not be allowed to deliver the properties or recognize any revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the PRC

Economic, political and social conditions in the PRC as well as government policies could affect our business.

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

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

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

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

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

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

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

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenues in Renminbi. Under our current structure, our 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 any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities 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 indebtedness denominated in foreign currencies, including the Securities. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to make payments under the Securities.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

Pursuant to the "State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles" (Hui Fa [2005] No.75) ("Circular No. 75") (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(匯發[2005]75)), issued on October 21, 2005, (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a special purpose vehicle, or engages in overseas financing after contributing assets or equity interests into a special purpose vehicle, such PRC resident shall register his or her interest in the special purpose vehicle and the change thereof with the local branch of SAFE; and (iii) when the special purpose vehicle undergoes a material event outside China, such as change in share capital, merger, investment with long-term stock rights or credits, or a provision of a guarantee to another person, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the special purpose vehicle. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on distributions we pay on the Securities.

Under PRC tax laws effective prior to January 1, 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the Enterprise Income Tax Law (《企業所得稅法》) ("EIT Law") and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules 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. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

We hold our shareholders' meetings and board meetings outside China and keep our shareholders' list outside China. However, most of our directors ("Directors") and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities in determining whether we are PRC resident enterprises for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT Law purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would then be obligated to withhold PRC income tax of up to 7% on payments of distributions and certain other amounts on the Securities to investors that are non-resident enterprises located in Hong Kong or 10% on payments of distributions on the Securities to investors that are non-resident enterprises located outside Hong Kong, because the distribution would be regarded as being derived from sources within the PRC. In addition, if we were to fail to do so, we would be subject to fines and other penalties. Further, any gain realized by a non-resident enterprise investor from the transfer of the Securities would be regarded as being derived from sources within the PRC and, accordingly, would then be subject to a 10% PRC withholding tax.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC.

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. Further, on May 18, 2007, the PBOC enlarged, the floating band for the trading prices in the interbank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 18.34% from July 21, 2005 to December 31, 2010. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes.

Uncertainty with respect to the PRC legal system could adversely affect us.

As all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Securities. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (HIN1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may materially and adversely affect our financial condition and results of operations.

In addition, in March 2011, an earthquake measuring 9.0 on the moment magnitude scale occurred in the western Pacific Ocean, 130 kilometers east of Sendai, Honshu, Japan. The earthquake and the resulting tsunami caused widespread destruction and loss of life in the northeastern part of Japan, as well as damage to the Fukushima I Nuclear Power Plant in Fukushima, resulting in radiation leakage to the surrounding areas. These events may disrupt the international capital markets, which could impact our ability to obtain necessary financing for our operations. As a result, our business, financial condition and results of operations may be may be materially and adversely affected.

Risks Relating to the Securities

The Securities are perpetual securities and the Holders of Securities have limited rights to require redemption.

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time. The Securities can only be disposed of by sale. Holders of Securities who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities.

Securities are subordinated obligations.

The obligations of the Issuer under the Securities, and of the Guarantor under the Guarantee, will constitute unsecured and subordinated obligations of the Issuer and the Guarantor, respectively. In the event of the Winding-Up of the Issuer or the Guarantor, the rights of the Holders of Securities to receive payments in respect of the Securities will rank senior to the holders of all Junior Securities and pari passu with the holders of all Parity Securities, but junior to the claims of all other creditors (as described in Condition 3 of the Conditions).

In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution or accrued Distribution.

In addition, there is no restriction on the amount of unsubordinated securities or other liabilities which we may issue or incur and which rank senior to, or pari passu with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders of Securities on a Winding-Up of the Issuer and/or the Guarantor and/or may increase the likelihood of a deferral of Distribution under the Securities.

The Guarantor may raise other capital which affects the price of the Securities

The Guarantor may raise additional capital through the issue of other securities or other means or may provide a guarantee in relation to the issue of securities by its subsidiaries. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which we may issue or incur and which rank senior to, or pari passu with, the Guarantee. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders in the event of a Winding-Up of the Guarantor or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or liquidity of the Securities.

Holders of the Securities may not receive Distribution payments if we elect to defer Distribution payments at our option.

The Issuer may, at its sole discretion, elect to defer any scheduled Distribution ("Arrears of Distribution") on the Securities for any period of time. Any Arrears of Distribution shall bear interest as if it constituted the principal of the Securities. Each of the Issuer and the Guarantor is subject to certain restrictions in relation to the payment of dividends on its Junior Securities and Parity Securities and the redemption and repurchase of its Junior Securities and Parity Securities until such Arrears of Distribution are satisfied. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Conditions subject to compliance with the foregoing restrictions. Although Distributions are cumulative, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Holders of Securities.

The Securities may be redeemed at our option on certain dates on or after the First Call Date after the Issue Date or the occurrence of certain other events.

The Terms and Conditions of the Securities provide that the Securities are redeemable in whole but not in part, on the First Call Date or on any Distribution Payment Date falling on or after the First Call Date, or at any time after at least 90% of principal amount of the Securities has already been redeemed or purchased and cancelled.

We also have the right to redeem the Securities in whole, but not in part, upon the occurrence of (i) an Equity Disqualification Event; (ii) a Change of Control; or (iii) a Breach (each as defined in "Terms and Conditions of the Securities"). See "Terms and Conditions of the Securities — Redemption, Purchase and Cancellation".

The date on which we elect to redeem the Securities may not accord with the preference of individual Holders of Securities. This may be disadvantageous to holders in light of market conditions or the individual circumstances of the Holder of Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default under the Securities.

Any scheduled distribution will not be due if we elect to defer that Distribution pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and the Issuer (failing which, the Guarantor) fails to make the payment when due. The only remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer and the Guarantor as provided in the Conditions) any Holder of Securities for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities under the Securities will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer and/or the Guarantor in respect of any payment obligations of the Issuer and/or the Guarantor arising from the Securities under the Trust Deed.

We may be unable to redeem the Securities.

On certain dates, we may be required to redeem all or a portion of the Securities. We may not have sufficient cash and may not be able to arrange financing to redeem the Securities in time, or on acceptable terms, or at all. The ability to redeem the Securities in such event may also be limited by the terms of our other debt instruments.

The Issuer does not have any material assets or operations.

The Issuer is a direct wholly-owned subsidiary of the Company incorporated for the principal purpose of issuing the Securities. See "Corporate Structure". In the event that the Company and its subsidiaries do not make such payments due to lack of available cash flow or other factors, our ability to make payments under the Securities will be adversely affected.

The Securities will be effectively subordinated to the liabilities of our subsidiaries.

The Guarantor operates principally through subsidiaries, associated companies and joint venture companies. Our ability to pay any amounts due in respect of the Securities is dependent upon the earnings of the Guarantor's subsidiaries, associated companies and joint venture companies. Further, the Guarantor's ability to discharge its obligations under the Guarantee will be effectively subordinated to all existing and future obligations of its subsidiaries, associated companies and joint venture companies, because claims of creditors of its subsidiaries, associated companies and joint venture companies, including trade creditors and bank lenders, will have priority as to the assets of such subsidiaries, associated companies and joint venture companies over our claims and claims of holders of our indebtedness, including holders of the Securities.

The Company may be unable to obtain and remit funds in foreign currencies.

The Company's ability to satisfy its obligations to the Issuer or pursuant to the Guarantee depends in part upon the ability of our subsidiaries or affiliates in China to obtain and remit sufficient funds in foreign currencies to pay dividends to the Company and to repay intercompany loans. A significant portion of the sales of our subsidiaries are denominated in Renminbi. Our subsidiaries or affiliates in China must present certain documents to SAFE, our authorized local bank branch or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of intercompany loans, evidence of the registration of the loan with SAFE).

Hong Kong corporate disclosure and accounting standards differ from U.S. GAAP.

The Company is listed on the Stock Exchange of Hong Kong. There may be less publicly available information about the Company and our subsidiaries than is regularly made available by public companies in certain other countries, including the United States. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from U.S. GAAP. See "Description of Certain Differences Between HKFRS and U.S. GAAP". We have not quantified or identified the effects of the aforementioned differences between HKFRS and U.S. GAAP in this offering circular. Accordingly, there can be no assurance, for example, that profit for the year and share capital and reserves reported in accordance with HKFRS would be not lower if determined in accordance with U.S. GAAP. Potential investors should consult their own professional advisers if they want to understand the differences between HKFRS and U.S. GAAP, and how such differences might affect the information contained herein.

Changes in accounting standards may impact our financial condition or the characterization of the Securities.

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") is continuing its policy of issuing HKFRS and interpretations which fully converge with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). HKICPA has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on the Guarantor's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to any interpretation of, HKFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of the Guarantor, and will give the Guarantor the right to elect to redeem the Securities.

The insolvency laws of Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Securities are familiar.

Because the Company is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Company would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Securities are familiar.

An active trading market for the Securities may not develop.

The Securities are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Securities or that an active trading market will develop. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, our operations and the market for similar securities. Moreover, we expect that a limited number of investors will hold a substantial portion of the Securities following the offering. This concentrated holding could adversely impact the liquidity of the Securities.

The Joint Lead Managers are not obligated to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Securities. Even if an active trading market were to develop, the Securities could trade at prices that may be lower than the initial offering price. Future trading prices of the Securities will depend on, and may fluctuate as a result of, many factors, including, among other things:

- prevailing interest rates and interest rate volatility;
- the market for similar securities;
- our operating results;
- our proposal of new investments, strategic alliances and/or acquisitions;
- the publication of earnings estimates or other research reports and speculation in the press or
- investment community;
- changes in our industry and competition; and
- general market and economic conditions.

The Securities are not rated by any international rating agency.

You should not assume or believe that any rating ascribed to the Guarantor or any of its indebtedness or credit applies to the Securities. Neither the Issuer nor the Guarantor has applied to any international rating agency for a rating of the Securities, and neither intends to apply for such a rating. If, however, such a rating were obtained in respect of the Securities in the future, because the Securities are subordinated obligations, the rating ascribed to the Securities may be lower than that ascribed to the Guarantor's senior unsecured debt or any of its other credit.

Integral multiples of less than the specified denomination.

The denominations of the Securities are US$200,000 and integral multiples of US$1,000 in excess thereof. It is possible that the Securities may be traded in amounts in excess of US$200,000 that are not integral multiples of US$200,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than US$200,000 will not receive a definitive Security in respect of such holding (should definitive Securities be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive Securities are issued, Holders should be aware that definitive Securities which have a denomination that is not an integral multiple of US$200,000 may be illiquid and difficult to trade.

The Securities contain provisions regarding modification, waivers and substitution which may affect your rights.

The Conditions contain provisions for calling meetings of holders of Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders of Securities, including Holders of Securities who did not attend and vote at the relevant meeting and Holders of Securities who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution in writing signed by or on behalf of the holders of not less than 90% of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holder of Securities duly convened and held.

The Conditions also provide that the Trustee may, without the consent of holders of Securities, subject as provided in the Conditions and the Trust Deed, agree to (a) any modification of any of the provisions of the Securities which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and (b) any other modification to the Securities (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Securities which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders of Securities or (c) the substitution of any Subsidiary of the Issuer as principal debtor under any Securities in place of the Issuer, in certain circumstances and provided that, in the opinion of the Trustee, such substitution is not materially prejudicial to the interests of the Holders of Securities. Any such modification, authorization or waiver shall be binding on the Holders of Securities.

Enforcement of the rights of holders under the Securities across multiple jurisdictions may prove difficult.

The Issuer has no material assets and substantially all of the Company's assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, Canada, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult to seek the recognition and enforcement of judgments obtained in these jurisdictions in the PRC.

The Securities may not be a suitable investment for all investors.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities and the merits and risks of investing in the Securities and the information contained in this offering circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- understand thoroughly the terms of the Securities; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Conditions in international financial markets may adversely affect the market price of the Securities.

The market price of the Securities may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with operations in China, including the Securities, is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$388 million, after deducting fees, commissions and expenses payable in connection with this offering.

We intend to use the net proceeds to finance new and existing projects (including construction costs, land costs and investment properties) and for general corporate purposes.

We may adjust the foregoing acquisition and development plans in response to changing market conditions and circumstances. In these situations, we will carefully evaluate the situation and may reallocate the use of the net proceeds.

EXCHANGE RATE INFORMATION

China

PBOC sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On June 20, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate.

The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for trading against the Renminbi on the following business day. The central parity rate of the Renminbi rose to RMB6.6227 to US$1.00 on December 31, 2010, bringing the currency's total appreciation to approximately 18.34% since reform of the exchange rate system began in July 2005. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth certain information concerning the exchange rates between Renminbi and U.S. dollars for the periods indicated. For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

	Exchange Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
	(RMB per US$1.00)			
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9079	8.0702	7.8041
2007	7.2946	7.6072	7.8127	7.2946
2008	6.8225	6.9477	7.2946	6.7800
2009	6.8259	6.8307	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011				
January	6.6017	6.5964	6.6364	6.5809
February	6.5713	6.5761	6.5965	6.5520
March	6.5483	6.5644	6.5743	6.5483
April	6.4900	6.5267	6.5477	6.4900

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates of the relevant periods in 2011, which are determined by averaging the daily rates during the periods indicated.

Hong Kong

The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong. The HK dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the HK dollar has been pegged to the U.S. dollar at the rate of HK$7.80 to US$1.00. The central element in the arrangements that give effect to the peg is that by agreement between the Hong Kong Special Administrative Region government and the three Hong Kong banknote issuing banks (i.e., The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of HK$7.80 to US$1.00. When banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate. The following table sets forth, for the periods indicated, certain information concerning the exchange rate between HK dollars and U.S. dollars. For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
		(HK per US$1.00)		
2005	7.7533	7.7775	7.7999	7.7514
2006	7.7771	7.7681	7.7928	7.7506
2007	7.7497	7.8020	8.8289	7.7497
2008	7.7499	7.7862	7.8159	7.7497
2009	7.7536	7.7514	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7501
2011				
January	7.7926	7.7803	7.7976	7.7683
February	7.7883	7.7895	7.7957	7.7823
March	7.7750	7.7913	7.8012	7.7750
April	7.7673	7.7716	7.7784	7.7669

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates of the relevant periods in 2011, which are determined by averaging the daily rates during the months indicated

The market exchange rate of the HK dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to US$1.00 since the peg was first established. In May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK$7.80 per US$1.00 to a rate range of HK$7.75 to HK$7.85 per US$1.00. The Hong Kong government has stated its intention to maintain the link at that rate, and, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.80 to US$1.00, or at all.

CAPITALIZATION

As at December 31, 2010, the authorized share capital of the Company was HK$8,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.80 par value each and its issued share capital was HK$4,510,699,546 consisting of 5,638,374,432 ordinary shares of HK$0.80 par value each.

The following table sets forth the consolidated capitalization and indebtedness of the Company as at December 31, 2010 (and as adjusted to give effect to the issuance of the Securities as if they were in issue on December 31, 2010):

	As of December 31, 2010			
	Actual		As adjusted	
	RMB	US$	RMB	US$
	(in millions)			
Short-term borrowings (including current portion of long-term bank borrowings)	9,920	1,503	9,920	1,503
Long-term borrowings (excluding current portion of long-term bank borrowings)	19,276	2,921	19,276	2,921
Capital and reserves:				
Share capital and premium	20,121	3,049	20,121	3,049
Shares held for Restricted Share Award Scheme	(96)	(15)	(96)	(15)
Convertible securities	5,970	905	5,970	905
Reserves	(227)	(34)	(227)	(34)
Retained earnings	5,303	803	5,303	803
Securities to be issued in this offering(1)	—	—	2,640	400
Equity attributable to equity holders of the Company	31,071	4,708	33,711	5,108
Non-controlling interests	2,055	311	2,055	311
Total capital and reserves	33,126	5,019	35,766	5,419
Total capitalization(2)(3)	62,322	9,443	64,962	9,843

Notes:

(1) In accordance with HKFRS, the Securities should be recognized as separate components in our equity. For illustrative purposes only, the aggregate principal amount of the Securities to be issued has been presented as one item in the Group's equity in the table above.

(2) Total capitalization equals the sum of short-term borrowings, long-term borrowings and capital and reserves.

(3) Total borrowings have increased since December 31, 2010 due to increased borrowing associated with increased property development activity. Other than as disclosed herein, there has been no material change in the capitalization of the Company since December 31, 2010.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected consolidated financial data for the periods presented, as derived from the consolidated financial statements and condensed consolidated interim financial information included or incorporated by reference in this offering circular.

The selected consolidated financial statement information for the years ended December 31, 2008, 2009 and 2010 set forth below is derived from our published audited consolidated financial statements for such respective years. Our audited consolidated financial statements for each of the years ended December 31, 2009 and 2010 are included in this offering circular. Our audited consolidated financial statements for the year ended December 31, 2008 are incorporated by reference in this offering circular.

Our consolidated financial statements have been prepared and presented in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. For a discussion of these differences, see "Summary of Certain Differences between HKFRS and U.S. GAAP". The selected financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto included elsewhere in this offering circular.

Consolidated Income Statement Information

	Year ended December 31,			
	2008	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
Revenue	6,487	8,824	13,721	2,079
Cost of sales	(3,667)	(6,167)	(9,596)	(1,454)
Gross profit	2,820	2,657	4,125	625
Other income	215	211	240	36
Other (losses)/gains — net	127	(8)	188	28
Fair value gain on investment properties	—	709	567	86
Selling and marketing costs	(251)	(319)	(441)	(67)
Administrative expenses	(420)	(320)	(457)	(69)
Operating profit	2,491	2,930	4,222	639
Fair value (loss)/gain on derivative financial instruments	56	—	—	—
Finance costs	(161)	(310)	(287)	(43)
Share of losses of jointly controlled entities	—	(35)	(9)	(1)
Share of losses of associates	(2)	(18)	(72)	(11)
Profit before income tax	2,384	2,567	3,854	584
Income tax expenses	(939)	(929)	(1,415)	(214)
Profit for the year	1,445	1,638	2,439	370
Attributable to:				
Equity holders of the Company	1,388	1,582	2,444	371
Non-controlling interests	57	56	(5)	(1)

Consolidated Balance Sheet Information

	As at December 31,			
	2008	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
ASSETS				
Non-current assets				
Property, plant and equipment	305	325	215	33
Land use rights	37	39	10	2
Investment properties	1,984	3,984	4,989	756
Goodwill	735	663	706	107
Interests in jointly controlled entities	—	672	688	104
Interests in associates	311	294	397	60
Available-for-sale financial assets	427	593	434	66
Derivative financial instrument	8	8	—	—
Trade and other receivables	250	893	85	12
Deferred income tax assets	112	306	814	123
Total non-current assets	4,169	7,777	8,338	1,263
Current assets				
Deposits for land use rights	4,067	7,371	18,825	2,852
Properties under development	18,444	22,254	41,393	6,272
Inventories, at cost	80	100	232	35
Land under development	1,840	927	2,439	370
Completed properties held for sale	4,243	3,484	2,649	401
Available-for-sale financial assets	—	—	182	28
Other investment	—	—	44	7
Financial assets at fair value through profit or loss	—	—	29	4
Trade and other receivables	1,588	1,720	3,566	540
Restricted bank deposits	810	896	1,057	160
Cash and cash equivalents	8,027	17,620	13,977	2,118
Total current assets	39,099	54,372	84,393	12,787
Total assets	43,268	62,149	92,731	14,050

	As at December 31,			
	2008	2009	2010	2010
	(RMB)	(RMB)	(RMB)	(US$)
	(in millions)			
EQUITY				
Capital and reserves attributable to equity holders				
Share capital and premium	14,186	20,118	20,121	3,049
Shares held for Restricted Share Award Scheme	—	—	(96)	(15)
Convertible securities	—	—	5,970	905
Reserves	(227)	(485)	(227)	(34)
Retained earnings				
— proposed final dividend	289	248	380	58
— others	2,405	3,487	4,923	745
Equity attributable to equity holders of the Company	16,653	23,368	31,071	4,708
Non-controlling interests	1,130	519	2,055	311
Total equity	17,783	23,887	33,126	5,019
LIABILITIES				
Non-current liabilities				
Borrowings	8,779	17,187	19,276	2,921
Deferred income tax liabilities	790	999	1,352	204
	9,569	18,186	20,628	3,125
Current liabilities				
Borrowings	5,965	4,653	9,920	1,503
Derivative financial instrument	2	—	—	—
Trade and other payables	5,010	4,526	10,831	1,641
Advances from customers	3,749	9,495	16,235	2,460
Income tax payable	1,190	1,402	1,991	302
	15,916	20,076	38,977	5,906
Total liabilities	25,485	38,262	59,605	9,031
Total equity and liabilities	43,268	62,149	92,731	14,050
Net current assets	23,183	34,296	45,416	6,881
Total assets less current liabilities	27,352	42,073	53,754	8,144

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

The following discussion should be read in conjunction with our consolidated financial statements together with their accompanying notes included or incorporated by reference in this offering circular. Our consolidated financial statements were prepared in accordance with HKFRS, which differs in certain material respects from U.S. GAAP. See "Summary of Certain Differences between HKFRS and U.S. GAAP".

This section includes forward-looking statements that involve risks and uncertainties. Other than statements of historical facts, all statements included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience, together with our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.

Unless the context otherwise requires, references to "2008", "2009" and "2010" in this offering circular are to our financial years ended December 31, 2008, 2009 and 2010, respectively. References to "associate" or "associates" in this section are to associates as defined in HKFRS.

Overview

We are one of the leading property developers in Beijing and the Pan-Bohai Rim and are actively implementing our strategic plan for expansion across the PRC with a focus on cities along the coast and the Yangtze River. We focus on developing mid- to high-end residential properties, high-end office premises, retail space, serviced apartments and hotels. We had 48 projects in various stages of development as of December 31, 2010 in high-growth cities across the PRC, including Beijing, Tianjin, Dalian, Shenyang, Qingdao, Qinhuangdao and Changchun in the Pan-Bohai Rim; Shanghai and Hangzhou in the Yangtze River Delta, Zhongshan in the Pearl River Delta; Wuhan, Chongqing and Chengdu in the Mid-West region of the PRC and several centers of tourism including Huangshan, Haikou and Sanya.

In conjunction with our focus on high-end products and professional services, we have built "Sino-Ocean 遠洋地產" into a strong brand in Beijing and in the Pan-Bohai Rim and Pearl River Delta regions. As of December 31, 2010, our total land bank included a total planned GFA of approximately 20.6 million sq.m., approximately 16% of which was located in Beijing, 63% in other cities in the Pan-Bohai Rim, 7% in the Pearl River Delta area, 7% in the Mid-West region of the PRC, 6% in the Yangtze River Delta and 1% in Hainan.

For the three years ended December 31, 2008, 2009 and 2010, we generated approximately 90%, 93% and 93% of our revenue, respectively, from property development. For the three years ended December 31, 2008, 2009 and 2010, our revenue was RMB6,487 million, RMB8,824 million and RMB13,721 million, respectively, and the profit attributable to our equity holders was RMB1,388 million, RMB1,582 million and RMB2,444 million, respectively. In line with our expansion strategy, we anticipate that revenue attributable to the sale of properties outside Beijing will increase as a percentage of our overall revenue going forward.

Our Company was established in 1993 as a real estate subsidiary of COSCO Group. In December 2009, we completed a placement of 934,000,000 shares to China Life at a subscription price of HK$6.23 per share. Immediately following this purchase, China Life held 16.57% of our shares. In January 2010, China Life further increased its stake in us to 24.07%, as a result of a purchase of 423,000,000 shares from Sinochem Corporation, and became our largest shareholder. On December 21, 2010, COSCO Group, which had held 16.85% of our shares as of June 30, 2010, disposed of its entire shareholding in us. In December 2010, Chen Din Hwa, chairman of Nan Fung Group, became a significant shareholder in our Company, and as of December 31, 2010, he held 12.84% of our shares.

Basis of Preparation

Our consolidated financial statements for the years ended December 31, 2008, 2009 and 2010 included or incorporated by reference in this offering circular have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, and derivative financial instruments which are carried at fair value.

Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, such as U.S. GAAP. See "Summary of Certain Differences between HKFRS and U.S. GAAP".

Recent Developments

Co-operation Agreement dated December 22, 2010

On December 22, 2010, Sino-Ocean Land Limited (an indirect wholly-owned subsidiary of the Company) ("Sino-Ocean") and Super Goal Development Limited (an indirect wholly-owned subsidiary of Golden Success Profits Limited and a member of the Nan Fung Group) ("Super Goal") entered into a co-operation agreement in respect of the establishment of a joint venture for a property development project in the central business district ("CBD") area in Chaoyang District, Beijing (the "Joint Venture"). The registered capital of the Joint Venture is RMB4,000 million, to which Sino-Ocean and Super Goal have contributed RMB3,200 million and RMB800 million, respectively. Sino-Ocean and Super Goal hold 80% and 20%, respectively, of the equity interest of the Joint Venture. The total capital contribution of the Joint Venture was determined with reference to the estimated working capital requirement for such property development project and the land premium required to acquire the relevant sites. The capital contribution on the part of Sino-Ocean will be funded from internal resources of the Group.

Co-operation Agreement dated December 31, 2010

On December 31, 2010, Sino-Ocean Land (Hong Kong) Limited (an indirect wholly-owned subsidiary of the Company) ("SOL HK"), Greentown China Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange) ("Greentown") and Zhejiang Railway Investment Group Limited (a state-owned company established under the laws of the PRC which is not listed on the Stock Exchange) entered into a co-operation agreement in relation to the development of a project in the Hangzhou Business Area pursuant to which (a) SOL HK agreed to dispose and Greentown agreed to itself or through its designated offshore associate purchase 24.5% of the issued share capital of Poly Link Management Limited (an indirect wholly-owned subsidiary of the Company) ("Poly Link"); and (b) SOL HK agreed to dispose and Zhejiang Railway Investment Group Limited agreed to itself or through its designated offshore associate purchase 24.5% of the issued share capital of Poly Link, at a total consideration payable to SOL HK of approximately RMB1,846 million, with approximately RMB923 million payable by each of Greentown and Zhejiang Railway Investment Group Limited, subject to the terms of the co-operation agreement.

Land acquisition

On January 17, 2011, we successfully bid for and subsequently entered into a land grant contract for a parcel of land in the Fushanhou District of Qingdao for which we agreed to pay a total consideration of approximately RMB698 million. The parcel occupies a total site area of approximately 32,185 sq.m. We plan to develop this parcel for residential and commercial use with a planned total GFA of 116,800 sq.m.

On January 18, 2011, our subsidiary Sino-Ocean Real Estate Zhenjiang Company Limited (遠洋地產鎮江有限公司), in which we have a 50.05% equity interest, obtained land use rights for a parcel of land in the Runzhou District of Zhenjiang, Jiangsu Province after successully participating in a listing-for-sale. We agreed to pay a total consideration of approximately RMB224 million for the parcel. The parcel occupies a total site area of approximately 328,320 sq.m. We plan to develop the Zhenjiang land into a residential and retail complex with a total planned GFA of 657,000 sq.m.

On January 21, 2011, we won an auction and subsequently entered into a land grant contract for a parcel of land in Baoshan District, Shanghai for which we agreed to pay a total consideration of RMB538,260,000. The parcel occupies a total site area of approximately 35,600 sq.m. We plan to develop this parcel for residential and commercial use with a total planned GFA of approximately 119,100 sq.m.

On January 30, 2011, we won an auction and subsequently entered into a land grant contract for a parcel of land in Baoshan District, Shanghai for which we agreed to pay a total consideration of RMB3,133,770,000. The parcel occupies a total site area of approximately 137,708 sq.m. We plan to develop this parcel for residential and commercial use with a total planned GFA of approximately 275,400 sq.m.

Project Loans

On December 1, 2010, our subsidiary, Tianjin Pulida Real Estate Construction and Development Company Limited (天津普利達房地產建設開發有限公司), entered into a loan agreement with China Everbright Bank (Beijing Jingsong Bridge Branch). The loan agreement provides a credit facility of RMB500 million which we had drawn down RMB400 million subsequent to December 31, 2010 and as of March 31, 2011. The loan bears interest at a floating rate that is based on the PBOC benchmark lending rate. This loan facility is guaranteed by our subsidiary Sino-Ocean Land Limited (遠洋地產有限公司) and secured by the land use rights of a land parcel in our Ocean City 遠洋城(Tianjin) project and will be repayable in three installments by December 14, 2012.

On March 7, 2011, our subsidiary, Dalian Sky-Upright Property Limited (大連正乾置業有限公司), entered into a loan agreement with Agricultural Bank of China (Dalian Economic and Technology Development Zone Branch). The loan agreement provides a credit facility of RMB480.0 million, of which we had drawn down RMB370 million as of March 31, 2011. The loan bears interest at a floating rate that is based on the PBOC benchmark lending rate. This loan facility is guaranteed by our subsidiary Sino-Ocean Land Limited (遠洋地產有限公司), and will be repayable when the GFA sold in our Ocean Worldview 紅星海世界觀 (Dalian) project reaches 70% of the total planned GFA in the project.

Financing of Our Projects

We finance our projects primarily through bank loans, internally generated cash flows, including proceeds from the pre-sale and sale of our projects and through capital raising transactions. The following summarizes our main sources of funds for financing our projects:

- ***Bank loans***. As at December 31, 2010, we had RMB22,534 million in total bank loans outstanding. Most of our bank loans are project-specific and are borrowed onshore to fund construction prior to the relevant projects reaching the pre-sale stage. Once we start to pre-sell the projects, we typically gradually repay such bank loans using the pre-sale proceeds received. We are often required to secure our onshore bank loans with properties under development, investment properties or other assets. In September 2009, we entered into a US$700 million offshore loan facility that is secured by share charges over our equity interests in our non-PRC subsidiaries and a charge over the Hong Kong bank account into which funds drawn down from the facility are initially disbursed. Proceeds were used for general working capital, project acquisitions and to repay a US$215 million syndicated loan.
- ***Proceeds from the pre-sale and sale of properties***. We conduct the sale of our properties primarily by way of pre-sale. Pre-sale proceeds are the sales proceeds we receive when we sell properties prior to their completion. Pre-sale proceeds of one phase of a project or one project can be used to fund further construction of the same phase or project. Upon obtaining a pre-sale permit from the relevant government authorities, we enter into pre-sale contracts with our customers. For purchasers who finance their purchases with mortgage financing, we generally require a minimum down payment of 40% to 50% of the purchase price for commercial property and about 20% to 50% of the purchase price for residential property at the execution of the pre-sale contract. If the purchaser has entered into a mortgage agreement, we receive the remaining purchase price from the relevant bank when the relevant property is topped out or completed, which may be up to one to two years after the execution of the pre-sale contract. We are normally required to deposit a portion of the down

payment, which typically represents less than 2% of the amount of the mortgage, with a bank providing mortgage, as security for our guarantee of our purchaser's mortgage. The deposit is typically released when the purchaser obtains the property certificate and pledges it to the bank, which generally occurs one to two years after completion of construction of the project. For purchasers who do not require mortgage financing, we generally require between 30% and 50% of the purchase price to be paid upon execution of the pre-sale contract, and we receive the remaining purchase price in accordance with the agreed timeframe stipulated in the pre-sale contract, which is typically within 20 days from the signing of the contract. In addition to proceeds from the pre-sale of properties, we also generate proceeds from the sale of completed properties.

- ***Capital raising transactions***. In June 2009, we issued corporate bonds in an aggregate principal amount of approximately RMB2.6 billion that mature in 2016 and bear interest at a rate of 4.4%. In December 2009, we completed a share placement to China Life and received approximately HKD5.8 billion in proceeds. In July 2010, Sino-Ocean Land Capital Limited, our wholly-owned subsidiary, issued the Perpetual Subordinated Convertible Securities with an initial aggregate principal amount of US$900 million.

In the future, we expect to use funds from a combination of sources to fund new projects, including bank loans, internally generated cash flow and proceeds raised from the capital markets from time to time (including from this offering). Our access to funds may be affected by various factors, including the factors discussed under "Risk Factors" and "Management's Discussion and Analysis — Factors Affecting Our Results of Operations".

Factors Affecting Our Results of Operations

Costs and procedures for acquiring suitable land

As a property developer, we depend to a large extent on our ability to secure suitable land for development at affordable prices. A key component of our cost of sales is land acquisition costs, which comprise primarily land premiums, the cost of demolition of existing buildings and the relocation of existing residents. Land premium is the payment to the land bureau for the right to occupy, use and develop a particular parcel of land, the amount of which is determined by the government, taking into consideration factors including floor area, the location of and competition for the relevant land. The cost of demolition and relocation generally represents the compensation we pay to the original residents and the expenses to clean up the site. The PRC government has provided some basic principles for determining the appropriate level of demolition cost and resettlement compensation. However, the actual demolition cost and resettlement compensation varies from site to site and is subject to negotiations between the developers and the original residents. In many instances, pursuant to the land grant contract, the government takes responsibility for completing the demolition of original structures and the resettlement of the original residents on the land but requires us to pay an agreed amount to cover demolition and resettlement costs. In respect of the primary land development, we are responsible for the demolition and relocation.

In recent years, the acquisition costs of land have risen as a result of high demand for properties due to the growth of the PRC economy. In addition, in order to increase the transparency of the system for granting state-owned land, since 2002 the PRC government has operated under regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes, including public tenders, public auctions or listing at land exchanges administered by local governments. These competitive processes have significantly intensified competition among developers for available land and have thereby increased land acquisition costs. Typically, in order to participate in one of these competitive processes, we are required to pay deposits upfront, the amounts of which typically represent a substantial portion of the actual cost of the relevant land. This has accelerated the timing of our payment of land acquisition costs, which, in turn, has had a significant impact on our cash flow. Often the government has already completed various procedures in connection with primary land development for the relevant land before commencing the tendering, auction or listing process. As a result, once we acquire the land, it is often already in a state ready for secondary land development. In such cases, we are typically able to commence construction and pre-sale within a shorter timeframe.

Construction costs

Another key component of our cost of sales is construction costs, which encompass all costs for the design and construction of a project, including payments to independent contractors and costs of the raw materials that we procure directly. Construction costs of our projects vary according to the floor area and height of the buildings as well as the geology of the construction site. Historically, construction material costs have been the principal driver of construction costs of our property developments, in part because the cost of independent contractors has been relatively stable. Construction costs may fluctuate as a result of changes in prices of construction materials such as steel and cement. For a substantial portion of our procurement of construction materials, we use a centralized procurement process to increase our negotiating power and lower our unit costs of construction materials. We also outsource some procurement of construction materials to our construction contractors and include the cost of such procurement at a capped amount in construction contracts. Through so doing, we can partially pass the risk of price fluctuations on to contractors. Despite these measures, we remain subject to long-term movements in the prices of construction materials. Our profitability may suffer if we cannot pass on any increased costs to our customers. Further, we typically pre-sell our properties prior to their completion, and, if our costs increase subsequent to the pre-sale, we may not be able to pass them on to our customers.

Fluctuation of results of operations

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 and pre-sale of our properties upon delivery, which normally takes place one to two years after the commencement of pre-sales. See “Management’s Discussion and Analysis — Critical Accounting Policies — Revenue recognition”. Because the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue if, for example, the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs, as well as limited supply of land.

In addition, seasonal variations have caused fluctuations in our revenues and profits, including our quarterly and semiannual results. A substantial portion of our operations are in northern China, where the climate in winter is often not suitable for construction work. When possible, we typically seek to complete construction and deliver most of our properties before November and the onset of winter. As a result, we have typically recognized substantially more revenue in the second half of the year than in the first half, and our interim results typically are not representative of our annual results.

Performance of the PRC real estate market particularly in the Pan-Bohai Rim (including Beijing)

Our entire revenue was generated from operations in China during the three years ended December 31, 2008, 2009 and 2010. In particular, our business has been concentrated in Beijing, while we have also expanded into other major cities in China including Tianjin, Dalian, Zhongshan, Shenyang and Hangzhou. Macroeconomic factors in China and the performance of the property market in China, and, in particular, in Beijing, Tianjin, Dalian, Zhongshan, Shenyang and other cities in which we have development projects, therefore directly impact our results of operations. The performance of the real estate market in China is affected by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of the upper and the middle class, the level of interest rates, the exchange rate of the Renminbi and the political, economic and regulatory environment in the PRC. Should the property markets in Beijing, Tianjin, Dalian, Zhongshan, Shenyang and other cities in which we operate experience any significant downturn, our results of operations would be adversely affected. See “Risk Factors — Risks Relating our Business — We are dependent on the performance of the PRC property sector, particularly in Beijing and the Pan-Bohai Rim”.

PRC government control and policies

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, in particular in Beijing and the Pan-Bohai Rim, including policies relating to:

- inflation;
- land acquisition;
- pre-sales;
- the availability of mortgage financing;
- the availability of capital through loans or other sources;
- sales or other transfers of land use rights and completed properties;
- taxes;
- planning and zoning; and
- building design and construction.

For example, the regulations that require government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes have had a material impact on our operations. See "Management's Discussion and Analysis — Factors Affecting Our Results of Operations — Costs and procedures for acquiring suitable land". In recent years the PRC government and Beijing local government have instituted a variety of measures designed to stabilize the real estate market, with particular focus on the residential sector. These policies may lead to changes in market conditions, including price stability and the balance of supply and demand in respect of residential properties. These measures have had an impact on the property market in Beijing, including particularly the residential property sector. See "Regulation". We would be directly impacted by any regulations or measures adopted by the PBOC that restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers 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 that increase the costs of mortgage financing may decrease demand for our properties and adversely affect our revenue. See "Risk Factors — Risk Relating to Our Business — Our operations are subject to extensive governmental regulation and in particular, we are susceptible to changes in policies related to the real property markets in the PRC".

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in property in China, irrespective of whether investors are corporate entities or individuals. We estimate and make provisions for the full amount of the applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by local tax authorities. Our provisions for LAT expenses for each of the years ended December 31, 2008, 2009 and 2010 were RMB420 million, RMB248 million and RMB403 million, respectively. We are required to prepay a portion of LAT equal to a specified percentage of our pre-sales proceeds set by local tax authorities that is generally assessed at a rate of no more than 5%. See "Risk Factors — Risk Relating to Our Business — The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations".

Changes in product mix

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Historically, our low-density units, higher-end apartment units and retails shops have commanded higher average selling prices per square meter and gross margins than our mid-range apartment units. In addition, average selling prices and gross profit margins have typically been lower for developments outside of Beijing. Projects outside of Beijing and, in particular, in Tier 2 and Tier 3 cities, generally must sell more total GFA to achieve the same level of revenue as those in Beijing. Gross profit margins are typically lower in early phases and higher in later phases of our projects. Our product mix varies from period to period for a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time and time our project launches according to our development plans.

Critical Accounting Policies

We have identified certain accounting policies that are significant in the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to our audited consolidated financial statements for the year ended December 31, 2010 included in this offering circular. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements. In addition, we discuss our revenue recognition policy below because of its significance even though it does not involve significant estimates or judgments.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group. The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

- Revenue from sales of properties is recognized when the risks and rewards of the properties are transferred to the purchaser, which occurs when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.
- Rental income is recognized on a straight-line basis over the relevant lease term.
- Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Valuation of our investment properties

Our investment properties are office properties that we hold for rental income. We state our investment properties at their fair value as non-current assets on our balance sheet on the basis of valuations by a qualified independent professional valuer. We supply the independent professional valuer with various information, including the leases existing on our investment properties and our estimate as to when and whether the lease terms may be extended, for the valuer to use as a basis of its valuation. We had zero fair value gain on investment properties in 2008, and we had fair value gains on investment properties of RMB709 million for the year ended December 31, 2009, and RMB567 million for the year ended December 31, 2010. The property valuation by the independent professional valuer involved the exercise of professional judgment and required the use of certain bases and assumptions with respect to factors including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rental rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The bases and assumptions used by the valuer for the valuation typically include comparisons to values realized in comparable precedent transactions in the market for properties of similar size, character and location. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation were conducted by other qualified independent professional valuers. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of our investment properties. They, therefore, do not generate any cash inflow to us. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by trends in the PRC property market and may go down as well as up.

Deferred income tax

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

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets are recognized (to the extent that it is probable that future taxable profits will be available against which the asset can be utilized). Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity and further provided that they are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits. Such differences are taken into account if they relate to the same taxation authority and the same taxable entity and if they are expected to reverse in a period, or in periods, in which the tax loss or credit can be utilized.

We were subject to PRC Enterprise Income Tax at a rate of 25% of taxable income during the three years ended December 31, 2008, 2009 and 2010. We did not generate any income subject to Hong Kong income tax during the three years ended December 31, 2008, 2009 and 2010.

LAT

LAT provisions as part of income tax represent provisions for the estimated LAT payable in relation to our properties delivered during a period. See “Management’s Discussion and Analysis — Factors Affecting Our Results of Operations — LAT” for a description on the PRC regulations in relation to LAT and our provisions for LAT in the years ended December 31, 2008, 2009 and 2010. We make provisions based on our own calculations in accordance with our understanding of the relevant laws and regulations. Because at the time we deliver property we may not have completed the entire phase of a project or the project as a whole, our estimate of LAT provisions at this time requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land values and the various deductible items. The ultimate tax determination may differ from the amounts that were initially recorded, which will affect our net profits in the relevant periods.

Description of Certain Financial Statement Items

The following summarizes components of certain line items appearing in the consolidated financial statements included in this offering circular, which we believe to be helpful to an understanding of the period-to-period discussion that follows below.

Income statement items

Revenue

Our revenue consists primarily of proceeds from our property development business, including the sale of properties and the rental of our properties held for sale. We also generate a small portion of revenue from the lease of our investment properties, our hotel operations, and the provision of property management services, which together accounted for approximately 7% of our revenue in both 2009 and 2010. Our revenue is presented before business tax.

The table below sets forth our revenue by business segment for the years ended December 31, 2008, 2009 and 2010:

	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010
	Total Revenue	Total Revenue	Total Revenue
	(RMB)	(RMB)	(RMB)
		(in millions)	
Property development	5,834	8,218	12,798
Property investment	122	156	212
Property management	146	172	262
Other real estate related businesses	385	278	449
Total revenue	6,487	8,824	13,721

The table below compares contributions to our total revenue by geographic location in percentages for the years ended December 31, 2008, 2009 and 2010:

	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2010
	Percentage of Total Revenue	Percentage of Total Revenue	Percentage of Total Revenue
Beijing	80%	61%	55%
Tianjin	5%	8%	10%
Dalian	10%	10%	22%
Shenyang and others	—	8%	2%
Zhongshan	5%	13%	11%
Total revenue	100%	100%	100%

Cost of sales

Our cost of sales includes primarily the cost of properties sold, as well as direct costs relating to our property investment, hotel operation, property management, property sales agency and related services, including staff costs, business tax and levies, advertising and marketing expenses, depreciation and amortization, office expenses, and others. Cost of properties sold comprises costs of land, construction costs and capitalized interest expenses.

Other income

Our other income primarily consists of interest income and dividend income from available-for-sale financial assets.

Other gains/(losses) — net

Our other (losses)/gains consist of gains on disposals or deemed disposals of subsidiaries, losses on disposal of property, plant and equipment, and exchange gains/(losses).

Fair value gain on investment properties

See "Management's Discussion and Analysis — Critical Accounting Policies — Valuation of our investment properties".

Selling and marketing costs

Our selling and marketing costs include primarily advertising and promotion costs and employee benefit expenses for marketing staff.

Administrative expenses

Our administrative expenses include primarily employee benefit expenses for administrative staff, office expenditures, depreciation and amortization, professional and consultancy fees.

Finance costs

Our finance costs include interest expenses on borrowings less capitalized interest expenses.

Income tax expense

Our taxation includes provisions for PRC Enterprise Income Tax for each of our subsidiaries in the PRC, based on the statutory rate as determined in accordance with the relevant income tax rules and regulations of the PRC. Effective from January 1, 2008, the statutory tax rate applicable to us has been 25% of taxable income.

The current Hong Kong profits tax rate that would be applicable to us had we generated any income in Hong Kong is 16.5%.

Income tax expense also includes LAT. Under the PRC laws and regulations, our PRC subsidiaries engaging in property development business are subject to LAT, determined by the local tax authorities in the cities in which each project is located. All income from the sales or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items, as defined in the relevant tax laws.

Balance sheet items

Trade and other receivables

Trade and other receivables include trade receivables, tax prepayments, other receivables, prepayments and loans to various related parties. Trade receivables as at December 31, 2010 primarily consisted of property management fees receivable in connection with the property management service that we provided.

Included in tax prepayment as at December 31, 2008, 2009 and 2010 were primarily business tax levied and prepaid at 5% of pre-sale proceeds, and a portion of income tax prepaid on a certain percentage of pre-sale proceeds, both in compliance with relevant tax laws and regulations.

We also prepay LAT that is generally assessed at no more than 5% of pre-sale proceeds in compliance with relevant laws and regulations.

Advanced proceeds received from customers

Advanced proceeds received from customers represent proceeds received on property unit sales that have not been recognized as revenue in accordance with our revenue recognition policy.

Goodwill

As at December 31, 2008, 2009 and 2010, goodwill mainly included the goodwill arising from the acquisition of project companies. Management is required to test goodwill annually for impairment. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management and covering a five-year period. Cash flows beyond such five-year period are extrapolated using the estimates described below.

Key assumptions used for value-in-use calculations include gross margins, revenue growth rates and a discount rate. Management projects gross margins and revenue growth rates based on past performance and its expectations for future market developments.

The discount rate was based on our actual borrowing cost in 2010.

Restricted bank deposits

Restricted bank deposits represent funds deposited with banks as security for our guarantee of mortgages. As described under "Management's Discussion and Analysis — Financing of Our Projects", our project companies are required to keep on deposit a portion of the outstanding balances of purchasers' mortgages until such purchasers obtain property certificates and pledge those with their mortgage banks.

Management's Discussion and Analysis of Financial Information for 2008, 2009 and 2010

2010 compared to 2009

Revenue. Revenue in 2010 was RMB13,721 million, an increase of RMB4,897 million, or 55%, from RMB8,824 million in 2009. This increase was primarily due to the increase of RMB4,580 million, or 56%, in revenue from property development, to RMB12,798 million in 2010 from RMB8,218 million in 2009. The increase in revenue from property development was due to an increase of approximately 359,000 sq.m., or 42%, in GFA delivered, from approximately 865,000 sq.m. delivered in 2009 to 1,224,000 sq.m. delivered in 2010, as well as a RMB1,238 per sq.m. increase in average selling prices per square meter (excluding car parks), or 12.4%, to RMB11,200 per sq.m. in 2010 from RMB9,962 per sq.m. in 2009. The increase in average selling price per square meter reflected our delivery in 2010 of a higher proportion of high-end properties, which normally have a higher average selling price, as compared to the properties we delivered in 2009.

We set forth in the table below information relating to the types of properties for which we recognized property development revenue in 2009 and 2010.

	Year ended December 31, 2009				Year ended December 31, 2010			
Type of properties sold and delivered	Revenue		GFA sold and delivered		Revenue		GFA sold and delivered	
	RMB millions	% of total	Thousand sq.m.	% of total	RMB millions	% of total	Thousand sq.m.	% of total
Residential	7,084	86%	735	85%	11,303	89%	1,032	84%
Retail	623	8%	38	4%	658	5%	46	4%
Office	256	3%	26	3%	421	3%	30	3%
Car parks	255	3%	66	8%	416	3%	116	9%
Total	8,218	100%	865	100%	12,798	100%	1,224	100%

We set forth in the table below the revenue from each project for which we recognized property development revenue in 2009 and 2010.

Projects	Year ended December 31, 2009	Year ended December 31, 2010
	(RMB millions)	
Beijing		
Ocean Express	52	—
Ocean Great Harmony Areas A and B	1,864	2,605
Ocean Honored Chateau	837	344
Ocean Landscape	845	223
Ocean Landscape Eastern Area	—	2,874
Ocean Office Park	109	326
Ocean Seasons	100	35
Poetry of River	840	37
Dalian		
Ocean Prospect	629	431
Ocean Worldview	—	1,983
Xiangsong Project	246	373
Shenyang		
Ocean Paradise	691	298
Qinhuangdao		
Wan Hai Yi Hao	—	45
Tianjin		
Ocean City	—	1,146
Ocean Express	622	156
Ocean Paradise	64	96
Zhongshan		
Ocean City	1,064	1,410
Subtotal	7,963	12,382
Car parks (various projects)	255	416
Total	**8,218**	**12,798**

Cost of sales. Cost of sales for 2010 were RMB9,596 million, representing an increase of RMB3,429 million, or 56%, from RMB6,167 million in 2009. Property development cost continued to be the most significant cost of sales, accounting for approximately 90% of our total cost of sales for this period. Excluding car parks, the average land cost in our property development business in 2010 was approximately RMB2,610 per sq.m., an increase of 14% from RMB2,290 per sq.m. in 2009. The higher land cost was mainly due to the delivery of Ocean Great Harmony (Beijing) and Ocean Landscape Eastern Area (Beijing), both of which are mid- to high-end residential projects in Beijing where costs of sales are typically higher. As a result of the delivery of more high-end fit-out apartments and higher material costs, average construction costs (excluding car parks) in our property development business in 2010 was approximately RMB4,052 per sq.m., an increase of RMB362 per sq.m., or approximately 10%, from RMB3,690 per sq.m. in 2009.

Gross profit. As a result of the above, gross profit for 2010 was RMB4,125 million, an increase of RMB1,468 million, or 55%, from RMB2,657 million in 2009. Our gross profit margin for 2010 was approximately 30%, the same as in 2009. Our gross profit margin in 2010 resulted from the combined effects of (i) a higher average selling price of RMB10,500 per sq.m. (including car parks) compared to RMB9,498 per sq. m. in 2009; (ii) delivery of high-end projects including Ocean Great Harmony (Beijing) and Ocean Worldview (Dalian) during 2010; (iii) higher construction costs and material costs; and (iv) increased revenue contribution from property development projects outside Beijing (from 42% in 2009 to 47% in 2010 in terms of property development revenue), which normally have lower gross profit margins compared to those in Beijing.

Fair value gain on investment properties. We had a fair value gain of RMB567 million on investment properties in 2010, as compared to a fair value gain of RMB709 million in 2009. The fair value gain in 2010 primarily related to the completion of construction and revaluation of Ocean Office Park, an investment property.

Other income. Our other income in 2010 was RMB240 million, an increase of RMB29 million, or 14%, from RMB211 million in 2009, primarily due to an increase in our overall interest income and dividend income from available-for-sale financial assts.

Other (losses)/gains — net. In 2010, we had net other gains in the amount of RMB188 million. By comparison, we had net other losses in 2009 in the amount of RMB8 million. Other gains in 2010 comprised (i) the disposal gains relating to two subsidiaries, namely Best Western Premier Beijing Hotel Limited and Beijing Yuanxiang Property Development Limited, of approximately RMB297 million, and (ii) the exchange loss incurred from deposits held in offshore bank accounts of approximately RMB103 million.

Selling and marketing costs. Selling and marketing costs for 2010 were RMB441 million, an increase of RMB122 million, or 39%, from RMB319 million in 2009. Such increase was in line with our growth in contracted sales and our efforts to grow our sales and marketing team in order to promote our available-for-sale projects to potential buyers in 2010.

Administrative expenses. Administrative expenses for 2010 were RMB457 million, an increase of RMB137 million, or 43%, from RMB320 million in 2009. This was attributable to our establishment of operations in additional cities across China in 2010 in accordance with our expansion strategy.

Operating profit. As a result of the above, our operating profit for 2010 was RMB4,222 million, an increase of RMB1,292 million, or 44%, from RMB2,930 million in 2009. Our operating profit margin for 2010 was 31%, compared with 33% in 2009.

Finance costs. In 2010, our finance costs were RMB287 million, a decrease of RMB23 million, or 7%, from RMB310 million in 2009, primarily due to our application of borrowings to our projects and capitalization of most of our interest expenses.

Share of losses of a jointly controlled entity and associated companies. In 2010, we had a share of losses of jointly controlled and associated companies in the amount of RMB81 million, an increase of RMB27 million, or 33%, from RMB54 million in 2009, in relation to our projects available for leasing, where we incur pre-marketing costs prior to receipt of income.

Profit before income tax. As a result of the above, our profit before income tax in 2010 was RMB3,854 million, an increase of RMB1,287 million, or 50%, from RMB2,567 million in 2009.

Income tax expense. Our income tax expense for 2010 was RMB1,415 million, an increase of RMB486 million, or 52%, from RMB929 million in 2009 due to higher pre-tax profit in 2010. Our effective income tax rate was 29% in 2010, compared to 27% in 2009. The increase in our effective income tax rate was primarily due to an increase in non-deductible expenses related to the US$700 million offshore loan facility that we entered into in September 2009, which had a full year effect in 2010. These expenses were not deductible from PRC income tax because the loan was entered into and the expenses were incurred outside of the PRC.

Profit attributable to equity holders of our Company. As a result of the above, our profit attributable to equity holders of our Company in 2010 was RMB2,444 million, an increase of RMB862 million, or 54%, from RMB1,582 million in 2009. Our profit attributable to equity holders of our Company as a percentage of revenue was 18% in 2010 and 18% in 2009.

Profit/(loss) attributable to non-controlling interests. Our loss attributable to non-controlling interests was RMB5 million in 2010, a decrease of RMB61 million from a profit attributable to non-controlling interests of RMB56 million in 2009, primarily due to an increase in the number of projects in which we held minority interests that were in early stages and did not generate revenue in 2010.

2009 compared to 2008

Revenue. Revenue in 2009 was RMB8,824 million, an increase of RMB2,337 million, or 36%, from RMB6,487 million in 2008. This increase was primarily due to the increase of RMB2,384 million, or 41%, in revenue from property development, to RMB8,218 million in 2009 from RMB5,834 million in 2008. The increase in revenue from property development was due to an increase of approximately 348,000 sq.m. in GFA delivered, or 67%, partially offset by a RMB2,047 per sq.m. decrease in average selling price per square meter (excluding car parks), or 17%, to RMB9,962 per sq.m. in 2009 from RMB12,009 per sq.m. in 2008. The decrease in average selling price per square meter reflected an increased proportion of both GFA delivered outside Beijing (where average selling prices tend to be lower) and GFA delivered from early phases of projects (when average selling prices tend to be lower) as well as lower contracted sales prices in 2008, most of which were recognized in revenue in 2009.

We set forth in the table below information relating to the types of properties for which we recognized property development revenue in 2008 and 2009.

	Year ended December 31, 2008				Year ended December 31, 2009			
Type of properties sold and delivered	**Revenue**		**GFA sold and delivered**		**Revenue**		**GFA sold and delivered**	
	RMB millions	**% of total**	**Thousand sq.m.**	**% of total**	**RMB millions**	**% of total**	**Thousand sq.m.**	**% of total**
Residential	4,884	84%	413	80%	7,084	86%	735	85%
Retail	497	8%	28	6%	623	8%	38	4%
Office	307	5%	33	6%	256	3%	26	3%
Car parks	146	3%	43	8%	255	3%	66	8%
Total	5,834	100%	517	100%	8,218	100%	865	100%

We set forth in the table below the revenue of each project for which we recognized property development revenue in 2008 and 2009.

Projects	Year ended December 31, 2008	2009
	(RMB millions)	
Beijing		
Ocean Express	48	52
Ocean Great Harmony Areas A and B	—	1,864
Ocean Honored Chateau	—	837
Ocean Landscape	2,592	845
Ocean Office Park	777	109
Ocean Paradise	40	—
Poetry of River	609	840
Ocean Seasons	351	100
Dalian		
Ocean Prospect	635	629
Xiangsong Project	—	246
Shenyang		
Ocean Paradise	—	691
Tianjin		
Ocean Express	13	622
Ocean Paradise Phase I	282	64
Zhongshan		
Ocean City	341	1,064
Subtotal	5,688	7,963
Car parks (various projects)	146	255
Total	**5,834**	**8,218**

Cost of sales. Cost of sales for 2009 were RMB6,167 million, representing an increase of RMB2,500 million, or 68%, from RMB3,667 million in 2008. This increase was primarily due to an increase in GFA delivered of approximately 348,000 sq.m., or 67%, to approximately 865,000 sq.m. in 2009 from approximately 517,000 sq.m. in 2008 and an increase in the average land cost for property development in 2009 from 2008. The higher land cost was mainly due to the delivery of properties in the Ocean Great Harmony project. In addition, average construction costs (excluding car parks) for our property development business in 2009 were approximately RMB3,690 per sq.m., an increase of RMB17 per sq.m., or less than 1%, from RMB3,673 per sq.m. in 2008 as a result of increased delivery of more high end projects.

Gross profit. As a result of the above, gross profit for 2009 was RMB2,657 million, a decrease of RMB163 million, or 6%, from RMB2,820 million in 2008. Our gross profit margin for 2009 was 30%, compared with 43% in 2008. The decline in gross profit margin was attributable to softening sales prices for sales contracted in 2008 (which were recognized in revenue in 2009), the increased proportion of GFA delivered outside Beijing which normally has lower profit margins than in Beijing and the delivery of properties from early phases of projects, which typically have lower profit margins due to lower average selling prices for earlier phases.

Fair value gain on investment properties. We had a fair value gain of RMB709 million on investment properties in 2009, as compared to no fair value gain or loss in 2008. The fair value gain in 2009 related to the completion of construction and revaluation of Ocean Office Park, an investment property.

Other income. Our other income in 2009 was RMB211 million, a decrease of RMB4 million, or less than 2%, from RMB215 million in 2008, primarily due to a decrease in interest rates on deposits.

Other (losses)/gains — net. In 2009, we had net other losses in the amount of RMB8 million, primarily due to exchange loss incurred from our deposits held in bank accounts offshore. By comparison, we had net other gains in 2008 in the amount of RMB127 million, primarily due to a RMB78 million gain from early redemption of convertible bonds.

Selling and marketing costs. Selling and marketing costs for 2009 were RMB319 million, an increase of RMB68 million, or 27%, from RMB251 million in 2008. This increase was due, in part, to our efforts in increasing the size of our sales force in order to promote our projects available for sale to potential buyers in 2009.

Administrative expenses. Administrative expenses for 2009 were RMB320 million, a decrease of RMB100 million, or 24%, from RMB420 million in 2008. This decrease was due in part to our implementation of cost control measures and the decrease in amortization of share options of RMB66 million, or 59%, to RMB45 million in 2009 from RMB111 million in 2008.

Operating profit. As a result of the above, our operating profit for 2009 was RMB2,930 million, an increase of RMB439 million, or 18%, from RMB2,491 million in 2008. Our operating profit margin for 2009 was 33%, compared with 38% in 2008.

Finance costs. In 2009, our finance costs were RMB310 million, an increase of RMB148 million, or 92%, from RMB161 million in 2008, primarily due to an increase in total borrowings, partially offset by a decline in the weighted average interest rates of our borrowings. Our total borrowings increased in 2009 due, in large part, to the US$700 million offshore loan facility we entered into in September 2009.

Share of losses of a jointly controlled entity and associated companies. In 2009 we had a share of losses of jointly controlled and associated companies in the amount of RMB54 million, as compared to RMB2 million in 2008.

Profit before income tax. As a result of the above, our profit before income tax in 2009 was RMB2,567 million, an increase of RMB183 million, or 8%, from RMB2,384 million in 2008.

Income tax expense. Our income tax expense for 2009 was RMB929 million, a decrease of RMB10 million, or 1%, from RMB939 million in 2008. Our effective income tax rate was 27% in 2009, compared to 22% in 2008. The increase in our effective income tax rate was primarily due to the imposition by the PRC of a requirement to withhold tax on dividends beginning in 2009.

Profit attributable to equity holders of our Company. As a result of the above, our profit attributable to equity holders of our Company in 2009 was RMB1,582 million, an increase of RMB194 million, or 14%, from RMB1,388 million in 2008. Our profit attributable to equity holders of our Company as a percentage of revenue was 18% in 2009 and 21% in 2008.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB56 million in 2009, a decrease of RMB1 million, or less than 2%, from RMB57 million in 2008.

Liquidity and Capital Resources

Our primary uses of cash are to pay for land acquisition costs, construction costs and finance costs and to fund working capital and normal recurring expenses. To date we have funded our growth principally from internally generated cash flows, including proceeds from the sales and pre-sales of our properties, bank loans and proceeds from our IPO, a bond issuance, a share placement and, prior to our IPO, shareholder contributions. Going forward, we believe our liquidity requirements will be satisfied using a combination of bank loans, cash provided by operating activities, including proceeds from the sales and pre-sales of our properties, the proceeds from the offering of the Securities, and other funds raised from the capital markets from time to time.

Net current assets

As at December 31, 2010, we had net current assets of approximately RMB45,416 million. Our current assets were mainly comprised of properties under development of RMB41,393 million, deposits for land use rights of RMB18,825 million and cash and cash equivalents of RMB13,977 million and other items of RMB10,198 million. Our current liabilities were mainly comprised of advanced proceeds from customers of RMB16,235 million, interest bearing borrowings of RMB9,920 million and trade and other payables of RMB10,832 million.

The following table presents selected cash flow data from our consolidated cash flow statements for the three years ended December 31, 2008, 2009 and 2010.

	Year ended December 31,		
	2008	2009	2010
	(RMB millions)		
Net cash used in operating activities	(2,791)	(406)	(17,205)
Net cash used in investing activities	(493)	(1,652)	(613)
Net cash generated from financing activities	2,889	11,662	14,242
Net (decrease)/increase in cash and cash equivalents	(395)	9,604	(3,575)
Cash and cash equivalents at end of the period	8,027	17,620	13,977

Cash flow from operating activities

We derive our cash inflow from operations principally from the pre-sale and sale of properties, rental of investment properties and cash from our other activities. Our cash outflow from operations is principally for investments in property under development.

In 2010, we had net cash used in operating activities in the amount of approximately RMB17,205 million. This was principally a result of cash paid for new land bank, partially offset by cash inflow from contracted sales in 2009.

In 2009, we had net cash used in operating activities in the amount of approximately RMB406 million. This was primarily a result of cash paid for new land bank, partially offset by cash inflow from contracted sales made in 2008.

In 2008, we had net cash used in operating activities in the amount of approximately RMB2,791 million. This was primarily a result of maintaining our construction schedule, despite financial turmoil, to prepare for future contracted sales in 2009. This led to an increase in properties under development and completed properties held for sale.

Cash flow from investing activities

Our investing activities mainly comprise investments in property, plant and equipment, investment property, and acquisitions of interests in subsidiaries.

In 2010, we had net cash used in investing activities in the amount of approximately RMB613 million, primarily due to our acquisition of a 70% equity interest in Sanya South Olympic Garden Company Limited in February 2010, as well as our acquisition of a 55% equity interest in Chongqing Golf Club Company Limited in January 2010.

In 2009, we had net cash used in investing activities in the amount of RMB1,652 million. This was primarily as a result of cash used to acquire equity interests in our subsidiaries from minority shareholders.

In 2008, we had net cash used in investing activities in the amount of RMB493 million, primarily as a result of the purchase of available-for-sale securities by an investment fund subsidiary.

Cash flow from financing activities

Our financing activities consist primarily of borrowings, capital raising, shareholders' contributions and dividend distributions.

In 2010, we had net cash generated from financing activities in the amount of approximately RMB14,242 million. This was primarily as a result of the issuance of the Perpetual Subordinated Convertible Securities with an aggregate principal amount of US$900 million, as well as an increase in bank borrowings.

In 2009, we had net cash generated from financing activities in the amount of RMB11,662 million. This was primarily as a result of an increase in bank borrowings, including the September 2009 US$700 million offshore loan facility, the June 2009 issuance of approximately RMB2.6 billion in corporate bonds and the December 2009 placement of approximately HKD5.8 billion of shares to China Life.

In 2008, we had net cash generated from financing activities in the amount of RMB2,889 million. This was primarily as a result of an increase in net bank borrowings.

Indebtedness and Contingent Liabilities

Bank and other borrowings

Our bank and other borrowings as at December 31, 2008, 2009 and 2010 are set forth below:

	As at December 31,		
	2008	2009	2010
	(RMB millions)		
Short-term bank borrowings (including current portion of long-term bank borrowings)	5,155	4,653	9,920
Long-term bank borrowings (excluding current portion of long-term bank borrowings)	8,779	14,608	12,614
Total bank borrowings	13,934	19,261	22,534
Short-term other borrowings	810	—	—
Long-term other borrowings	—	2,579	6,662
Total other borrowings	810	2,579	6,662
Total borrowings	14,744	21,840	29,196

As at December 31, 2008, 2009 and 2010, RMB8,779 million, RMB17,187 million and RMB19,276 million in long-term borrowings and RMB5,965 million, RMB4,653 million and RMB9,920 million short-term borrowings were guaranteed by related parties, respectively.

The maturities of our total borrowings at the respective balance sheet dates are set out as follows:

	As at December 31,		
	2008	2009	2010
	(RMB millions)		
Total borrowings			
— Within one year	5,965	4,653	9,920
— Between one and two years	5,783	7,019	11,062
— Between two and five years	1,796	6,359	6,184
More than 5 years	1,200	3,809	2,030
Total borrowings	14,744	21,840	29,196

The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	Year ended December 31,		
	2008	2009	2010
Bank borrowings			
— RMB	7.69%	5.40%	5.27%
Other borrowings			
— RMB	5.91%	4.40%	5.75%

As at December 31, 2010, we had unutilized credit facilities available of approximately RMB31,880 million.

As at December 31, 2010, other borrowings included approximately RMB2.6 billion in principal amount of 4.4% bonds that will mature in 2016.

Our gearing ratio, calculated as total debt less cash and cash equivalents and restricted bank deposits divided by total shareholders equity, as at December 31, 2008, 2009 and 2010 was 35%, 14% and 46%, respectively.

Financial guarantees

In the normal course of our business, we enter into agreements with commercial banks with respect to mortgage facilities granted by commercial banks to our property purchasers, under which we guarantee the full value of the mortgages. Pursuant to the terms of the guarantees, upon a default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principal together with accrued interest and any penalty, and we are entitled to take over the legal title and possession of the related properties. For most mortgages, guarantees will be released when the property title deeds are passed to the banks as security for the respective mortgage loans, which generally takes place within one to two years after the property units are delivered to the buyers.

The following table sets forth our financial guarantees as at December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	2009	2010
	(RMB millions)		
Guarantees in respect of mortgage facilities for certain purchasers	1,544	1,812	2,925

The following table sets forth the provisions that we made for our financial guarantees in 2008, 2009 and 2010.

	Year ended December 31,		
	2008	2009	2010
	(RMB millions)		
Opening balance	66	40	61
Net charge/(credit) for the period	(26)	21	(16)
Ending balance	40	61	45

See also "Risk Factors — Risks Relating to Our Business — We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial conditions could be adversely affected".

Commitments and contingent liabilities

Commitments. Commitments for land acquisition and construction costs contracted for at balance sheet dates but not yet incurred were as follows:

	As at December 31,		
	2008	2009	2010
	(RMB millions)		
Contracted but not provided for			
Land use rights	4,912	345	9,167
Properties under development	5,492	6,844	9,310
Total	10,404	7,189	18,477

Warranty against defects in properties

We provide purchasers of our properties with terms varying from one to two years against certain defects as stipulated in PRC laws and regulations. We also get corresponding warranties from the contractors who have constructed the relevant properties.

Legal contingencies

In the normal course of business, we are involved in lawsuits and other proceedings. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, we believe that no liabilities resulting from these proceedings will have a material adverse effect on our financial position, liquidity, or results of operations.

Off-balance sheet arrangements

As at December 31, 2010, and the date of this offering circular, we did not have any off-balance sheet arrangements with unconsolidated entities.

No other outstanding indebtedness

Except as disclosed in this offering circular, we did not have bank overdrafts, liabilities under acceptances, hire purchase commitments and other outstanding indebtedness as at December 31, 2008, 2009 or 2010.

Capital Expenditures

The following table sets forth our capital expenditures by business segment in the years ended December 31, 2008, 2009 and 2010.

	Year ended December 31,		
Business segment	2008	2009	2010
	(RMB millions)		
Property development	7	29	56
Property investment	—	1	3
Others	25	15	38
Total	32	45	97

The capital expenditure as disclosed does not include land acquisition costs. Land use rights for property under development are included as current assets in our consolidated financial statements. Therefore, they do not meet the definition of capital expenditure, which refers to the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment and intangible assets) under Hong Kong Accounting Standard 1.

Quantitative and Qualitative Disclosures About Market Risks

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

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. Our cash flow interest rate risk arises from long-term borrowings with floating interest rates. Such risk is partially offset by cash held at prevailing market interest rates. During 2008, 2009 and 2010, our borrowings at floating interest rates were denominated in Renminbi, HK dollars and U.S. dollars. Our fair value interest rate risk relates primarily to our fixed rate borrowings and other payables. We do not currently use any derivative instruments to manage our interest rate risks. More details on our interest rate risk are set forth in Note 4.1(a)(ii) to our audited consolidated financial statements for the year ended December 31, 2010 included in this offering circular.

Foreign exchange 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 policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. 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 offering of the Securities and any subsequent overseas equity or debt offering if they are not converted into Renminbi in a timely manner. Please see "Risk Factors — Risks Relating to Business Operations in the PRC — We are subject to risks presented by fluctuations in foreign currencies" for more details.

Inflation risk

According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, increased by approximately 5.9% in the year ended December 31, 2008, decreased by approximately 0.7% in the year ended December 31, 2009 and increased by approximately 3.3% in the year ended December 31, 2010. We have not been materially adversely affected by any inflation or deflation in the past. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future and we cannot make any assurance that we will not be adversely affected by such inflation or deflation.

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Joint Lead Managers or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

The Economy of the PRC

Over the last 25 years, the PRC government has introduced reforms that have transformed the PRC economy from a centrally planned system into a more liberalized market economy. The significant economic development that has resulted from such reforms has been accelerated by China's accession to the Word Trade Organization in 2001. China has experienced average annual GDP growth rate of approximately 9.8% from 2000 to 2009.

The table below sets forth selected PRC economic statistics for the years indicated[(1)]:

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
											(%)
Population (million)	1,267	1,276	1,285	1,292	1,300	1,308	1,314	1,321	1,328	1,335	0.6
NominalGDP (RMB billion)	9,921	10,966	12,033	13,582	15,988	18,322	21,192	25,731	30,067	33,535	14.5
Real GDP growth (%)	8.4	8.3	9.1	10.0	10.1	10.4	11.6	13.0	9.0	8.7	N/A
GDP per capita (RMB)	7,858	8,622	9,398	10,542	12,336	14,053	16,165	19,524	22,698	25,125	13.8
CPI growth (%)	0.4	0.7	-0.8	1.2	3.9	1.8	1.5	4.8	5.9	-0.7	N/A
Urban population (million)	459.1	480.6	502.1	523.8	542.8	562.1	577.1	593.8	606.7	621.9	3.4
Urbanization[(2)] (%)	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	45.7	46.6	N/A
Unemployment rate (%)	3.1	3.6	4.0	4.3	4.2	4.2	4.1	4.0	4.2	4.3	N/A
Per capita disposable income (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,781	17,175	11.8
Retail sales of consumer goods (RMB billion)	3,911	4,306	4,814	5,252	5,950	6,718	7,641	8,921	10,849	12,534	13.8
Foreign direct investment (US$ billion)	40.7	46.9	52.7	53.5	60.6	60.3	69.5	74.8	92.4	90.0	9.2
Fixed asset investment (RMB billion)	3,292	3,721	4,350	5,557	7,048	8,877	11,000	13,732	17.283	22,485	23.8
Real estate investment (RMB billion)	498	634	779	1,015	1,316	1,591	1,942	2.529	3,120	3,623	24.7

Source: China Statistical Yearbooks, 2001 — 2009
2009 China National Economy and Social Development Statistical Communique

Notes:

(1) Some figures have been revised in accordance with China Statistical Yearbook 2009.

(2) Urbanization denotes the proportion of the total population residing in urban areas.

Housing reforms, together with the economic growth of China, emergence of the mortgage lending market and increasing urbanization rate, are key factors affecting the real estate market in China and its growth. These and other government housing reform measures will continue to encourage private housing ownership in China. According to the National Bureau of Statistics of China, China's urbanization rate rose from approximately 29% in 1995 to approximately 46% in 2008. Increases in the urban population of China will likely result in increases in demand for residential properties.

The table below shows data regarding China's urbanization for the periods indicated.

	2004	2005	2006	2007	2008	2009
Total population (millions)	1,300	1,308	1,315	1,321	1,328	1,335
Urban population (millions)	543	562	577	594	607	622
Urbanization rate (%)	42	43	44	45	46	47

Source: China Statistical Yearbooks: 2001-2009
2009 China National Economy and Social Development Statistical Communique

PRC Property Markets

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system.

In 1988, the PRC government amended the national constitution to permit the transfer of state-owned land use rights and, in 1992, sales of formerly public housing commenced in major cities. Two years later, in 1994, the PRC government implemented further reforms and established an employer/ employee-funded housing fund and issued a regulation regarding pre-sale of commodity housing in cities. In 1995, the PRC government issued regulations regarding the transfer of real estate, established a regulatory framework for real estate sales and subsequently abolished the state-allocated housing policy in 1998. In 1999, the PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market.

The PRC government issued regulations to standardize the quality of construction projects in 2000, establishing a framework for administering construction quality. In 2002, the PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China. In 2003, the PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.

From 2004 to the first half of 2008, in order to prevent the overheating of the PRC economy and to achieve balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. The PRC government also took measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government introduced policies and measures to restrict such increases. See "Regulation".

Commodity Property Sales

Demand for real estate in China has steadily increased over the years. According to the National Bureau of Statistics of China, the total revenue from real property sales in China increased from approximately RMB251.3 billion in 1998 to approximately RMB2,407.1 billion in 2008. During the same period, the total GFA sold in China increased from approximately 121.9 million sq.m. in 1998 to approximately 620.9 million sq.m. in 2008. Of the 620.9 million sq.m. of aggregate GFA sold in 2008, approximately 558.9 million sq.m. were residential properties, representing a decrease of approximately 20.3% from 2007.

The average price of commodity properties sold in China increased from RMB2,778.0 per sq.m. in 2004 to RMB3,877.0 per sq.m. in 2008, while the average price of residential properties sold increased from RMB2,608.0 per sq.m. to RMB3,655.0 per sq.m. during the same period. The average price of commodity properties sold in China in 2008 was calculated by dividing total sales proceeds by the total GFA sold.

The table below sets out selected statistics relating to the PRC property market for the years indicated.

	2004	2005	2006	2007	2008	2009
Real estate investment (RMB billion)	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2
Total GFA sold and delivered (million sq.m.)	382.3	554.9	618.6	773.5	659.7	947.6
GFA of residential properties sold (million sq.m.)	338.2	495.9	554.2	701.4	592.8	861.8
Average price of commodity properties (RMB/sq.m.)	2,778.0	3,168.0	3,367.0	3,864.0	3,800.0	4,681.0
Average price of residential properties (RMB/sq.m.)	2,608.0	2,937.0	3,119.0	3,645.0	3,576.0	4,459.0
Total sales revenue for commodity properties (RMB billion)	1,037.6	1,757.6	2,082.6	2,988.9	2,506.8	4,435.5
Total sales revenue for residential properties (RMB billion)	861.9	1,456.4	1,728.8	2,556.6	2,119.6	3,843.3

Source: China Statistical Yearbook, 2010

CORPORATE STRUCTURE

The following illustrates a summary of our corporate structure as of December 31, 2010, including a number of our significant projects:

Notes:

(1) China Life is a subsidiary of China Life Insurance (Group) Company ("China Life (Group)").

(2) Both Spring Glory Investment Limited and Gavast Estates Limited are indirectly wholly-owned by Mr. Chen Din Hwa.

(3) Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") is indirectly wholly-owned by Sinochem Group.

(4) The Sunrise Trust ("Sunrise Trust") is a discretionary trust of which Mr. Li Ming is founder.

(5) Mr. Wang Xiaoguang has a 50% equity interest in Key Sky Group Limited ("Key Sky").

(6) Details of property holding companies:

	Name of Company(ies) Involved	Name of Project	Holding %
1.	遠洋地產有限公司 (Sino Ocean Land Limited)	遠洋•萬和城 (Ocean Great Harmony)	100%
2.	遠洋地產有限公司 (Sino Ocean Land Limited)	遠洋•沁山水 (Ocean Landscape Eastern Area)	100%
3.	北京中聯置地房地產開發有限公司 (Beijing Zhonglian Real Estate Development Co., Ltd.)	遠洋一方 (Poetry of River)	100%
4.	北京遠河房地產開發有限公司 (Beijing Yuan He Real Estate Development Company Limited)	遠洋•東方(通州玉橋項目) (Ocean Oriental (Tongzhou Yuqiao Project))	100%
5.	北京中聯置地房地產開發有限公司 (Beijing Zhonglian Real Estate Development Co., Ltd.)	遠洋•新悅(遠洋一方東區) (Poetry of River — Eastern Area)	100%
6.	北京遠盛置業有限公司 (Beijing Yuan Sheng Real Estate Co., Ltd.)	遠洋•天著(亦莊三羊) (Ocean Palace (Yizhuang Sanyang))	100%

	Name of Company(ies) Involved	Name of Project	Holding %
7.	天津普利達房地產建設開發有限公司 (Tianjin Pulida Real Estate Construction and Development Company Limited)	遠洋城 (Ocean City)	100%
8.	天津市遠濱房地產開發有限公司 (Tianjin Yuan-bin Real Estate Development Company Limited)	遠洋新幹綫 (Ocean Express)	97.05%
9.	天津市遠馳房地產開發有限公司 (Tianjin Yuan-chi Real Estate Development Company Limited)	海河新天地 (Ocean Paradise)	96.99%
10.	勛業(大連)置業有限公司 (Shining (DL) Real Estate Co., Ltd.)	遠洋風景 (Ocean Prospect)	100%
11.	大連正乾置業有限公司、大連明遠置業有限公司 (Dalian Sky-Upright Property Limited, Dalian Sunny Ocean Property Limited)	紅星海世界觀 (Ocean Worldview)	100%
12.	杭州遠洋天祺置業有限公司、杭州遠洋新河酒店置業有限公司、杭州遠洋運河商務區開發有限公司) (Hangzhou Yuanyang Tianqi Property Company Limited, Hangzhou Yuanyang Xinhe Hotel Property Company Limited, Hongzhou Yuanyang Yunhe Commercial District Development Company Limited)	遠洋公館(運河商務區) (Canal Commercial District)	51%(1)
13.	遠洋地產(中山)開發有限公司 (Sino-Ocean Land (Zhongshan) Limited)	遠洋城 (Ocean City)	100%
14.	萬祥置業(瀋陽)有限公司、遼寧萬祥置業有限公司 (Wanxiang Zhiye (Shenyang) Co., Ltd., Liaoning Wanxiang Property Co,, Ltd.)	遠洋天地 (Ocean Paradise)	100%
15.	北京麟聯置業有限公司 (Beijing Linlian Real Estate Co., Limited)	頤堤港(將台商務中心)(INDIGO (Jiangtai Business Center))	50%
16.	北京遠聯置地房地產開發有限公司 (Beijing Yuan-lian Real Estate Development Company Limited)	遠洋•傲北(北七家)(Ocean Manor (Beiqijia Project))	100%
17.	北京東隆房地產開發有限公司 (Beijing Dong Rong Real Estate Development Co., Ltd)	遠洋•La Vie (Ocean La Vie)	85.72%
18.	北京遠麟置業有限公司 (Beijing Yuan-lin Land Development Company Limited)	王府井項目 (Ocean Wangfujing Project)	100%
19.	北京遠豪置業有限公司 (Beijing Yuan Hao Real Estate Co., Ltd.)	大望京項目 (Dawangjing Project)	100%
20.	天津市遠贏置業有限公司 (Tianjin Yuanying Land Development Company Limited)	遠洋•萬和城(倪黃莊項目) (Ocean Great Harmony)	100%
21.	大連凱盟房地產開發有限公司 (Dalian Kai Meng Real Estate Development Co., Ltd.)	遠洋MIDTOWN (西山項目) (Ocean Midtown (Xishan Project))	100%
22.	大連宏澤置業有限公司 (Dalian Hong Ze Real Estate Co., Ltd.)	遠洋時代城(大學城項目) (Ocean Times (University Zone))	100%

	Name of Company(ies) Involved	Name of Project	Holding %
23.	大連鑫融置業有限公司 (Dalian Xin Rong Real Estate Co., Ltd.,)	遠洋•拉斐莊園(IT 產業園—住宅部份) (Ocean Valley Lafite (IT Zone-Residential))	100%
24.	大連遠佳產業園開發有限公司 (Dalian Yuan Jia Industry Park Development Co., Ltd.)	IT 產業園—工業部份 (IT Zone - Industrial)	100%
25.	大連滙洋置業有限公司 (Dalian Hui Yang Real Estate Co., Ltd.)	遠洋廣場(中華路項目) (Ocean Plaza)	100%
26.	黃山東方紅影視產業投資有限公司 (Huangshan Dong Fang Hong Movie Treatment Co., Ltd.)	桃花島項目 (Taohuadao Project)	100%
27.	三亞南國奧林匹克花園有限公司 (Sanya Nanguo Olympic Garden Co., Ltd.)	遠洋奧林匹克公館 (Ocean Olympics)	70%
28.	青島遠佳置業有限公司 (Qingdao Yuan Jia Real Estate Co., Ltd.)	遠洋公館(泉州路項目) (Quanzhoulu Project)	100%
29.	青島遠豪置業有限公司 (Qingdao Yuan Hao Real Estate Co., Ltd.)	遠洋風景(浮山項目) (Fushan Project)	100%
30.	杭州遠洋萊福房地產開發有限公司 (Hangzhou Yuan Yang Lai Fu Real Estate Development Company Limited)	大河宸章(杭一棉) (Hang Yimian)	70%
31.	重慶國際高爾夫俱樂部有限公司 (Chongqing International Golf Club Co., Ltd.)	國際高爾夫項目 (Golf Club Project)	93.25%
32.	遠洋地產(遼寧)有限公司 (Sino-Ocean Land (Liaoning) Company Limited)	白山路北項目 (Baishanlubei Project)	100%
33.	北京銀帆基業房地產開發有限公司 (Beijing Silver Sail Real Estate Development Company Limited)	遠洋•自然 (Ocean Seasons)	70%
34.	長春東方聯合置業有限公司 (Changchun Dong Fang Lian He Real Estate Co., Ltd.)	長春淨月項目 (Jingyue Project)	51%
35.	成都市同益房地產開發有限公司 (Chengdu Shi Tong Yi Real Estate Development Co., Ltd.)	遠洋•朗郡 (Ocean Langjun)	100%
36.	三亞棠棣莊園投資有限公司 (Sanya Tang Di Zhuang Yuan Investment Co., Ltd.)	棠棣項目 (Tang Di Project)	52.5%
37.	天津宇華房地產開發有限公司 (Tianjin Yu Hua Real Estate Development Co., Ltd.)	遠洋風景(張貴莊項目)(Ocean Prospect (Zhangguizhang Project))	90%
38.	秦皇島海洋置業房地產開發有限公司 (Qinghuangdao Ocean Land Development Company Limited)	遠洋•海世紀 (Ocean Century)	100%
		灣海一號(Wan Hai Yi Hao)	100%
39.	上海遠鑫置業有限公司 (Shanghai Yuan Xin Real Estate Co., Ltd.)	遠洋•博堡(美蘭湖項目)(Bond Castle (Meilianwu Project))	100%
40.	海南浙江椰香村建設開發有限公司 (Hainan Zhejiang Yexiang Village Construction and Development Co., Ltd.)	盈濱半島(椰香村項目) (Yexiang Village Project)	70%

	Name of Company(ies) Involved	Name of Project	Holding %
41.	武漢弘福置業有限公司 (Wuhan Hong Fu Real Estate Co., Ltd.)	遠洋世界(金磐項目)(Ocean World)	55%
		有座莊園(湯臣項目) (Tang Chen Project)	55%
42.	遠洋地產有限公司 (Sino-Ocean Land Limited)	CBD Plot Z6	80%
43.	大連新悅置業有限公司, 大連廣宇置業有限公司, 大連聖基置業有限公司,大連世甲置業有限公司, 大連永圖置業有限公司, 大連至遠置業有限公司, 大連潤峰置業有限公司, 大連源豐置業有限公司 (Dalian Xin Yue Real Estate Co., Ltd., Dalian Guang Yu Real Estate Co., Ltd., Dalia Sheng Ji Real Estate Co., Ltd., Dalia Shi Jia Real Estate Co., Ltd., Dalia Yong Tu Real Estate Co., Ltd., Dalia Zhi Yuan Real Estate Co., Ltd., Dalia Run Feng Real Estate Co., Ltd., Dalia Yuan Feng Real Estate Co., Ltd.)	鉆石灣項目(Diamond Bay Project)	90%
44.	大連雲泰置業有限公司 (Dalian Yun Tai Real Estate Co., Ltd.)	小窑灣項目(Xiaoyao Bay Project)	100%
45.	成都乾松城市建設開發有限公司 (Chengdu Qiansong City Construction and Development Co., Ltd.)	大慈寺項目(Daci Project)	50%

Note:

(1) We intend to dispose of 49% of the project on December 31, 2010 and expect to complete the disposal in the first half of 2011.

Overview

We are one of the leading property developers in Beijing and the Pan-Bohai Rim and are actively implementing our strategic plan for expansion across the PRC with a focus on cities along the coast and the Yangtze River. We focus on developing mid- to high-end residential properties, high-end office premises, retail space, serviced apartments and hotels. We had over 48 projects in various stages of development as of December 31, 2010 in high-growth cities across the PRC, including Beijing, Tianjin, Dalian, Shenyang, Qingdao, Qinhuangdao and Changchun in the Pan-Bohai Rim; Shanghai and Hangzhou in the Yangtze River Delta, Zhongshan in the Pearl River Delta; Wuhan, Chongqing and Chengdu in the Mid-West region of the PRC and several centers of tourism including Huangshan, Haikou and Sanya.

In conjunction with our focus on high-end products and professional services, we have built "Sino-Ocean 遠洋地產" into a strong brand in Beijing and in the Pan-Bohai Rim and Pearl River Delta regions. As of December 31, 2010, our total land bank included a total planned GFA of approximately 20.6 million sq.m., approximately 16% of which was located in Beijing, 63% in other cities in the Pan-Bohai Rim, 7% in the Pearl River Delta area, 7% in the Mid-West region of the PRC, 6% in the Yangtze River Delta and 1% in Hainan.

For the three years ended December 31, 2008, 2009 and 2010, we generated approximately 90%, 93% and 93% of our revenue, respectively, from property development. For the three years ended December 31, 2008, 2009 and 2010, our revenue was RMB6,487 million, RMB8,824 million and RMB13,721 million, respectively, and the profit attributable to our equity holders was RMB1,388 million, RMB1,582 million and RMB2,444 million, respectively. In line with our expansion strategy, we anticipate that revenue attributable to the sale of properties outside Beijing will increase as a percentage of our overall revenue going forward.

Our Company was established in 1993 as a real estate subsidiary of COSCO Group. In December 2009, we completed a placement of 934,000,000 shares to China Life at a subscription price of HK$6.23 per share. Immediately following this purchase, China Life held 16.57% of our shares. In January 2010, China Life further increased its stake in us to 24.07%, as a result of a purchase of 423,000,000 shares from Sinochem Corporation, and became our largest shareholder. On December 21, 2010, COSCO Group, which had held 16.85% of our shares as of June 30, 2010, disposed of its entire shareholding in us. In December 2010, Chen Din Hwa, chairman of Nan Fung Group, became a significant shareholder in our company, and as of December 31, 2010, he held 12.84% of our shares. Our Company's shares have been listed on the Hong Kong Stock Exchange since September 28, 2007 under stock code 3377.HK. The Company's market capitalization as at May 6, 2011 was HK$23.6 billion.

Our Company is incorporated in Hong Kong and our corporate headquarters are located in Beijing. All of our property developments and investment properties are located in China.

Our Strengths

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

Leading position in the Pan-Bohai Rim

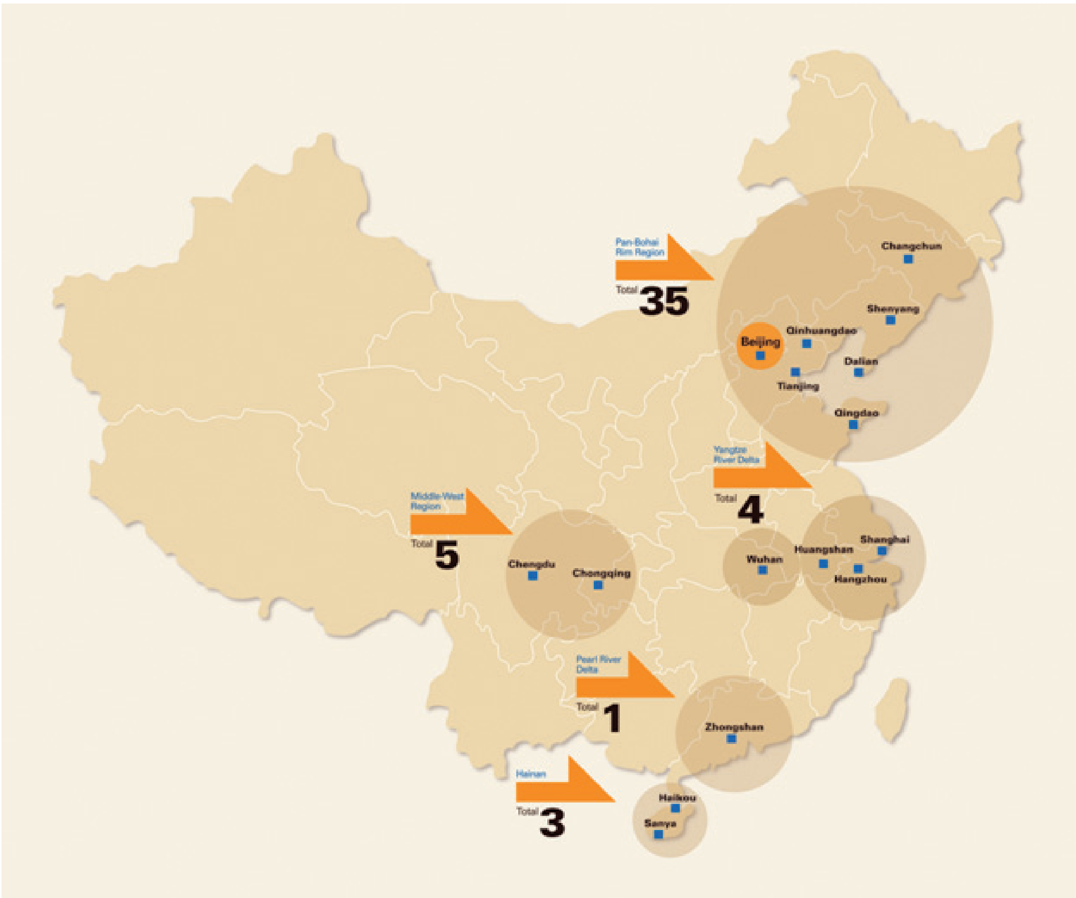
We are one of the leading property developers in the Pan-Bohai Rim, with a significant market presence in Beijing, Dalian, Tianjin and nearby cities. We have more than 16 years of experience in the real estate industry. In terms of GFA sold in residential properties in Beijing, we ranked among the top three real estate developers over the past three years from January 1, 2008 to December 31, 2010, according to China Index Academy. During the period from January 1, 2008 to December 31, 2010, we continued to strengthen our competitive position through the completion of projects with an aggregate GFA of approximately 3.1 million sq.m. in the Pan-Bohai Rim. Among these are residential, office, retail, serviced apartment and hotel properties and car parks situated in either prime or convenient locations throughout the region. In total, we currently have 48 projects, either completed, under development or held for future development, in prime locations in Beijing, Dalian, Tianjin, Qingdao, Shenyang, Chengdu, Qinhuangdao, Shanghai, Hangzhou, Huangshan, Wuhan, Chengdu, Chongqing, Zhongshan, Haikou and Sanya. In addition, as at December 31, 2010, the total GFA held for investment purposes was 237,000 sq.m. As at December 31, 2010, we had leased out properties in the following investment property projects: Ocean International Center Block A (Beijing), Ocean Plaza (Beijing), Ocean Office Park (Beijing), Shui On Building (Shanghai), Novel Building (Shanghai) and Ocean Express (Beijing) Carparks.

Proven ability to capitalize on high-growth opportunities in the Pan-Bohai Rim and Pearl River Delta regions

Leveraging the capabilities we have developed in the execution of property development projects, we have in recent years replicated our initial successes in Beijing and in other high-growth cities in the Pan-Bohai Rim and Pearl River Delta regions. Despite the challenging market conditions that have existed since mid-2008, we have continued to expand our market presence, diversifying into, for example, Dalian, Tianjin, and Zhongshan. We believe our track record reflects capabilities that will enable us to replicate our performance in other important cities.

As at December 31, 2010, our land bank across China had a total planned GFA of approximately 20.6 million sq.m. Our total planned GFA comprised: GFA in terms of completed and available projects of 174,000 sq.m., GFA in terms of projects under development of approximately 8,919,000 sq.m. and GFA in terms of projects for future development of 11,515,000 sq.m. From January 1, 2007 to December 31, 2010, we completed GFA of approximately 1.7 million sq.m. in Beijing; GFA of approximately 405,000 sq.m. in Tianjin, and GFA of approximately 314,000 sq.m. in Dalian. As at December 31, 2010, our land bank in Beijing, Dalian and Tianjin was approximately 3.3 million sq.m., 6.4 million sq.m. and 3.3 million sq.m., respectively. We have also obtained large land parcels in Shenyang, Hangzhou, Huangshan, Qingdao, Sanya and Zhongshan.

The following map shows the locations of our development projects in Beijing, the Pan-Bohai Rim and elsewhere in China, held as at December 31, 2010.



In addition, from January 1, 2011 through March 15, 2011, we acquired land use rights with respect to four additional plots of land with a total GFA of approximately 1.2 million sq.m.

Strategic partnerships with established developers

We have entered into strategic partnerships and joint ventures with established property developers based in Hong Kong and the PRC. Our strategic partners include Swire Properties Ltd., a major Hong Kong-based high-end property developer and manager, and Super Goal, a subsidiary of Nan Fung Group, a leading Hong Kong-based property developer.

We are a 50/50 joint venture partner with Swire in a company which was set up to own, develop and manage a substantial retail-led, mixed-use project in Jiangtai in Chaoyang District, Beijing. The project is expected to open in 2011 and is intended to be a regional retail destination. The project, called “INDIGO”, is expected to comprise a large-scale retail mall, a Grade A office tower and a 367-room lifestyle business hotel, with a total GFA of approximately 295,000 sq.m. and a saleable GFA of 264,000 sq.m.

We hold 80% and Super Goal holds 20% of the equity interest in a joint venture for a property development project located in the CBD in Chaoyang District, Beijing. The project is still in the planning stage and is intended to be an integrated high-end office, hotel and retail property development. The project is expected to have a total GFA of approximately 250,000 sq.m.

Our strategic partnerships with established property developers based in PRC and Hong Kong have enabled us to successfully capture new business opportunities, to expand into new markets and to enhance our ability to develop commercial and investment properties. We have capitalized on synergies by working closely together with our strategic partners.

Geographically diverse land bank with multi-product development portfolio

Since we commenced operations in the early 1990s with an initial focus on Beijing, we have established a significant market presence in the Pan-Bohai Rim and we are seeking to replicate our performance in other high-growth regions across China. We evaluate the growth potential of a city by considering a range of factors, including GDP and income levels, development of urban infrastructure, and property market supply and demand dynamics. In order to diversify our market concentration risks, we have selected target cities to acquire land bank for development in different parts of China featuring complementary growth profiles and in various stages of economic development. By diversifying across a range of strategically targeted cities, we believe we are well positioned to capitalize on significant growth opportunities while keeping risk at acceptable levels. As of December 31, 2010, 16% of our land bank was located in Beijing, 63% in other cities in the Pan-Bohai Rim, 7% in the Pearl River Delta area, 7% in the Mid-West region of the PRC, 6% in the Yangtze River Delta area and 1% in Hainan.

In addition to our geographic diversity, we have also accumulated extensive experience in developing a diverse array of products, including residential properties, office buildings, retail space, serviced apartments and hotels. While many of our best selling residential properties have been targeted at China’s increasingly affluent urban middle class, we have positioned ourselves to establish a significant presence in the mid-to-high end segments of the market. In addition, to complement the strength of our property development operations, as of December 31, 2010, we selectively held five investment properties that we believe will offer us a stable cash flow and potential for strong capital appreciation. Most of these investment properties are situated in prime locations in Beijing.

As China’s real estate market continues to evolve, we believe our geographic diversity and our versatility will enable us to identify and take advantage of growth opportunities across China and to adjust our strategy on a timely basis as needed based on the prevailing regulatory environment and dynamic market demands.

Proven track record of successfully identifying, securing and developing prime sites

We have consistently been able to identify, obtain and develop prime sites for both city-core office developments and integrated residential communities. All of our office development projects are either within city centers or along transportation hubs. Most of our residential properties are located near public transportation hubs. We believe that our track record of securing and developing conveniently located prime sites is largely attributable to the extensive market research that we conduct and our management team's valuable experience and capabilities. In addition, we seek out primary land development opportunities from local governments. Through this process, we believe we gain important insights into the particular land parcels in which we are interested and the development plans of the relevant government authorities. We believe this increases our chances of successfully obtaining the land in the subsequent auction or tender process.

We have a sizable, high-quality land bank which we believe includes attractive development locations. Our current land bank includes a total planned GFA of approximately 20.6 million sq.m. for which we either hold land use rights certificates, have signed the land grant contracts or have successfully tendered, bid or auctioned. We acquire land for future development in areas where we believe the land will appreciate in value. Due to the expertise of our management team, we believe we have been able to acquire much of our land bank at reasonable prices. As of December 31, 2010, approximately 48% of our land bank had been acquired in 2008 or earlier.

Strong customer focus and reputable brand name

We believe that the success of our projects has been largely due to our ability to interpret and respond to customers' tastes and preferences. Our focus on customer satisfaction begins with our market research team, which works closely with our experienced senior management to study the potential of individual sites we seek to acquire, and their ultimate appeal and value to prospective buyers. During the design phase, our engineering team works closely with our market research and sales teams to identify the key features that customers desire and incorporate them into the design with the help of international and domestic architectural firms. Our customer-centric culture is further evidenced by our emphasis on delivering quality products. In addition to our own experienced engineers on site, we hire third party project supervision firms to monitor and ensure quality construction. At project completion, we conduct our own quality checks in addition to the mandatory inspections by government agencies.

Furthermore, our attention to detail and customer satisfaction extends beyond the completion of our projects through our comprehensive after-sales and property management services. As a result of our customer-oriented culture, customer referrals have accounted for a significant proportion of our residential property sales.

We believe that our customer focus and quality products have also enabled us to build "Sino-Ocean" into a reputable and well-recognized brand in the Pan-Bohai Rim and the other areas where we have operations. For example, in 2010 "Sino-Ocean" was recognized as one of the top 10 most valuable brand names in China's real estate industry by the Development Research Center of the State Council, the Real Estate Research Institute, Research Center of Tsinghua University and China's Index Academy.

Experienced and capable management team and employees

Our senior management team, led by Mr. Li Ming, our Chairman, Executive Director and Chief Executive Officer, has an average of more than 13 years of real estate experience in China. Our management team comprises a group of seasoned professionals with extensive backgrounds in business management, property development and investment, project management and strategic planning. Most of our core senior management team have been working together for over 10 years. In addition, we have benefited significantly from the accumulated knowledge and hands-on experience of our project managers and employees. We believe that these individuals' skills have enabled us to continue to improve the efficiency of our operations, the quality of our products, our ability to satisfy our customers' needs and to build a track record of delivering growth during both favorable and challenging market conditions.

Our Strategies

Our vision is to become the premier diversified property developer in China. Our strategies to achieve this vision are as follows:

Strengthen our leading position in Beijing and elsewhere in the Pan-Bohai Rim

We intend to strengthen our leading position in Beijing and elsewhere in the Pan-Bohai Rim by strategically building our land bank, promoting our brand, and continuing to focus on high quality customer service. We also intend to continue to strengthen our relationships with local governments and to identify and collaborate with strategic partners. Through these efforts we believe we can take advantage of growth opportunities in our principal markets and further broaden our revenue base.

Continue to capture market opportunities through additional geographic diversification across China

We plan to continue to pursue geographical diversification by further building our market presence in cities on China's eastern coastal economic belt such as Shanghai and Qingdao, entering into core cities in southwest China along the Yangtze River such as Chongqing and Chengdu, and establishing operations in emerging Tier 2 and Tier 3 cities with unique characteristics such as Sanya and Huangshan.

Continue to use discipline in selectively expanding and prudently managing our land bank

We intend to continue to use a disciplined approach of selective land acquisition focused on purchasing land at reasonable costs and prudently managing our land bank. We will focus our land selection on conveniently located sites for residential projects, prime locations for office and retail and investment property projects, and large-scale land parcels suitable for integrated developments. We intend to participate in land auctions, and to add development sites by selectively pursuing merger and acquisition and strategic partnership opportunities. In this regard, we intend to selectively pursue expansion opportunities in Tier 2 and Tier 3 cities, with particular focus on merger, acquisition and strategic partnership opportunities. For Tier 1 cities, we intend to adopt a disciplined approach to land acquisition. In addition to the foregoing, we intend to continue to selectively seek opportunities for primary land development as part of our land acquisition strategy. Moreover, we intend to prudently and conservatively manage our land bank by deploying our assets in line with our strategic vision.

Continue to improve cost management and operating efficiencies

We intend to take a disciplined approach to cost management in every area of our business, especially land acquisition, project planning, construction and finance. In addition, we intend to continue to enhance our operating efficiencies. In line with our strategic vision of developing new businesses and establishing our presence in new regions, we plan to diversify our income and increase our stability by further developing our commercial and investment properties and expanding our geographic focus. In doing so, we intend to focus on cost management and efficiency by utilizing and upgrading our IT systems for accounting, procurement and contract management in order to centralize and monitor these efforts at the corporate level and to achieve greater capital and operating efficiencies. Furthermore, we intend to more fully integrate our proprietary workflow and resource management system "Seagull II" into our operations, the development of which was initiated in 2009. We expect to improve our internal communications and decision-making capabilities, and to improve our overall efficiency.

Focus on enhancing the "Sino-Ocean" brand by leveraging value-added products and services

We intend to continue to enhance the "Sino-Ocean" brand by delivering high quality products and maintaining our high standard of after-sales and property management services. We also intend to continue to focus on market research and to utilize our database of customer feedback to enhance our understanding of, and better serve, customers' tastes and needs. In addition, we will continue to expand the "Ocean Club", an exclusive membership club for purchasers of our residential properties, to provide an increasing range of benefits and privileges to our customers in order to increase brand loyalty. Customer satisfaction will continue to be a main focus in our overall business strategy and an integral part of our corporate culture.

Our Business

Our land bank

In general, land use rights in China are granted for a term of 70 years for residential properties, 40 years for commercial properties, 50 years for office properties and 50 years for mixed use development properties. The relevant authorities will not issue a formal land use rights certificate in respect of a piece of land until the construction land use approval and the land planning permit have been obtained by the developer, and the land premium has been paid in full and the resettlement process completed. As a result, according to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates are granted at different stages of development.

Our current portfolio of property developments consists of projects in Beijing, Tianjin, Shenyang, Dalian, Zhongshan, Hangzhou, Huangshan, Qingdao and Sanya. They include residential, office, retail space and hotel property developments.

The following table sets forth key details of each of our property developments as of December 31, 2010:

Location	Project	Approximate total GFA	Approximate saleable GFA	Remaining GFA	Interest attributable to us
		(sq.m.)	(sq.m.)	(sq.m.)	(%)
	GFA in terms of completed projects held for sales				
Beijing	Ocean Great Harmony 遠洋•萬和城	261,000	221,000	45,000	100%
Beijing	Ocean Landscape Eastern Area 遠洋•沁山水	322,000	280,000	32,000	100%
Beijing	Ocean Seasons 遠洋•自然	381,000	260,000	35,000	70%
Qinhuangdao . . .	Wan Hai Yi Hao 灣海一號	39,000	39,000	17,000	100%
Zhongshan	Ocean City 遠洋城	509,000	461,000	45,000	100%
	GFA in terms of projects under development				
Beijing	INDIGO (Jiangtai Business Center) 頤堤港(將台商務中心)	295,000	264,000	295,000	50%
Beijing	Ocean Great Harmony 遠洋•萬和城	190,000	181,000	190,000	100%
Beijing	Ocean La Vie 遠洋•La Vie	260,000	130,000	260,000	85.72%
Beijing	Ocean Landscape Eastern Area 遠洋•沁山水	177,000	149,000	177,000	100%
Beijing	Poetry of River-Eastern Area 遠洋•新悅(遠洋一方東區)	110,000	85,000	110,000	100%
Beijing	Poetry of River 遠洋一方(1)	790,000	704,000	631,000	100%
Beijing	Ocean Oriental (Tongzhou Yuqiao Project) 遠洋•東方(通州玉橋項目)	175,000	150,000	175,000	100%
Chengdu.	Ocean Langjun 遠洋•朗郡	155,000	137,000	155,000	100%
Dalian	Ocean Seasons (Nanguan Ling Project) (遠洋•自然)(南關嶺項目)	138,000	105,000	138,000	100%
Dalian	Ocean Plaza 遠洋廣場(中華路項目)	293,000	254,000	293,000	100%
Dalian	Ocean Prospect 遠洋風景	178,000	142,000	27,000	100%
Dalian	Ocean Worldview 紅星海世界觀	1,956,000	1,479,000	1,677,000	100%
Dalian	Ocean Times (University Zone) 遠洋時代城(大學城項目)	561,000	472,000	561,000	100%
Dalian	Ocean Midtown (Xishan Project) 遠洋MIDTOWN (西山項目)	92,000	84,000	92,000	100%
Hangzhou	Canal Commercial District 遠洋公館 (運河商務區)(2)	867,000	664,000	867,000	51%(2)
Qingdao	Fushan Project 遠洋風景(浮山項目)	145,000	103,000	145,000	100%
Sanya	Ocean Olympics 遠洋奧林匹克公館	53,000	49,000	53,000	70%
Shenyang	Ocean Paradise 遠洋天地	707,000	596,000	506,000	100%
Tianjin	Ocean City 遠洋城	863,000	629,000	630,000	100%
Tianjin	Ocean Express 遠洋新幹線	337,000	288,000	206,000	97.05%
Tianjin	Ocean Great Harmony 遠洋•萬和城 (倪黃莊項目)	334,000	261,000	334,000	100%
Tianjin	Ocean Paradise 海河新天地	154,000	103,000	154,000	96.99%

Location	Project	Approximate total GFA	Approximate saleable GFA	Remaining GFA	Interest attributable to us
		(sq.m.)	(sq.m.)	(sq.m.)	(%)
Wuhan	Tangchen Project 有座莊園(湯臣項目)	81,000	81,000	81,000	55%
Wuhan	Ocean World 遠洋世界(金磐項目)	482,000	444,000	482,000	55%
Zhongshan	Ocean City 遠洋城	777,000	726,000	680,000	100%
	GFA in terms of projects for future development				
Beijing	Ocean Manor (Beiqijia Project) 遠洋•傲北(北七家)	287,000	186,000	287,000	100%
Beijing	CBD Plot Z6	250,000	190,000	250,000	80%
Beijing	Dawangjing Project 大望京項目	211,000	151,000	211,000	100%
Beijing	Ocean Landscape Eastern Area 遠洋•沁山水	103,000	103,000	103,000	100%
Beijing	Ocean Wangfujing Project 王府井項目	50,000	45,000	50,000	100%
Beijing	Ocean Palace (Yizhuang Sanyang) 遠洋•天著(亦莊三羊)	440,000	242,000	440,000	100%
Chengdu.	Daci Project 大慈寺項目	384,000	351,000	384,000	50%
Changchun	Jingyue Project 長春淨月項目	1,083,000	995,000	1,083,000	51%
Chongqing	Golf Club Project 國際高爾夫項目	362,000	349,000	362,000	93.25%
Dalian	Diamond Bay Project 鑽石灣項目	2,007,000	1,736,000	2,007,000	90%
Dalian	IT Zone — Industrial IT產業園- 工業部份	927,000	927,000	927,000	100%
Dalian	Ocean Valley Lafite (IT Zone — Residential) 遠洋•拉斐莊園 (IT產業園—住宅部份)	426,000	393,000	426,000	100%
Dalian	Ocean Plaza 遠洋廣場(中華路項目)	111,000	54,000	111,000	100%
Dalian	Xiaoyao Bay Project 小窑灣項目	180,000	156,000	180,000	100%
Haikou	Yexiang Village Project 盈濱半島(椰香村項目)	57,000	57,000	57,000	70%
Hangzhou	Hang Yimian 大河宸章(杭一棉)	208,000	142,000	208,000	70%
Huangshan	Taohuadao Project 桃花島項目	140,000	135,000	140,000	100%
Qingdao	Quanzhoulu Project 遠洋公館(泉州路項目)	114,000	78,000	114,000	100%
Qinhuangdao . . .	Ocean Century 遠洋•海世紀	1,359,000	1,242,000	1,359,000	100%
Sanya	Tang Di Project 棠棣項目	14,000	12,000	14,000	52.5%
Shanghai	Bond Castle (Meilanwu Project) 遠洋•博堡(美蘭湖項目)	91,000	91,000	91,000	100%
Shenyang	Baishanlubei Project 白山路北項目	137,000	136,000	137,000	100%
Tianjin	Ocean City 遠洋城	1,476,000	1,167,000	1,476,000	100%
Tianjin	Ocean Paradise 海河新天地	147,000	107,000	147,000	96.99%
Tianjin	Ocean Prospect (Zhangguizhuang Project) 遠洋風景(張貴莊項目)	316,000	262,000	316,000	90%
Zhongshan	Ocean City 遠洋城	635,000	572,000	635,000	100%
	Total	23,197,000	19,420,000	20,608,000	

Notes:

(1) Including Poetry of River commodity housing and capped price housing.

(2) We have announced plans to dispose of 49% of the project as at December 31, 2010. We expect to complete this disposal in the first half of 2011.

We include in this offering circular the project names which we have used, or intend to use, to market our properties to which we have added references to their geographic location for the purposes of clarity. Some of the names for our property developments have not yet been approved by the relevant government authorities and may be subject to change.

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

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

A property is sold when the purchase contract with a customer has been executed and the property has been delivered to the customer. A property is pre-sold when the purchase contract has been executed but the property has not yet been delivered to the customer.

Our Property Development Projects

Ocean Seasons 遠洋•自然 (Beijing)

Ocean Seasons 遠洋•自然 is an integrated residential, premium office and retail property development. It is situated near the Gongyidong Bridge of Beijing. This development occupies a total site area of approximately 61,085 sq.m. and has a total GFA of approximately 381,000 sq.m.

We have completed the development of this project. As of December 31, 2010, we had sold and delivered approximately 91% of the GFA of the development.

Wan Hai Yi Hao 灣海一號 (Qinhuangdao)

Wan Hai Yi Hao 灣海一號 is an integrated residential and retail property development. It is situated in the Haigang District of Qinhuangdao. This development occupies a total site area of approximately 28,472 sq.m. and has a total GFA of approximately 39,000 sq.m.

We have completed the development of this project. As at December 31, 2010, we had sold and delivered approximately 56% of the GFA of the development.

INDIGO (Jiangtai Business Center) 頤堤港 (將台商務中心) (Beijing)

INDIGO (Jiangtai Business Center) 頤堤港 (將台商務中心) is currently planned to be an integrated premium office, hotel and retail property development. It is situated in the Lido commercial district of the Jiuxianqiao area in Chaoyang District in Beijing. This development occupies a total site area of approximately 58,369 sq.m. and is expected to have a total planned GFA of approximately 295,000 sq.m.

Construction of the project is expected to be completed in 2011.

Details of this development as at December 31, 2010 were as follows:

	Retail	Office	Hotel
Construction period	2009-2011	2009-2011	2009-2011
Total GFA (sq.m.)	87,000	55,000	153,000
Total GFA sold and delivered (sq.m.)	—	—	—

Ocean Great Harmony 遠洋•萬和城 (Beijing)

Ocean Great Harmony 遠洋•萬和城 is an integrated residential, office and retail community property development. It is situated in a prime site within the Ya-Ao Business Circle in the Chaoyang District in Beijing. This development occupies a total site area of approximately 106,526 sq.m. and has a total planned GFA of approximately 451,000 sq.m.

As at December 31, 2010, we had sold and delivered approximately 48% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Office
Construction period	2007-2011	2007-2010	2010-2012
Total GFA (sq.m.)	305,000	98,000	48,000
Total GFA sold and delivered (sq.m.)	216,000	—	—

Ocean La Vie 遠洋•La Vie (Beijing)

Ocean La Vie 遠洋•La Vie is currently planned to be a residential property development. This development occupies a total site area of approximately 240,851 sq.m. and is expected to have a total planned GFA of approximately 260,000 sq.m.

We expect to complete the development in 2014.

Details of this development as at December 31, 2010 were as follows:

	Residential
Construction period	2010-2014
Total GFA (sq.m.)	260,000
Total GFA sold and delivered (sq.m.)	—

Ocean Landscape Eastern Area 遠洋•沁山水 (Beijing)

Ocean Landscape Eastern Area 遠洋•沁山水 is an integrated residential, retail and office community property development. It is situated in the Shijingshan District of Beijing. This development occupies a total site area of approximately 146,604 sq.m. and has a total planned GFA of approximately 602,000 sq.m.

As at December 31, 2010, we had sold and delivered approximately 48% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Office
Construction period	2008-2012	2008-2011	2008-2012
Total GFA (sq.m.)	496,000	75,000	31,000
Total GFA sold and delivered (sq.m.)	290,000	—	—

Poetry of River-Eastern Area 遠洋•新悦 (遠洋一方東區) (Beijing)

Poetry of River-Eastern Area 遠洋•新悦 (遠洋一方東區) is a residential property development. It is situated west of the Jing-Tong Expressway in the Chaoyang District of Beijing. This development occupies a total site area of approximately 28,720 sq.m. and has a total planned GFA of approximately 110,000 sq.m.

We expect to complete the development in 2012.

Details of this development as at December 31, 2010 were as follows:

	Residential
Construction period	2010-2012
Total GFA (sq.m.)	110,000
Total GFA sold and delivered (sq.m.)	—

Poetry of River 遠洋一方 (Beijing)

Poetry of River 遠洋一方 is an integrated residential and retail community property development. It is situated west of the Jing-Tong Expressway in the Chaoyang District of Beijing. This development occupies a total site area of approximately 349,774 sq.m. and has a total planned GFA of approximately 790,000 sq.m.

As at December 31, 2010, we had sold and delivered approximately 20% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other
Construction period	2007-2013	2007-2011	2007-2011
Total GFA (sq.m.)	709,000	14,000	67,000
Total GFA sold and delivered (sq.m.)	159,000	—	—

Ocean Oriental (Tongzhou Yuqiao Project) 遠洋•東方 (通州玉橋項目) (Beijing)

Ocean Oriental (Tongzhou Yuqiao Project) 遠洋•東方 (通州玉橋項目) is an integrated residential and retail community property development. It is situated in the Tongzhou Modern International New City of Beijing. This development occupies a total site area of approximately 46,199 sq.m. and has a total planned GFA of approximately 175,000 sq.m.

We expect to complete the development in 2013.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other
Construction period	2010-2013	2010-2012	2010-2013
Total GFA (sq.m.)	160,000	1,500	13,500
Total GFA sold and delivered (sq.m.)	—	—	—

Ocean Langjun 遠洋•朗郡 (Chengdu)

Ocean Langjun 遠洋•朗郡 is an integrated residential and retail community property development. It is situated in the Jinniu District in Chengdu. This development occupies a total site area of approximately 34,754 sq.m. and has a total planned GFA of approximately 155,000 sq.m.

We expect to complete the development in 2012.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail
Construction period	2011-2012	2011-2012
Total GFA (sq.m.)	147,000	8,000
Total GFA sold and delivered (sq.m.)	—	—

Ocean Seasons (Nanguan Ling Project) 遠洋•自然 (南關嶺項目) (Dalian)

Ocean Seasons (Nanguan Ling Project) 遠洋•自然 (南關嶺項目) is a high-end residential property development. It is situated at Nanguanling in the Ganjingzi District in Dalian. This development occupies a total site area of approximately 43,702 sq.m. and has a total planned GFA of approximately 138,000 sq.m.

We expect to complete the development in 2012.

Details of this development as at December 31, 2010 were as follows:

	Residential
Construction period	2009-2012
Total GFA (sq.m.)	138,000
Total GFA sold and delivered (sq.m.)	—

Ocean Plaza 遠洋廣場 (中華路項目) (Dalian)

Ocean Plaza 遠洋廣場 (中華路項目) is an integrated residential and retail community property development. It is situated in the Ganjingzi District of Dalian. This development occupies a total site area of approximately 82,579 sq.m. and has a total planned GFA of approximately 404,000 sq.m.

We expect to complete the development in 2012 to 2013.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other (apartment)
Construction period	2010-2012	2010-2012	2010-2013
Total GFA (sq.m.)	227,000	31,000	146,000
Total GFA sold and delivered (sq.m.)	—	—	—

Ocean Prospect 遠洋風景 (Dalian)

Ocean Prospect 遠洋風景 is an integrated residential and retail community property development. It is situated on Huanghe Avenue in Dalian. This development occupies a total site area of approximately 62,961 sq.m. and has a total planned GFA of approximately 178,000 sq.m.

As at December 31, 2010, we had sold and delivered approximately 85% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other
Construction period	2007-2011	2007-2011	2007-2011
Total GFA (sq.m.)	130,000	29,000	19,000
Total GFA sold and delivered (sq.m.)	126,000	16,000	9,000

Ocean Worldview 紅星海世界觀 (Dalian)

Ocean Worldview 紅星海世界觀 is a large-scale integrated residential and retail community property development. It is situated on Jinma Road in the Dalian Development Zone of Dalian. This development occupies a total site area of approximately 1,122,367 sq.m. and has a total planned GFA of approximately 1,956,000 sq.m.

As at December 31, 2010, we had sold and delivered approximately 14% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other
Construction period	2008-2015	2008-2016	2008-2016
Total GFA (sq.m.)	1,555,000	129,000	272,000
Total GFA sold and delivered (sq.m.)	279,000	—	—

Ocean Times (University Zone) 遠洋時代城 (大學城項目) (Dalian)

Ocean Times (University Zone) 遠洋時代城 (大學城項目) is an integrated residential and retail community property development. It is situated in the new development zone of Dalian. This development occupies a total site area of approximately 272,210 sq.m. and has a total planned GFA of approximately 561,000 sq.m.

We expect to complete the development in 2013.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other
Construction period	2010-2013	2010-2013	2010-2013
Total GFA (sq.m.)	436,000	36,000	89,000
Total GFA sold and delivered (sq.m.)	—	—	—

Ocean Midtown (Xishan Project) 遠洋 MIDTOWN (西山項目) (Dalian)

Ocean Midtown (Xishan Project) 遠洋 MIDTOWN (西山項目) is an integrated apartment and retail community property development. It is situated in the Economic and Technology Development area of the Shahekou District of Dalian. This development occupies a total site area of approximately 17,123 sq.m. and has a total planned GFA of approximately 92,000 sq.m.

We expect to complete the development in 2013.

Details of this development as at December 31, 2010 were as follows:

	Retail	Other (apartment)
Construction period	2010-2013	2010-2013
Total GFA (sq.m.)	12,000	80,000
Total GFA sold and delivered (sq.m.)	—	—

Canal Commercial District 遠洋公館 (運河商務區) (Hangzhou)

Canal Commercial District 遠洋公館 (運河商務區) is a large-scale integrated residential, office, hotel and retail community property development. It is located south of the Gongshu District in Hangzhou. This development occupies a total site area of approximately 198,917 sq.m. and has a total planned GFA of approximately 867,000 sq.m.

We expect to complete the development in 2015.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Office	Hotel
Construction period	2009-2014	2009-2014	2011-2015	2011-2015
Total GFA (sq.m.)	347,000	118,000	324,000	78,000
Total GFA sold and delivered (sq.m.)	—	—	—	—

Fushan Project 遠洋風景 (浮山項目) (Qingdao)

Fushan Project 遠洋風景 (浮山項目) is currently planned to be an integrated residential property development. It is situated in the Fushan New District of Qingdao. This development occupies a total site area of approximately 46,883 sq.m. and has a total planned GFA of approximately 145,000 sq.m.

We expect to complete the development in 2013.

Details of this development as at December 31, 2010 were as follows:

	Residential
Construction period	2010-2013
Total GFA (sq.m.)	145,000
Total GFA sold and delivered (sq.m.)	—

Ocean Olympics 遠洋奧林匹克公館 (Sanya)

Ocean Olympics (遠洋奧林匹克公館) is currently planned to be a residential property development. It is located in Sanya on Hainan Island. This development occupies a total site area of approximately 18,661 sq.m. and has a total planned GFA of approximately 53,000 sq.m.

We expect to complete the development in 2011.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail
Construction period	2008-2011	2008-2011
Total GFA (sq.m.)	51,000	2,000
Total GFA sold and delivered (sq.m.)	—	—

Ocean Paradise 遠洋天地 (Shenyang)

Ocean Paradise 遠洋天地 is an integrated residential and retail community property development. It is situated on Changbai Island in Shenyang. This development occupies a total site area of approximately 261,404 sq.m. and has a total planned GFA of approximately 707,000 sq.m.

We expect to complete the development in 2015. As at December 31, 2010, we had sold approximately 28% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other
Construction period	2007-2013	2011-2013	2008-2013
Total GFA (sq.m.)	627,000	50,000	30,000
Total GFA sold and delivered (sq.m.)	193,000	—	8,000

Ocean City 遠洋城 (Tianjin)

Ocean City 遠洋城 is an integrated residential and retail community property development. It is situated in Hujiayuan along Jin-Tang Highway in the Tanggu District in Tianjin. This development occupies a total site area of approximately 616,527 sq.m. and has a total planned GFA of approximately 2,339,000 sq.m.

We expect to complete the development in 2016. As at December 31, 2010, we had sold approximately 10% of the GFA of this development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Other
Construction period	2008-2016	2008-2016	2008-2016
Total GFA (sq.m.)	2,017,000	149,000	173,000
Total GFA sold and delivered (sq.m.)	233,000	—	—

Ocean Express 遠洋新幹線 (Tianjin)

Ocean Express 遠洋新幹線 is an integrated residential and retail community property development. It is situated in the Airport Industrial Park of Tianjin. This development occupies a total site area of approximately 214,784 sq.m. and has a total planned GFA of approximately 337,000 sq.m.

We expect to complete the development in 2011. As at December 31, 2010, we had sold approximately 39% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Office
Construction period	2008-2011	2007-2011	2008-2011
Total GFA (sq.m.)	254,000	5,000	78,000
Total GFA sold and delivered (sq.m.)	121,000	—	10,000

Ocean Great Harmony 遠洋•萬和城 (倪黃莊項目) (Tianjin)

Ocean Great Harmony 遠洋•萬和城 (倪黃莊項目) is currently planned to be a residential property development. It is situated in the southern part of Tianjin. This development occupies a total site area of approximately 130,417 sq.m. and has a total planned GFA of approximately 334,000 sq.m.

We expect to complete the development in 2013.

Details of this development as at December 31, 2010 were as follows:

	Residential	Other
Construction period	2010-2013	2010-2012
Total GFA (sq.m.)	330,000	4,000
Total GFA sold and delivered (sq.m.)	—	—

Ocean Paradise 海河新天地 (Tianjin)

Ocean Paradise 海河新天地 is a large-scale integrated office and retail property development. It is situated in the heart of Tianjin. This development occupies a total site area of approximately 93,866 sq.m. and has a total planned GFA of approximately 301,000 sq.m.

We expect to complete the development in 2012-2013.

Details of this development as at December 31, 2010 were as follows:

	Retail	Office	Other (Commercial)
Construction period	2009-2013	2009-2013	2009-2013
Total GFA (sq.m.)	121,000	60,000	120,000
Total GFA sold and delivered (sq.m.)	—	—	—

Tangchen Project 有座莊園 (Wuhan)

Tangchen Project 有座莊園 is a large-scale integrated residential, office and retail community property development. It is situated in the Donghu High Tech Area of Wuhan. This development occupies a total site area of approximately 54,447 sq.m. and has a total planned GFA of approximately 81,000 sq.m.

We expect to complete the development in 2011.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail
Construction period	2010-2011	2010-2011
Total GFA (sq.m.)	77,000	4,000
Total GFA sold and delivered (sq.m.)	—	—

Ocean World 遠洋世界 (金磐項目) (Wuhan)

Ocean World 遠洋世界 (金磐項目) is a large-scale integrated residential and retail community property development. It is situated in the Dongxihu District of Wuhan. This development occupies a total site area of approximately 363,305 sq.m. and has a total planned GFA of approximately 482,000 sq.m.

We expect to complete the development in 2012 to 2013.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail
Construction period	2011-2013	2011-2012
Total GFA (sq.m.)	476,000	6,000
Total GFA sold and delivered (sq.m.)	—	—

Ocean City 遠洋城 (Zhongshan)

Ocean City 遠洋城 is a large-scale integrated residential, office and retail community property development. It is situated on Bo'ai Sixth Road in the Eastern District of Zhongshan. This development occupies a total site area of approximately 973,706 sq.m. and has a total planned GFA of approximately 1,921,000 sq.m.

We expect to complete the development in 2015. As at December 31, 2010, we had sold approximately 29% of the GFA of the development.

Details of this development as at December 31, 2010 were as follows:

	Residential	Retail	Office	Other
Construction period	2007-2013	2010-2015	2011-2015	2007-2015
Total GFA (sq.m.)	1,622,000	146,000	87,000	66,000
Total GFA sold and delivered (sq.m.)	553,000	8,000	—	—

Ocean Manor (Beiqijia Project) 遠洋•傲北 (北七家) (Beijing)

Ocean Manor (Beiqijia Project) 遠洋•傲北 (北七家) is currently planned to be an integrated residential and retail property development. It is situated on the northern part of the Fifth Ring Road of Beijing. This development occupies a total site area of approximately 200,663 sq.m. and is expected to have a total planned GFA of approximately 287,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete development of the project in 2013.

CBD Plot Z6 (Beijing)

CBD Plot Z6 is an integrated office and retail community property development. It is situated in the CBD area in the Chaoyang District of Beijing. This development occupies a total site area of approximately 11,007 sq.m. and has a total planned GFA of approximately 250,000 sq.m.

We have bid for and obtained the notice of successful tender relating to this project.

The project is currently in the planning phase and we expect to start construction work in 2011 or 2012.

Dawangjing Project 大望京項目 (Beijing)

Dawangjing Project 大望京項目 is currently planned to be an integrated residential hotel and retail property development. It is situated in the Dawangjing area of Beijing. This development occupies a total site area of approximately 58,973 sq.m. and is expected to have a total planned GFA of approximately 211,000 sq.m.

We have signed a land grant contract for this project.

We expect to complete development of the project on or before 2015.

Ocean Wangfujing Project 王府井項目 (Beijing)

Ocean Wangfujing Project 王府井項目is currently planned to be a premium office property development. It is situated in the Wangfujing district in Beijing. This development occupies a total site area of approximately 10,855 sq.m. and is expected to have a total planned GFA of approximately 50,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2014.

Ocean Palace (Yizhuang Sanyang) 遠洋•天著 (亦莊三羊) (Beijing)

Ocean Palace (Yizhuang Sanyang) 遠洋•天著 (亦莊三羊) is a large-scale integrated residential and retail community property development. It is situated southeast of the fifth ring road in Beijing near the Dayang Fang Bridge in Chaoyang District. This development occupies a total site area of approximately 228,533 sq.m. and has a total planned GFA of approximately 440,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2015.

Daci Project 大慈寺項目 (Chengdu)

Daci Project 大慈寺項目 is currently planned to be an integrated commercial complex property development. It is situated in the city center of Chengdu. This development occupies a total site area of approximately 70,779 sq.m. and is expected to have a total planned GFA of approximately 384,000 sq.m.

We have bid for and obtained the notice of successful tender relating to this project.

We expect to complete the development of the project in 2014.

Jingyue Project 長春淨月項目 (Changchun)

Jingyue Project 長春淨月項目 is currently planned to be a large-scale residential, retail and office property development. It is situated in the Jingyue Development District of Changchun. This development occupies a total site area of approximately 857,697 sq.m. and is expected to have a total planned GFA of approximately 1,083,000 sq.m.

We have signed a land grant contract for this project.

We expect to complete the development of the project in 2015.

Gold Club Project 國際高爾夫項目 (Chongqing)

Gold Club Project 國際高爾夫項目 is currently planned to be an integrated residential, retail space and shopping center property development. It is situated in Banan District of Chongqing. This development occupies a total site area of approximately 374,446 sq.m. and is expected to have a total planned GFA of approximately 362,000 sq.m.

We have signed a land grant contract for this project.

We expect to complete the development of the project in 2013.

Diamond Bay Project 鑽石灣項目 (Dalian)

Diamond Bay Project 鑽石灣項目 is currently planned to be a large-scale residential and commercial complex property development. It is situated in the Ganjingzi area of Dalian. This development occupies a total site area of approximately 916,800 sq.m. and is expected to have a total planned GFA of approximately 2,007,000 sq.m. We expect a total planned GFA for commercial complex development of approximately 290,000 sq.m.

We have bid for and obtained the notice of successful tender relating to this project.

We expect to complete the development of the project on or before 2018.

IT Zone – Industrial IT 產業園 – 工業部份 (Dalian)

IT Zone – Industrial IT 產業園 – 工業部份 is currently planned to be an industrial property development. It is situated in the new development zone of Dalian. This development occupies a total site area of approximately 661,824 sq.m. and is expected to have a total planned GFA of approximately 927,000 sq.m.

We have signed a land grant contract for this project.

We expect to complete the development of the project on or before 2019.

Ocean Valley Lafite (IT Zone – Residential) 遠洋•拉斐莊園 (IT產業園 – 住宅部份) (Dalian)

Ocean Valley Lafite (IT Zone – Residential) 遠洋•拉斐莊園 (IT產業園 – 住宅部份) is currently planned to be a residential property development. It is situated in the new development zone of Dalian. This development occupies a total site area of approximately 461,300 sq.m. and is expected to have a total planned GFA of approximately 426,000 sq.m.

We have signed a land grant contract for this project.

We expect to complete the development of the project in 2014.

Xiaoyao Bay Project 小窑灣項目 (Dalian)

Xiaoyao Bay Project 小窑灣項目 is currently planned to be a residential and retail property development. It is located in the Jinzhou New District of Dalian. This development occupies a total site area of approximately 350,328 sq.m. and is expected to have a total planned GFA of approximately 180,000 sq.m.

We have bid for and obtained the notice of successful tender relating to this project.

We expect to complete the development of the project in 2013.

Yexiang Village Project 盈濱半島 (椰香村項目) (Haikou)

Yexiang Village Project 盈濱半島 (椰香村項目) is currently planned to be primarily a residential property development. It is located within the Old Town Development District of Chengmai near Haikou in Hainan. This development occupies a total site area of approximately 156,989 sq.m. and is expected to have a total planned GFA of approximately 57,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2013.

Hang Yimian 大河宸章 (杭一棉) (Hangzhou)

Hang Yimian 大河宸章 (杭一棉) is currently planned to be a residential property development. It is situated in the Hang Yimian District of Hangzhou. We plan to dispose of 49% of the project, and we expect to complete the disposal in the first half of 2011. This development occupies a total site area of approximately 85,069 sq.m. and is expected to have a total planned GFA of approximately 208,000 sq.m.

We have signed a land grant contract for this project.

We expect to complete the development of the project in 2013.

Taohuadao Project 桃花島項目 (Huangshan)

Taohuadao Project 桃花島項目 is currently planned to be a residential and resort property development. It is located in the Taohuadao District of Huangshan. This development occupies a total site area of approximately 295,057 sq.m. and is expected to have a total planned GFA of approximately 140,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2013.

Quanzhoulu Project 遠洋公館 (泉州路項目) (Qingdao)

Quanzhoulu Project 遠洋公館 (泉州路項目) is currently planned to be an integrated residential and retail property development. It is located near the CBD of Qingdao. This development occupies a total site area of approximately 42,463 sq.m. and is expected to have a total planned GFA of approximately 114,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2012.

Ocean Century 遠洋•海世紀 (Qinhuangdao)

Ocean Century 遠洋•海世紀 is currently planned to be a large-scale residential and retail property development. It is located in the Haigangkou District of Qinhuangdao. This development occupies a total site area of approximately 554,770 sq.m. and is expected to have a total planned GFA of approximately 1,359,000 sq.m. We expect a total planned GFA for retail development of approximately 193,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2016.

Tang Di Project 棠棣項目 (Sanya)

Tang Di Project 棠棣項目 is currently planned to be a residential property development. It is located in the Haiqinwan Town of Sanya. This development occupies a total site area of approximately 20,000 sq.m. and is expected to have a total planned GFA of approximately 14,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2012.

Bond Castle (Meilanwu Project) 遠洋•博堡 (美蘭湖項目) (Shanghai)

Bond Castle (Meilanwu Project) 遠洋•博堡 (美蘭湖項目) is currently planned to be a villa development. It is located near the Lake Malaren Golf Club in Luodian Town area of Shanghai. This development occupies a total site area of approximately 151,150 sq.m. and is expected to have a total planned GFA of approximately 91,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2012.

Baishanlubei Project 白山路北項目 (Shenyang)

Baishanlubei Project 白山路北項目 is currently planned to be a residential and retail development. It is located in the Baoshan District of Shenyang. This development occupies a total site area of approximately 70,560 sq.m. and is expected to have a total planned GFA of approximately 137,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2012.

Ocean Prospect (Zhangguizhuang Project) 遠洋風景 (張貴莊項目) (Tianjin)

Ocean Prospect (Zhangguizhuang Project) 遠洋風景 (張貴莊項目) is currently planned to be a residential property development. It is located in the Dongli District of Tianjin. This development occupies a total site area of approximately 248,016 sq.m. and is expected to have a total planned GFA of approximately 316,000 sq.m.

We have a land use rights certificate for this project.

We expect to complete the development of the project in 2013.

Project Development

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

Project Selection	Land Bidding/ Tendering	Pre-construction	Project Design	Construction	Pre-sale and Sale	After-sale Services
• Gather land information • Formulate initial concept • Perform market research • Perform internal feasibility study • Perform internal assessment and approval	• Arrange for bidding/ tendering • Receive notice of successful bid/tender • Sign land contract • Obtain land use rights certificate (國有土地使用證)	• Obtain construction land planning permit (建設用地規劃許可證) • Obtain construction works planning permit (建設工程規劃許可證) • Obtain work commencement permit (建築工程施工許可證) • Obtain other relevant government approvals	• Schematic design • Construction design • Mechanical and electrical design • Interior design	• Commence construction • Monitor construction progress • Perform quality inspection • Maintain cost control	• Engage in marketing and promotion • Obtain commercial property pre-sale permit (商品房預售許可證) • Sign, notarize and register pre- sale contract and mortgage • Obtain completion and acceptance certificate (竣工驗收證明) • Obtain delivery certificate (where applicable) (交付使用許可證)	• Register and apply for unit ownership certificate (小產證) • Gather and process customer feedback • Perform customer information analysis • Regular customer visits and activities

Project Selection

In conjunction with our ongoing market and design research, we continuously work to identify and evaluate potential sites for projects. We have a development department dedicated to identifying potential projects. Our development department assesses land parcels for use in potential projects based on our analysis of, among other things:

- size, shape and location of the land parcel;
- local customer demand and expected growth of the city in which the land is located;
- transportation access and infrastructure support;
- project evaluation according to our internal pre-determined criteria;
- development prospects, taking into account social, economic and environmental effects;
- applicable zoning regulations and government preferential policies; and
- government development plans for the relevant site and the neighboring area.

Once our development department decides to acquire a piece of land, the development department generally prepares a feasibility report for approval by the Board.

Project Management

For each project company, we have established seven departments to support the development and management of our projects: our engineering, budgeting, sales, customer service, public utilities, design and finance departments. The manager of each department within the project company reports directly to the project general manager who in turn reports directly to the executive officers in our corporation.

Bidding/Tendering for Land

According to the "Regulation on the Grant of State-owned Land Use Rights through Tender, Auction and Listing-for-sale" (Order of MSLR No.11) (《招標拍賣掛牌出讓國有土地使用權規定》(國

土資源部令第11號)) promulgated on May 9, 2002, effective from July 1, 2002 and amended on September 2, 2009 and renamed as "Regulations on the Grant of State-owned Land use rights Grant for Construction Use Rights through Competitive Bidding Auction and Listing-for-sale" (Order of MSLR [2007] No. 39) (《招標拍賣掛牌出讓國有建設用地使用權規定》(國土資源部令[2007]第39號)), all land to be developed for commercial purposes, such as business, tourism, entertainment and commodity residential housing, must be granted by way of tender, auction or bidding. When deciding to whom the land use rights should be granted, the relevant authorities will consider not only the tender price but also the credit history and qualifications of the developer and its tender proposal.

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

- The land administration department of the people's government (人民政府) at county or municipal level (the "Grantor") issues a notice specifying the terms and conditions of the tender, auction or bidding (the "Sale"), including the amount of deposit payable, the initial bidding price of the land and other criteria that will be considered by the Grantor in determining the successful participant. The notice will generally be issued 20 days in advance of the Sale.
- The Grantor will notify the eligible participants, who comply with the terms and conditions of the notice, to attend the Sale. At the Sale, the eligible participants may make an offer for the land and/or submit a tender document in accordance with the steps prescribed in the notice.
- The Grantor then issues a letter of confirmation to the successful participant. Deposits paid by an unsuccessful participant will be returned.
- The successful participant then enters into a state-owned land grant contract with the Grantor in accordance with the terms specified in the letter of confirmation. The deposit paid for participating in the Sale will be used to offset part of the land use right grant premium.
- Having fully paid the land use right grant premium specified in the land grant contract, the successful participant registers the land with the Grantor.
- The people's government (人民政府) at or above county level issues a land use rights certificate when the land use right grant premium and the deed tax is fully paid.

On January 7, 2010, the General Office of the State Council issued a "Circular on Facilitating the Stable and Healthy Development of Property Market" (Guo Ban Fa [2010] No. 4) (《國務院辦公廳關於促進房地產市場平穩健康發展的通知》(國辦發[2010]4號)), which restricts entities and individuals who have not fully paid land use right grant premium or who have breached a land grant contract from participating in future land bidding. On March 8, 2010, the MSLR published the "Notice on Increasing the Supply of Land for Real Estate Development and Tightening of Regulation" (Guo Tu Zi Fa [2010] No. 34) (《關於加強房地產供應和監管有關問題的通知》(國土資發[2010]34號)), according to which, if the entity or individual does not fully pay the land use right grant premium, leaves the land idle, hoards and speculates in land or houses, breaches the land grant contract or is not competent to undertake a particular development, such entity or individual will be prevented from participating in future land bidding by the municipal or county department in charge of administration of land and resources.

On April 17, 2010, the State Council issued the "Notice on Firmly Preventing Overly Fast Growth of Real Property Prices in Certain Cities" (Guo Fa [2010] No. 10) (《國務院關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)), which states that apart from adhering to and improving the competitive bidding, auction and listing-for-sale system, the PRC government is considering exploring new land use rights granting mechanisms in order to restrain irrational growth in the land grant prices. These new mechanisms may include "comprehensive bid evaluation" (綜合評標), "one-time bidding" (一次競價) and "mutual bidding" (雙向競價).

On September 21, 2010, the MSLR and the Ministry of Housing and Urban-Rural Development issued the "Notice on Further Strengthening the Regulations of Real Estate Land and Construction Management" (Guo Tu Zi Fa [2010] No. 151) ((《關於進一步加強房地產用地和建設管理調控的通知》(國土資發[2010]151號)), according to which:

- the granting of two or move parcels of land together as a bundle is prohibited and the granting of "undeveloped land" is also prohibited;
- in addition to requiring bidders to have effective proof of identity and requiring payment of the bid security, when a land use right is granted through bidding or auctions or listing-for-sale, the competent PRC government department of land and resources shall require the bidders to submit a letter of commitment stating that the bid security is not the proceeds of any bank loan, shareholders' borrowing, on-lending or raised funds, or a credit certificate issued by commercial financial institutions.
- the relevant PRC land authorities should prohibit real estate developers and their controlling shareholders who have engaged in criminal behavior such as obtaining land use rights though forgery of official documents, or who have been involved in illegal activities such as illegally transferring land use rights, or who have held idle land for more than one year as a result of the fault of the company, or whose exploitation of land has been in breach of the relevant land grant contract, from participating in land bidding processes until the aforesaid behaviors have been rectified.

According to the "Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market"(Guo Tu Zi Fa No.204)(《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》(國土資發[2010]204號)) promulgated by the MSLR on December 19, 2010, for land granted through tenders, auctions and the listing-for-biding process, if the premium rate is more than 50%, or the total amount of price or the price per unit reaches a new high, the city or county government must submit a list of abnormal real estate transactions and explain the reasons therefor to the MSLR and the land and resources department of the provincial government; the land and resources department of the provincial government must conduct interviews or investigations according to the circumstances. The "Circular on the Issues of the Management and Control of Land Supply for Urban Residential Properties" (Guo Tu Zi Fa [2011] No.2) (《國土資源部關於切實做好2011年城市住房用地管理和調控重點工作的通知》(國土資發[2011]2號)) issued by the MSLR on February 5, 2011 reiterated the above prohibition and further prohibited the granting of (i) two or more parcels of land as a bundle, (ii) "undeveloped land" or (iii) land for residential properties where the plot ratio is less than 1.

As at the date of this offering circular, we have not forfeited any land to the PRC government because of any failure to comply with the terms of our land grant contracts.

Pursuant to the "Notice on Further Strengthening of Real Estate Credit Administration" (Yin Fa [2003] No. 121) (《關於進一步加強房地產信貸業務管理的通知》(銀發[2003]121號文)) issued by the PBOC on June 5, 2003, construction loans are linked to the creditworthiness and financial position of property developers and the progress of projects. As this notice prohibits commercial banks from advancing loans to fund the payment of land use right grant premium, our Directors believe that it has become more difficult for developers in poor standing or weak financial position to obtain financing for land acquisitions. The Circular on Strengthening the Credit Management for Commercial Real Property (Yin Fa [2007]) No. 359 (《中國人民銀行、中國銀行業監督管理委員會關於加強商業性房地產信貸管理的通知》(銀發[2007] 359 號)) issued by the PBOC and the CBRC on September 27, 2007 reiterated the regulations in the notice.

Pre-construction

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

- **land use rights certificate** (國有土地使用證). A certification of the right of a party to use a parcel of land;
- **construction land planning permit** (建設用地規劃許可證). A permit formally approving a developer to conduct the survey, planning and design of a parcel of land;
- **construction works planning permit (**建設工程規劃許可證). A certificate giving government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit (建築工程施工許可證);
- **construction permit** (建築工程施工許可證). A permit required for the commencement of construction; and

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

Financing of Projects

We finance our projects primarily through bank loans, internally generated cash flows, including proceeds from the pre-sale and sale of our projects, and capital raising transactions.

According to guidelines issued by the China Banking Regulatory Commission ("CBRC"), no loan shall be granted to projects which have not obtained the relevant land use rights certificates (國有土地使用證), construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證) and construction permits (建設工程施工許可證). The guidelines also stipulate that not less than 35% of the total investment in a property development project must come from a real estate developer's own capital for the development project (項目資本金) in order for banks to extend loans to the real estate developer.

Pursuant to the "Notice on the Improvement of Diversified Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)), all commercial banks are prohibited from extending new real estate property loans, or extending existing loans, to real estate developers that hold idle land, that have changed the use or status of land they hold, that have delayed the commencement date or completion date of construction, or that have delayed the launch of sales of property projects for speculative purposes.

Government authorities in China have issued various regulations to govern the financing of development projects. See "Regulation".

Our policy is to finance our property developments with internal resources to the extent practicable in order to reduce the level of external funding required. As at December 31, 2010, our outstanding borrowings from banks amounted to RMB22,534 billion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financing of Our Projects".

Project Design

We contract out the project design work for our property developments to a number of established architectural and interior design firms which are selected through a tender process. All of these architectural and interior design firms are independent third parties. To ensure that the project design of each of our development projects reflects the positioning of our products, we also have an internal design team that strictly controls and monitors the design work of our external design firms.

Construction

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

According to the "PRC Tender Law" (《中華人民共和國招標投標法》(主席令1998第21號)), which became effective on January 1, 2000, and the "Rules on the Tender Scope and Criteria for Construction Projects" (Order of NDRC [2000] No. 3) (《工程建設項目招標範圍和規模標準規定》(國家發改委令[2000]第3號)), the selection of construction companies with respect to certain construction projects must be carried out using a bidding process. We follow laws and regulations on bidding, the application of which depends on the size of the contract, and we seek to engage reputable contractors and suppliers. We conduct detailed due diligence work on the contractors during the bidding process before offering the construction contracts to them. We typically examine the track record, industry reputation, qualification certificates and other information that are required as part of the bidding process to evaluate the suitability of the contractors who submit bids for our construction contracts.

Our standard construction contracts typically provide for a fixed or a guaranteed maximum price payable by us and include express terms on construction schedule. The construction contracts contain warranties from the contractors in respect of the quality and timely completion of the construction. In the event of delay or poor quality of work, the contractor may be required to pay pre-agreed damages under the relevant construction contract. We require our contractors to comply with PRC laws and regulations on the quality of construction projects, as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports.

Our construction contracts generally provide for progressive monthly payments throughout the construction progress. The remaining balance, except for 5% of the contract sum which we withhold for two years after completion to apply against any expenses incurred as a result of any construction defects, is payable upon satisfactory completion of work. Upon the expiry of the two-year retention period, the balance of the retention amount is paid to the contractor. We have not had any incidences where the retention amount is less than the amount we have to pay for the defects as at the date of this offering circular.

We are not responsible for any labor problems of our contractors. As to our risk in relation to environmental, social and safety problems due to non-compliance with applicable PRC laws by the contractors, we may be held responsible for such problems but our construction contracts provide that we may seek indemnification from the contractors for the resulting damages.

We hire professionals in various areas to supervise and manage project quality and construction. We also engage independent engineering supervisory companies to conduct quality and safety control checks on all projects.

Quality Control and Construction Supervision

We are required to engage independent engineering supervisory companies to conduct quality and safety control checks on all building materials, equipment and construction. In addition, we also employ professionals, including designers, quantity surveyors, construction engineers, electrical engineers and water and heat engineers to carry out the functions of quality control and construction supervision for our project companies. We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of a high quality. We require our functional departments, project companies and our construction supervisors to strictly follow these procedures. As part of our quality control procedures, we seek to engage reputable design and construction companies. We obtained ISO 9000 certification in recognition of our quality control in December 1997 and we have successfully renewed this certification each year since.

We directly purchase major building materials, especially those affecting product quality. We do not own any construction equipment and do not maintain any inventory of building materials since the delivery of the building materials are generally scheduled to be on the same day as the installation date. To maintain quality control, we hire independent supervisory companies to inspect the equipment and materials used in our projects to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. Our in-house project management team works closely with the independent supervisory company during quality control and assessment. We reject materials which are below standard or that do not comply with our specifications and return them to the suppliers.

To ensure quality and monitor the progress and workmanship of construction, each project has its own on-site project management team, which comprises qualified engineers led by our project controller. In addition, each of the projects has a construction controller who is responsible for the supervision of the construction of our properties and ensures that our properties meet a specified standard upon completion. The on-site project management team submits a monthly report on the appraisal and inspection of the quality of the work of the supervisory unit and the construction unit. In addition, prior to handing over a property to our customers, our sales and customer service departments, together with our engineers and the relevant property management company, will inspect the property. If our sales and customer service departments find any aspect of our property developments to be unsatisfactory, our sales and customer service departments will record the finding and take immediate action to cure the defect.

According to the provisions of the Regulation on the “Quality Management of Construction Projects” (Order of State Council [2000] No. 279) (《建設工程質量管理條例》(國務院令[2000]第279號)), the quality supervision authority of construction projects engaged by the construction administrative department or relevant government authorities shall supervise and manage the quality of the completed projects upon the completion and acceptance of projects.

Pre-sale

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

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

We have complied with the relevant statutory requirements for pre-sale, including, but not limited to, requiring all project companies to use a standard pre-sale contract in the form stipulated by the PRC government. See "Regulation".

Sales and Marketing

We adopt a variety of measures to promote our properties to potential customers, including advertising through outdoor media, print media and the internet, as well as sponsoring performances and holding entertainment activities for the public. We target a broad base of customers with varied income levels and backgrounds. We have both individual and corporate clients from China as well as from abroad. Most of our customers are local customers. We own two real estate brokerages, Beijing Sino-Ocean Jiaye Real Estate Brokerage Co., Ltd. and Beijing Sino-Ocean Property Management, through which we sell and rent our properties. Beijing Sino-Ocean Jiaye Real Estate Brokerage Co., Ltd. is owned as to 38.25%, 36.75% and 25.00% by Sino-Ocean Land Limited ("SOLL"), Beijing Yuankun and Shing Kai International Investment Limited, respectively, and Beijing Sino-Ocean Property Management is owned as to 60%, 15% and 25% by SOLL, Beijing Yuankun and Shing Kai International Investment Limited, respectively.

Our property management subsidiaries also provide professional property consulting advice and extensive after-sales services. See "Rental Properties and Property Management" below. We also provide customers of our residential developments with a membership to our exclusive Ocean Club, which offers members discounts at various retailers, supermarkets and restaurants in various cities and discounts towards future purchases of our properties. We believe that these measures increase public interest in our properties.

Handover

In relation to our properties for sale, after construction is completed, we are required to obtain a certificate of completion (竣工驗收證明) and other government certificates before we are able to hand over the properties to our customers. As at the date of this offering circular, no incidences have occurred where we had to compensate customers for delays in completing deliverables.

Payment and End-user Financing

With respect to both pre-sales and sales, our purchasers can choose either payment by installments, lump sum payments, bank loans or a loan from the administration authority for the housing accommodation fund.

In line with market practice, we have arrangements with various banks for the provision of mortgage facilities to our purchasers and we provide guarantees for these mortgages generally until completion of construction and the relevant property ownership certificates are lodged with the relevant banks. As at December 31, 2010, the outstanding guarantees of the mortgage loans was RMB2,925 million.

Independent credit checks are conducted by the relevant bank in accordance with their own internal policies. See "Risk Factors — Risks Relating to our Business — We do not conduct independent credit checks when guaranteeing mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial condition could be adversely affected".

Rental Properties and Property Management

Investment Properties

As at December 31, 2010, we had leased out properties in the following investment property projects: Ocean International Center Block A (Beijing), Ocean Plaza (Beijing), Ocean Office Park (Beijing), Shui On Building (Shanghai), Novel Building (Shanghai) and Ocean Express (Beijing) Carparks. The rental income from the investment properties was RMB122 million, RMB156 million and RMB212 million for the years ended December 31, 2008, 2009 and, 2010, respectively.

As at December 31, 2010, the investment properties retained by us for rental purposes include offices, car parking spaces and retail units. The total GFA held for rental purposes in respect of office and retail were 191,000 sq.m. and 27,000 sq.m., respectively.

In addition, we have a number of investment properties in development located in Beijing, Tianjin, Dalian, Chengdu, Zhongshan, Qinhuangdao and Hangzhou with a total GFA of approximately 2.9 million sq.m. as of December 31, 2010. We expect to hold these investment properties for long-term rental purposes. We may also decide to sell them after the projects are completed.

In selecting tenants for our properties, we consider whether the profile of our tenants fit into the overall theme of the development projects and we also try to attract commercial tenants that are able to provide expertise in retail management as well as those who could help us promote the image of our rental properties. We also assess whether the tenants have the financial means to sustain long-term rental.

Property Management

Residential projects developed by us and investment properties held by us are managed by our property management companies. We also hire reputable international property management companies, including DTZ Debenham Tie Leung Limited, to provide advisory services. We do not have an internal property management team through which we provide property management services to our customers.

The property management services include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and rental agency services. The typical property management contract entered into by our property management companies and the owners of the properties sets out the scope and the quality requirements of the services provided by our property management companies. We prepare maintenance and renovation plans for the properties and public facilities that we manage. We are not permitted by law to assign the management duties in their entirety to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. The property management contracts also set out the management fee arrangements. The property management service fee is paid on an annual basis.

Under PRC law, owners have a right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-commercial area of the building. As at the date of this offering circular, our property management companies had not been dismissed from the management of any properties.

For the years ended December 31 2008, 2009 and 2010, our revenue from the provision of property management services amounted to RMB146 million, RMB172 million and RMB262 million, respectively. A total GFA of 2.86 million sq.m., 3.67 million sq.m. and 5.82 million sq.m., respectively, were covered by our property management services as at December 31, 2008, 2009 and 2010.

Suppliers and Customers

Our five largest customers of our properties combined accounted for less than 30% of our total sales in the years ended December 31, 2008, 2009 and 2010. We offer our customers the option of paying by lump sum or by installments. Our five largest suppliers combined, including material suppliers and construction contractors, accounted for approximately 18%, 14% and 8% of our total purchases in the years ended December 31, 2008, 2009 and 2010, respectively. The percentages of our total purchases from the largest supplier for the years ended December 31, 2008, 2009 and 2010 were 5%, 4% and 2%, respectively.

Competition

Our existing and potential competitors include major domestic State-owned and private developers and foreign funded real estate developers (including leading developers listed in Hong Kong) who focus on the high-end and/or upper mid-tier property markets in China. Competitive factors include the size of land bank, the geographical location, the types of properties offered, brand recognition by customers, creditworthiness, price and design quality. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets.

We believe that through our experience in developing large scale, high quality properties and our in-depth understanding of the Chinese real estate market, we will be able to react more quickly when competing with these property developers to identify and secure desirable opportunities.

Intellectual Property

Our intellectual property forms an integral basis for our strong brand recognition and is important to our Company's business and profitability. We have several registered trademarks in the PRC and we also hold licenses to use the "Sino-Ocean" brand.

Under Hong Kong and PRC law, a registered trademark owner has exclusive rights in the registered trademark. Any unauthorized use of a registered trademark (unless such use constitutes "fair use" as defined by law) will constitute infringement of the trademark owner's exclusive right.

We have not infringed the intellectual property rights of other parties and have not identified any instances of third parties infringing our intellectual property rights.

Insurance

As required under PRC insurance laws and regulations, our contractors maintain all risks and third party insurance policies for all our properties under construction. We do not maintain insurance policies for properties that have been delivered to our customers. Instead, the relevant management companies will maintain all risks property insurance and public liability insurance for common areas and amenities of these properties. We also maintain, on a voluntary basis, personal accident insurance and supplementary commercial medical insurance for our employees.

Employees

As at December 31, 2010, we had 5,696 full-time employees. The following table shows a breakdown of employees by function as at December 31, 2010:

Division	Number
1. Senior management	50
2. Project construction and engineering	906
3. Sales and marketing	524
4. Human resources and administration	416
5. Finance and strategic development	484
6. Others	3,316

All of our employees are employed under employment contracts. We review the performance of our employees once a year, the results of which are used in his or her annual salary review and promotion appraisal.

All of our employees are considered for an annual bonus based on various performance criteria and their assessment results. Commissions are provided to our sales personnel.

We review our staff remuneration packages every year. We conduct research on remuneration packages offered to similar positions in our industry which we believe allows us to remain competitive in the labor market.

We incurred staff costs (including Directors' emoluments) of approximately RMB392 million, RMB478 million and RMB738 million for the years ended December 31, 2008, 2009 and 2010 representing 6%, 5% and 5% of our revenue for those periods, respectively.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. Each of our property developments is required to undergo environmental assessments and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of property development. On the completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record. We believe that our operation is in compliance with currently applicable national and local environmental and safety regulations in all material respects.

Legal Proceedings

As at the date of this offering circular, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition. We also do not have any material claims or lawsuits with our contractors.

Legal supervision relating to property sector in the PRC

A. Establishment of a property development enterprise

Pursuant to the "Urban Real Estate Law" enacted by the Standing Committee of the National People's Congress on July 5, 1994, effective in January 1995 and as amended on August 30, 2007, and April 7, 2011 respectively, a property developer is defined as "an enterprise which engages in the development and sale of property for the purposes of making profits". Under the "Regulations on Administration of Development of Urban Real Estate" (Order of the State Council No. 248) ("the Development Regulations") (《城市房地產開發經營管理條例》(國務院令[1998]248號)) enacted by the State Council and enforced on July 20, 1998, a property development enterprise must satisfy the following requirements: (a) have a registered capital of not less than RMB1 million and (b) have four or more full-time professional property/construction technicians and two or more full-time accounting officers with the relevant qualifications. The Development Regulations also stipulates that people's government of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a property development enterprise have to be submitted to the department of administration of industry and commerce. The applicant must file a record with the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

The minimum internal capital ratio for property projects (excluding economically affordable housing projects) was 35% under the "Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries" (Guo Fa [2004] No. 14) (《關於調整部分行業固定資產投資項目資本金比例的通知》(國發[2004]第14號)) issued by the State Council on April 26, 2004. In May 2009, the State Council issued a "Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets" (Guo Fa [2009] No. 27) (《關於調整固定資產投資項目資本金比例的通知》(國發[2009]第27號)) and reduced such ratio to 20% for ordinary commodity housing projects and affordable housing projects and 30% for other property projects.

B. Foreign-invested real estate enterprises

Pursuant to the "Foreign Investment Industrial Guidance Catalog" (the "Guidance Catalog") (《外商投資產業指導目錄》) jointly enacted by MOFCOM and NDRC on November 30, 2004 and enforced on January 1, 2005, the development and construction of ordinary residential units fall within the category of "encouraged industry"; the development of a whole land lot operated by Sino-foreign equity joint ventures or sino-foreign co-operative joint ventures, and the construction and operation of high-end hotels, villas, premiums office buildings, international conference centers and large theme parks fall within the category of "restricted industry"; and other types of property development fall within the category of "permitted industry". MOFCOM and NDRC amended the Guidance Catalog in October 2007, which provides that, effective from December 1, 2007, foreign-invested property development business falls within the category of permitted industry, except that foreign investment in the development of a whole land lot which shall be operated only by sino-foreign equity joint ventures or sino-foreign cooperative joint ventures, the construction and operations of high-end hotels, villas, premium office buildings and international conference centers, property transactions in the secondary market and property intermediaries fall within the category of industries in which foreign investment is subject to restrictions. Foreign-invested real estate enterprises can be established in the form of a Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly-owned foreign enterprise according to the Guidance Catalog and other laws and administrative regulations relating to foreign-invested enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an approval certificate for a foreign-invested enterprise.

On July 11, 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (Jian Zhu Fang [2006] No. 171) (the "Circular No. 171") (《關於規範房地產市場外資准入和管理的意見》(建築發[2006]171號)). According to this circular, foreign investment in property market must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China which is not for their own residential use shall follow the principle of commercial existence and apply for the establishment of foreign-invested enterprises under the regulations of foreign investment in property. Foreign institutions and individuals can only carry on their business pursuant to the approved business scope after obtaining the approvals from relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested real estate development enterprise exceeds or equals US$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US$10 million, the amount of the registered capital shall follow the existing regulations.

(c) The commerce authorities and the department of administration of industry and commerce are, respectively, in charge of granting approval for establishing and effecting the registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying off the land grant premium, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive a formal approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprises in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares of foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign investors should submit: (i) the letter of guarantee for the performance of the state-owned land use rights grant contracts, the construction land planning permit and the construction work planning permit; (ii) the land use right certificate; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(e) When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in sino-foreign equity joint ventures, foreign investors should make proper arrangement for the employees, settle the bank loans and pay the consideration in one single payment with its internal fund. Foreign investors with irregular track records shall not be allowed to conduct any of the aforementioned activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in the Real Estate Sector in the PRC" (Shang Zi Han [2007] No. 50) ("Circular No. 50") (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》(商資函[2007]第50號)), which stipulates the following requirements for the approval and supervision of foreign investment in property sector:

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

(ii) before obtaining approval for the establishment of a foreign-invested property development enterprise, (a) both the land use rights certificates and housing ownership right certificates should have been obtained, or (b) contracts for obtaining land use rights or housing ownership rights should be entered into;

(iii) entities which have been set up with foreign investment need to obtain approvals before they expand their business operations into property development, and entities which have been set up for property development operations need to obtain new approvals in order to expand their property business operations;

(iv) acquisitions of domestic property entities and foreign investment in the property sector by way of "round-trip" investment (返程投資) should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons of the domestic property entities;

(v) parties to foreign-invested property enterprises should not in any way guarantee a fixed investment return;

(vi) the approval of the establishment of a foreign-invested property enterprises shall be filed with MOFCOM;

(vii) foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM or fail to pass the annual reviews; and

(viii) for those foreign-invested property enterprises which are irregularly approved by local authorities for their establishment, (a) MOFCOM should carry out investigation and order punishment and corrections, and (b) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On July 10, 2007, the General Affairs Department of SAFE issued "Notice No. 130". Notice No. 130 restricts the ability of foreign-invested property companies to raise funds offshore for the purposes of injecting such funds into the companies either through a capital increase or by way of shareholder loans. Notice No. 130 provides, among other things, that:

(A) the local foreign exchange authorities will no longer process foreign debt registrations or applications for settlement of foreign debt submitted by foreign-invested real estate enterprises that obtained authorization certificates from and were registered with MOFCOM on or after June 1, 2007; and

(B) the local foreign exchange authorities will no longer process foreign exchange registrations (or any change of such registrations) or foreign exchange settlements regarding capital submitted by foreign-invested real estate enterprises that obtained approval certificates from local government commerce departments on or after June 1, 2007 but that have not registered with MOFCOM.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the "Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector" (Shang Zi Han [2008] No. 23) ("Notice No. 23") (《關於做好外商投資房地產業備案工作的通知》(商資函[2008]第23號)). According to Notice No. 23, when a foreign-invested real estate enterprise is established, increases its registered capital, transfers its shares, merges with or acquires another enterprise, the provincial level MOFCOM is required to verify all documents regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved property project.

On August 29, 2008, SAFE issued the "Circular on the Relevant Operating Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises" (Hui Zong Fa [2008] No. 142) ("Circular No. 142") (《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》(匯綜發[2008]142號)). Pursuant to Circular No. 142, Renminbi funds derived from the settlement of foreign exchange capital of a foreign-invested enterprise must be used within the business scope of the enterprise as approved by the relevant examination and approval department and cannot be used for domestic equity investment unless otherwise provided for by other regulations.

Under the Guidance Catalog, foreign-invested real estate enterprises are restricted from developing whole land lots and constructing and operating high-end hotels, villas, premium office buildings, international conference centers, golf courses or large theme parks in China. According to the "Interim Provisions on Approving Foreign-Invested Projects" (Order of NDRC No. 22) (《外商投資項目核准暫行管理辦法》(國家發改委令第22號)) promulgated by NDRC in October 2004, local authorities may examine and approve (i) foreign-invested projects with a total investment amount less than US$100 million within the category of encouraged or permitted foreign investments and (ii) foreign-invested projects with a total investment amount less than US$50 million within the category of foreign investments subject to restrictions. Approval from the NDRC is required for foreign-invested projects with a total investment amount of US$100 million or more within the category of encouraged or permitted foreign investments and those with a total investment amount of US$50 million or more within the category of foreign investments subject to restrictions. Further, besides examination by NDRC, approval from the State Council is required for foreign-invested projects with total investment amount of US$500 million or more within the category of encouraged or permitted foreign investments and those with a total investment amount of US$100 million or more within the category of foreign investments subject to restrictions. In July 2008, the NDRC issued the "Notice on Further Reinforcing and Regulating the Administration of Foreign-Invested Projects" (Fa Gai Wai Zi [2008] No. 1773) (《關於進一步加強和規範外商投資項目管理的通知》(發改外資[2008]1773號)) which requires that any capital increase and reinvestment in projects by foreign-invested enterprises should obtain approval from the NDRC or its local counterpart. On July 16, 2004, the State Council issued the "Decision of the State Council on Reforming the Investment System" (Guo Fa [2004] No. 20) (the "Decision on Reforming") (《國務院關於投資體制改革的決定》(國發[2004]20號)). According to the Decision on Reforming, as to foreign-invested projects, encouraged or permitted projects with a total investment amount (including increased capital) of US$100 million or above and restricted projects with a total investment amount (including increased capital) of US$50 million or above as prescribed in the Guidance Catalog are subject to the approval of NDRC. Issues in relation to the establishment and alteration of foreign-invested enterprises involving the administration of quotas or licenses are subject to the examination and approval by MOFCOM, where the total investment exceeds State-prescribed quotas and investment is restricted. Material changes (including increases and decreases in capital, transfers of shares and mergers) as prescribed by the contract and/or articles of association of a large foreign-invested project and laws are also subject to examination and approval by MOFCOM. All other foreign-invested projects are subject to the examination and approval of local governments in accordance with relevant regulations.

On April 6, 2010, the State Council released the "Several Opinions of the State Council on Further Doing a Good Job in the Utilization of Foreign Investment" (Guo Fa [2010] No. 9) (《國務院關於進一步做好利用外資工作的若干意見》(國發[2010]第9號)), under which, foreign-invested projects with a total investment amount (including increased registered capital) less than US$300 million within the category of encouraged or permitted foreign investment, other than the projects required by the Category of Investment Projects Examined and Approved by the Government《政府核准的投資專案目錄》to be examined and approved by relevant departments under the State Council, are subject to examination and approval by relevant local authorities. Except for approvals from the relevant departments under the State Council that are explicitly required by laws and regulations, departments may shift the authority over approvals to relevant local authority.

On May 4, 2010, the NDRC issued the "Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects" (Fa Gai Wai Zi [2010 No. 914]) (《關於做好外商投資項目下放核准許可權工作的通知》(發改外資[2010]914號)). According to this circular, foreign-invested projects with a total investment amount less than US$300 million within the category of encouraged or permitted foreign investment, which was examined and approved by NDRC formerly, except for the projects required by the Category of Investment Projects Examined and Approved by the Government to be examined and approved by relevant departments under the State Council are subject to examination and approval by the provincial development and reform committee. But the authority of approving the projects within the category of foreign investment subject to restriction is not delegated and special regulations in respect to the approving of projects stipulated in other laws and regulations or State Council documents must be complied with.

On June 10, 2010, MOFCOM issued the "Circular of the Ministry of Commerce on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment" (Shang Zi Han [2010] No. 209) (《關於下放外商投資審批許可權有關問題的通知》(商資發[2010]209號). According to this circular, commercial departments of provinces, autonomous regions, municipalities directly under the central government, cities specifically designated in the state plan, and Xinjiang Production Construction Corps and sub-provincial cities (including Harbin, Changchun, Shenyang, Jinan, Nanjing, Hangzhou, Guangzhou, Wuhan, Chengdu, and Xi'an) and Economic and Technology Development District at the national level are in charge of the examination and approval and management of the issues relating to establishment and changes in foreign-invested enterprises, which falls within the category of encouraged or permitted investment with a total investment amount less than US$300 million or restricted investment with a total investment amount less than US$50 million as prescribed in the Guidance Catalog. Issues relating to increases of capital where the increment is less than the State-prescribed quotas are subject to the examination, approval and management of the local authority.

C. Qualifications of a property developer

(a) Classifications and assessment of a real estate development enterprise's qualification

Under the "Provisions on Administration of Qualifications of Real Estate Developers" (the "Provisions on Administration of Qualifications") (Order of the Ministry of Construction No. 77) (《房地產開發企業資質管理規定》(建設部令第77號)) promulgated by the Ministry of Construction in March 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of property without a qualification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Developers with class 1 qualifications shall be subject to preliminary examination and approval by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A property developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible property developer within 30 days from receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business condition of the enterprise. The property developer shall apply for a verification qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

(b) Business scope of a property developer

Under the Provisions on Administration of Qualifications, a property developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of a property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

(c) Annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

D. Development of a property project

(a) Land for property development

Under the "Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Land in Urban Areas" (Order of the State Council [1990] No. 55) (the "Interim Regulations on Grant and Transfer") (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》(國務院令1990年55號)) promulgated and enforced by the State Council on May 19, 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user for the grant of the land use rights. The land user shall pay the land use right premium as provided for by the land grant contract. After payment in full of the land use right premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant, except for land use rights which may be obtained through allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the "Regulations on the Grant of State-owned Land Use Rights through Tender, Auction and Listing-for-sale" (Order of MSLR No. 11) (《招標拍賣掛牌出讓國有土地使用權規定》(國土資源部令第11號))" issued by MSLR on May 9, 2002 and enforced on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development is assigned by way of tender, auction and listing-for-sale. The procedures are as follows:

(i) The Grantor shall make an announcement at least 20 days prior to the date of the proposed tender, auction or listing-for-sale. The announcement should include basic particulars such as land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

(ii) The Grantor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend tender, auction or listing-for-sale.

(iii) After determining the winning tender or the winning bidder by either tender, auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a letter of confirmation. The assignor should return the bidding or tender deposits to other bidding or auction applicants.

(iv) The Grantor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land use right grant premium for the grant of the state-owned land use rights.

(v) The winning tender or winning bidder should apply for registration after paying off the land grant premium in accordance with the state-owned land use rights grant contract. The people's government above the city and county level should issue the land use right certificate.

On December 30, 2007, the MSLR issued the "Measures for Land Registration" (Guo Tu Zi Fa [2003] No. 356) (《土地登記辦法》(國土資發[2003]356號)) which specifies detailed provisions relating to the procedure of the land registration and materials required for such registration.

According to the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (Fuo Tu Zi Fa [2003] No. 356) (《關於加強土地供應管理促進房地產市場持續健康發展的通知》(國土資發[2003]356號)) issued by MSLR on September 4, 2003, land use for luxurious commodity houses shall be stringently controlled and applications for land used for building villas will not be accepted. On May 30, 2006, MSLR issued the "Urgent Notice of Further Strengthening the Administration of the Land" (Guo Tu Zi Dian Fa [2006] No. 17) (the "Urgent Notice") (《關於當前進一步從嚴土地管理的緊急通知》(國土資電發[2006]17號)) stipulating that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale, development projects for villas should not be permitted, and all supply of land for such purposes and the handling of related land use procedure will be ceased from the issuance date of the notice.

Under the Urgent Notice, the land authority should rigidly execute the "Model Text of the State-owned Land Use Rights Grant Contract" (《國有土地使用權出讓合同示範文本》) and "Model Text of the State-owned Land Use Rights Grant Supplementary Agreement (for Trial

Implementation)" (《國有土地使用權出讓合同補充協議示範文本(試行)》) jointly enacted by the MSLR and the SAIC. The documents of the land grant should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land grant contract. On May 30, 2008, MSLR and SAIC jointly issued the "Notice regarding Distribution of the Model Text for Grant of State-owned Land for Construction Use Rights Contract") (《關於發佈《國有建設用地使用權出讓合同》示範文本的通知》). The Notice replaces the previous model text with the model text for contracts contained in the Notice.

Under the "Regulations on the grant of State-owned Land for Construction Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (Order of MSLR [2007] No. 39) 《招標拍賣掛牌出讓國有建設用地使用權規定》(國土資源部令[2007]第39號)) enacted by MSLR on September 28, 2007, and effective on November 1, 2007, land for industrial use (excluding land for warehouses, but not including land for mining), commercial use, tourism, entertainment and commodity housing development or more than two competing uses on one parcel of land shall be assigned by way of competitive bidding, public auction or listing-for-sale. The assignee should obtain the land use rights certificate after paying off the total land use right grant premium. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land use right grant premium, and no land use rights certificates will be issued pro rata based on partial payment received.

In November 2009, MSLR issued the "Circular on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement)" and the "Catalogue for Prohibited Land Use Projects (2006 Version Supplement)" (Guo Tu Zi Fa [2009] No. 154) (《關於印發〈限制用地項目目錄(2006年本增補本)〉和〈禁止用地項目目錄(2006年本增補本)〉的通知》(國土資發[2009]154號)), as a supplement to its 2006 version. In this circular, MSLR set forth a ceiling for the land granted by local governments for the development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In November 2009, the Ministry of Finance, MSLR, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (Cai Zong [2009] No. 74) (《關於進一步加強土地出讓收支管理的通知》(財綜[2009]第74號)). The notice raises the minimum down payment on land use right grant premiums to 50% of the total premium and requires the land use right grant premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, MSLR promulgated the "Circular on Strengthening Real Estate Land Supply and Supervision" (Guo Tu Zi Fa [2010] No. 34) (《關於加強房地產用地供應和監管有關問題的通知》(國土資發[2010]34號)). Under this circular, the price for a given land granted is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit is required to be equal to at least 20% of the applicable minimum land grant premium. This circular has made further strict provisions on land grant contract administration. The land grant contract shall be executed into within 10 working days after the land grant deal being closed, the down payment of 50% of the land use right grant premium shall be paid within one month as of the date of land grant contract, and the remaining fee shall be paid in accordance with provisions of the land grant contract within one year.

On September 21, 2010, MSLR issued Circular 151, according to which parcels of land may only be granted with applicable planning and construction conditions and land use standards; additionally, Circular 151 prohibits the granting of (i) two or more parcels of land as a bundle or (ii) "undeveloped land". Additionally, after land is granted, Circular 151 prohibits companies and individuals from changing the planning and construction conditions without due authorization. In addition, bidders must submit a letter of commitment stating that the bid security is not from any bank loan, shareholders' borrowing, on-lending or raised funds, and the credit certificate issued by commercial financial institutions. Further, land authorities must prohibit real estate developers and their controlling shareholders that have engaged in criminal behavior such as obtaining land use rights though forgery, or that have been involved in illegal activities such as illegally transferring land use rights, or that have held idle land for more than one year due to their own fault, or that has used land in breach of the relevant land grant contract, from participating in land bidding processes until all such incidents have been investigated, punished and rectified.

According to the "Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land Use Regulatory Policies and the Healthy Development of Land Market" (Guo Tu Zi Fa [2010] No. 204) (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》(國土資發[2010]204號)) promulgated by MSLR on December 19, 2010, (i) for the lands granted through biding, auctions and listing-for-sale process, if the premium rate is more than 50%, or the total amount of price or the price per unit has made a new record, the government of the cities and counties shall submit a compendium of abnormal transaction of real estate land to the MSLR and the land resources department of the local government; and (ii) if a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contracts or relevant laws or regulations, the developer will be disqualified from obtaining land through the bidding process.

On January 26, 2011, the General Office of the State Council issued the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (《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》(國辦發[2011]1號)), under which the supply of lands for government-subsidized housing, housing required for transformation of shanty towns and medium and small size ordinary commercial housing is no less than 70% of the total supply of land.

On February 5, 2011, MSLR issued the "Circular on the Issues of the Management and Control of Land Supply for Urban Residential Properties" (Guo Tu Zi Fa [2011] No. 2) (《國土資源部關於切實做好2011年城市住房用地管理和調控重點工作的通知》(國土資發[2011]2號)), according to which the grant of two or more parcels of land as a bundle, the "undeveloped land" and the land for residential properties of which the plot ratio is less than 1, as well as the transfer of land and property development projects where the amount of property development investment (excluding the land use right grant premium) incurred is less than 25% of the total investment amount in respect of the project are prohibited.

(b) Property project development

i. Commencement of property projects and idle land

Under the Urban Real Estate Law, those who have obtained the land use rights must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights assignment contract. According to the "Measures on Disposing Idle Land" (Order of the MSLR [1999] No. 5) (《閒置土地處置辦法》(國土資源部令[1999]第5號)) enacted and enforced by MSLR on April 28, 1999, land can be determined as idle land under any of the following circumstances:

(A) where development and construction of the land has not commenced within the prescribed time limit right without consent from the people's government who approved the use of the land;

(B) where the "Contract on Paid Use of the Right to Use State-owned Land" (國有土地有償使用合同) or the "Approval Letter on Land Used for Construction" (建設用地批准書) has not prescribed the date for commencing the development and construction, the development and construction of the land has not commenced with one year of the date when the "Contract on Paid Use of the Right to Use State-owned Land" (國有土地有償使用合同) became effective or when the administrative department of land issued the "Approval Letter on Land Used for Construction" (建設用地批准証書);

(C) where the development and construction of the land has commenced but the area developed and constructed is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval; or

(D) other circumstances prescribed by laws and regulations.

After a parcel of land has been determined to be idle land, the relevant municipal authority will notify the concerned land user and draft a proposal on methods of disposing of the idle land, including, but not limited to, extending the time period for development and construction (provided that the extension period shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining a new land user through tender or auction. The administrative department of land under the people's government of city or county level shall, after the proposal on disposal has been approved by the original people's government who approved the use of the land, arrange for implementation of the proposal. For land which is obtained by grant and which is within the scope of city planning, if the work has not commenced after one year from the prescribed date for commencement, an idle land fee on idle land equivalent to a maximum of 20% of the land use right grant premium may be levied; if the work has not been commenced after two years from the prescribed date for commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure, acts of government or acts of other relevant departments under the government, or by the indispensable preliminary work.

On January 3, 2008, the State Council reiterated the above-mentioned policies in the "Notice on Enhancing the Economical and Intensive Use of Land" (Guo Fa [2008] No. 3) (《關於促進節約用地的通知》(國發[2008]3號)). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) MSLR and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land added price (增值地價) on idle land.

ii. Planning of property projects

According to the "Urban and Rural Planning Law of the People's Republic of China" (replacing the previous "City Planning Law of the People's Republic of China" (《中華人民共和國城市規劃法》) since January 2008) (《中華人民共和國城鄉規劃法》), the "Administrative Measures on Planning of Grant and Transfer of Urban State-owned Land Use Rights" (Order of the Ministry of Construction No. 22) (《城市國有土地使用權出讓轉讓規劃管理辦法》(建設部令第22號)) enacted by the Ministry of Construction on December 4, 1992 and enforced on January 1, 1993 and the "Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant of State-owned Land Use Rights" (Jian Gui [2002] No. 270) (《關於加強國有土地使用權出讓規劃管理工作的通知》(建規[2000]270號)) enacted and enforced by the Ministry of Construction on December 26, 2002, after signing an land grant contract, a property developer shall apply for an Opinion on Construction Project's Site Selection (選址意見書) if the land was obtained through government allocation and a permit for construction site planning from the city and county planning authority with the assignment contract. After obtaining a permit for construction site planning a property developer shall organize the necessary planning and the design work with regard to planning and design requirements, and apply for a permit for construction site planning from city planning authority with the relevant approval documents.

iii. Construction of property projects

On November 17, 2007, the General Office of the State Council issued the "Circular of on Strengthening and Regulating the Administration on Newly-commenced Projects" (Guo Ban Fa [2007] No. 64) (《國務院辦公廳關於加強和規範新開工項目管理的通知》(國辦發[2000]64號)), which set forth the conditions that shall be met by various investment projects when they are commenced as follows:

1. the projects shall be subject to the industrial policies, development and construction plans, land supply policies and market-access criteria of the PRC.

2. the formalities of approval, ratification or filing of the projects must have been completed.

3. the location and distribution of the projects within the planning area must be in line with the urban and rural planning, and relevant planning approval formalities for the projects have gone through in accordance with urban and rural planning law.

4. the approval of use of the land, which is subject to application, must be obtained, the contract of compensated use of the state-owned land shall have been signed or the decision on the allocation of the state-owned land has been obtained, and the land for the construction of profit-making investment projects shall be gained by means of biddings auctions or listing-for-sale in accordance with relevant provisions.

5. the examination and approval of environmental impact assessment must have been completed in accordance with the provisions on the category administration of environmental impact assessment as well as examinations and approval of environmental impact assessment at different levels.

6. the energy-saving appraisal and examination of the fixed asset investment projects must have been completed in accordance with relevant provisions.

7. the construction unit must have, prior to the commencement of the construction projects, acquired the construction permit or work-start report in accordance with relevant provisions of the Construction Law, and taken specific measures which can guarantee the quality and safety of the construction projects.

8. the projects must meet other relevant requirements as specified by the laws and regulations of the State.

After obtaining the "construction work planning permit", a property developer shall apply for a construction permit from the construction authority above the county level according to the "Measures for the Administration of Construction Permits for Construction Projects" (《建築工程施工許可管理辦法》) enacted by the Ministry of Construction on October 15, 1999 and revised and enforced on July 4, 2001.

Circular 151 prohibits companies or individuals from changing the planning and construction conditions without due authorization after a land grant. If property developers apply for a change of land planning and construction conditions do not commence construction on schedule, land authorities shall take back the land and re-grant the land use right. Pursuant to this circular, construction of all residential projects shall commence within one year from the land delivery date specified in the relevant land allocation decisions or the land grant contracts, and shall be completed within three years from the commencement date of the project.

Under the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (《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》(國辦發[2011]1號)), if a property developer fails to obtain the relevant construction permits and fails to commence construction within two years from the designation of land for property development, the relevant land use rights granted would be forfeited and an idle land penalty would be imposed; also, transfer of land and property development projects is prohibited if the amount of property development investment incurred (excluding the land use right grant premium) is less than 25% of the total investment amount in respect of the project.

Under the Interim Measures on the Assessment and Examination of Energy Conservation of Investment in the Fixed Assets (NDRC Order No. 6) (《固定資產投資項目節能評估和審查暫行辦法》(國家發展和改革委員會令第6號), the documents relating to and examination opinions on the energy conservation assessment, and the filing form and the opinions of authorities in charge of registration and filing thereof, are important to the examination and approval of the project, the prerequisite conditions for commencement of the construction, the designation, working process and completion examination of the project. If projects have not passed any necessary energy conservation examinations, approvals from competent authorities must not be obtained and property developers are prohibited from commencing construction of the project, and projects finished is prohibited from being put into use.

On March 5, 2011, the State Council issued the Regulation on Land Reclamation (Order of the State Council No. 592) (《土地複墾條例》(國務院令第592號)), according to which:

1. for the land destroyed by production and construction, the production and construction entities or individuals (hereinafter referred to as the "obligors of land reclamation") shall be responsible for the reclamation in accordance with the principle of "he who destroys must reclaim";
2. the obligors of land reclamation shall draw up reclamation plans according to the reclamation standards and regulations stipulated by the land and resources department of the State Council;
3. the obligors of land reclamation fail to draw up a reclamation plans or the reclamation plans fail to meet the requirement, the competent government shall not approve the supply for the construction land;
4. for the land used by other entitles and individuals or collective lands, except for reclamation, the obligors of land reclamation shall pay compensation to the entities and individuals suffering losses;
5. in the case that the obligors of land reclamation fail to fulfill the reclamation obligation, the competent government shall not approve the supply for new construction land.

iv. Completion of a property projects

According to the Development Regulation, the "Regulation on the Quality Management of Construction Projects" (Order of the State Council [2000] No. 279) (《建設工程質量管理條例》(國務院令[2000]279號)) enacted and enforced by the State Council on January 30, 2000, the "Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the "Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (Jian Jian [2000] No. 142) (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》(建建[2000]142號)) enacted and enforced by the Ministry of Construction on June 30, 2000, after completion of work for a project, a property developer shall apply for the acceptance examination to the property development authority under the on or above people's government the county level and report details of the acceptance examination, upon which the certificate of completion is issued. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

E. Property transactions

(a) Transfer of property

According to the Urban Real Estate Law and the "Provisions on Administration of Transfer of Urban Real Estate" (《城市房地產轉讓管理規定》) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, grant or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by way of grant, the real property may only be transferred on the condition that: (i) the land use right grant premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use rights certificate has been obtained; and (ii) if development is to be carried out according to the land grant contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed or in case of a whole land lot development project, construction work has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes. In addition, if the construction of the real property has been completed, the real property should be transferred after the certificate of the housing title is obtained.

If the land use rights were originally obtained by way of grant, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original land use right grant contract, consent shall first be obtained from the original Grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights grant contract or a new land use rights assignment contract shall be signed in order to, *inter alia*, adjust the land use rights grant premium price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people's goverment vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for grant of the land use rights, unless the relevant statutes require no transfer formalities, and pay the land use right grant premium according to the relevant statutes.

(b) Sale of commodity properties

Under the "Regulatory Measures on the Sale of Commodity Properties" (Order of the Ministry of Construction No. 88) (《商品房銷售管理辦法》(建設部令第88號)) enacted by the Ministry of Construction on April 4, 2001 and effective June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. Permit of pre-sale of commodity properties

According to the Development Regulations and the "Pre-sale Measures enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004, respectively, the pre sale of commodity properties shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre sale registration with the property development authority of the relevant city or county to obtain a permit of pre sale of commodity properties. A commodity building may only be sold before completion provided that: (A) the land use right grant premium has been paid in full for the grant of the concerned land use rights and a land use rights certificate has been issued; (B) a permit for construction work planning and a construction permit have been obtained; (C) the funds calculated by the commodity properties for pre-sale invested in the development and construction represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (D) the pre- sale has been registered and a pre-sale permit of commodity properties has been obtained. In addition, regulations of certain local governments, such as Guangdong and Tianjin, have set forth additional conditions to be satisfied in connection with the application for a pre-completion sale permit.

According to the "Regulations on Administration of Pre Sale of Commodity Properties of Guangdong Province" (《廣東省商品房預售管理條例》) enacted by the Standing Committee of Guangdong Provincial People's Congress on August 22, 1998 and revised on October 14, 2000, and the "Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province" (《關於調整我省商品房預售項目工程形象進度條件的通知》) issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions must be fulfilled in connection with the pre sale of commodity properties in Guangdong: (A) the property developer has obtained a real property development qualification certificate and a business license; (B) the construction quality and safety monitoring procedures have been performed; (C) the structural construction and the topping-out must have been completed in respect of properties of seven or fewer stories, and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (D) a special property pre sale account with a commercial bank in the place where the project is located has been opened; and (E) the properties, pre sale project and its land use rights are free from any third party rights. According to the "Regulation on Administration of Commodity Properties of Tianjin City" (《天津商品房管理條例》) enforced on December 1, 2002, the following conditions must be satisfied in connection with the application for a pre sale permit for commodity properties (a) the property developer has obtained a competent qualification certificate and a business license; (b) the land use rights have been obtained legally; (c) authorized investment plan for the construction of the commodity properties, construction works planning permits and construction permits have been obtained; (d) the fees for the infrastructural facilities have been paid; (e) the property service plan or the preparation stage property services contract has been obtained and filed with the relevant authorities; (f) the development and the construction of the commodity properties meet the requirement of the image for commodity building as required by the municipal government; (g) the construction progress plan and completion date have been specified; and (h) the plan for the sale of the commodity properties has completed.

ii. Management of pre sale proceeds of commodity properties

According to the Pre Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administration departments.

iii. Conditions of the sale of post-completion commodity properties

Under the "Regulatory Measures on the Sale of Commodity Properties" (Order of the Ministry of Construction No. 88) (《商品房銷售管理辦法》(建設部令第88號)), commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (A) the real estate development enterprise offering to sell the post-completion properties shall have an enterprise legal person business license and a qualification certificate of a property developer; (B) the enterprise has obtained a land use rights certificate or other approval documents of land use; (C) the enterprise has the permit for construction project planning and the permit for construction; (D) the commodity properties have been completed and been inspected and accepted as qualified; (E) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc., have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (G) the property management plan has been enacted.

Before the post-completion sale of a commodity building, a property developer must submit the Real Estate Development Project Manual (房地產開發項目手冊) and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority to complete the formality of filling.

iv. Regulations on sale of commodity properties

According to the Development Regulations and the Pre Sale Measures, for the pre sale of a commodity property, the developer shall sign a contract for the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and recording of the contract for pre sale of commodity property to the relevant administrative departments governing the property and the land administration department of the city or county governments. The property administration departments are supposed to take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices" (Guo Ban Fa [2005] No. 26) (《國務院辦公廳轉發建設部與關於做好穩定住房價格工作意見的通知》(國辦發[2005]26號)) promulgated May 9, 2005, there are several regulations concerning sales of commodity properties:

- The advance buyer is prohibited from conducting any transfer of such commodity property offered for pre-sale or under construction. Before completion and delivery of an advance sale commodity property to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If the name of the applicant for property ownership is inconsistent with the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not accept the application of real estate ownership.

- A real-name system for house purchases should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts for commodity properties.

On July 6, 2006, the Ministry of Construction, the NDRC and the SAIC jointly enacted the "Notice on Reorganizing and Regulating Order in the Real Estate Transactions" (Jian Zhu Fang [2006] No. 166) (《關於進一步整頓規範房地產交易秩序的通知》(建住房[2006]166號)), the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving a "pre-sale permit". Without this permit, the pre-completion sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is forbidden.

- The property administration authority should establish an immediate network system for pre-sale contracts for commodity properties and a system for the publication of property transaction information. The basic information of the commodity properties, the schedule of the sale and the ownership status should be duly, truly and fully published in the network system and on the locale of sale. The advance buyer of a commodity properties is prohibited from conducting any transfer of the advance sale of the commodity properties that he has bought but is still under construction.

- Without the "per-sale permit", no advertisement of the pre-completion sale of commodity properties can be published.

- Real estate enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre sale of commodity properties are not allowed to take part in sale activities.

- The property administration authority should strictly carry out the regulations for the pre-completion sale contract registration and apply the real name system for property purchase.

On April 20, 2010, the Ministry of Housing and Urban-Rural Development issued the "Notice on Issues Relating to the Further Strengthening of Real Estate Market Regulation and Improvement of the Pre-selling System for Commodity Housing" (Jian Zhu [2010] No. 53) (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》(建房[2010]53號)), which stipulates: (i) a property developer should disclose, within 10 days of the receipt of a pre-sale permit, all the properties approved for pre-sale and the price of each unit, and should sell the properties at prices which are the same as the prices submitted in the pre-sale proposal; and (ii) the plan for pre sale of commodity properties submitted by the property developer with provisional qualification certificate when applying for the " pre-sale permit" should identify a body bearing all responsibilities relating to the qualification of the commodity property after the bankruptcy, and such body should submit a letter of guarantee.

On March 16, 2011, the NDRC issued the "Circular on Promulgating the Rules on Sales of Commercial Houses at Clearly Marked Prices" (Fa Gai Jia Ge [2011] No. 548) (《關於發佈<商品房銷售明碼標價規定>的通知》(發改價格[2011]548號)). According to this circular, the seller of the commodity property is required to make known to the public the price and relevant fees relating to the commodity property and other factors affecting the price thereof. The price of each unit of a commodity property must be marked explicitly. After the permit of pre sale of commodity properties is obtained or the filling for sale of the completed commodity properties has been completed, the seller thereof shall make know to the public all the commodity properties available for sale at one time and each unit of the commodity property shall be sold at the price registered. The seller is also required to mark out the commodity properties sold and if the price thereof is also marked, it shall be the actual price.

(c) Mortgages of property

Under the Urban Real Estate Law and the "The Security Law of the People's Republic of China" (《中華人民共和國擔保法》) enacted by the Standing Committee of the National People's Congress on June 30, 1995 and enforced on October 1, 1995, and the "Measures on the Administration of Mortgage of Buildings in Urban Areas" (《城市房地產抵押管理辦法》) enacted by the Ministry of Construction in May 1997 and revised on August 15, 2001, "mortgage" refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor's rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds of the auction or sale of the concerned properties. The creditor's rights that the mortgagor has mortgaged must not exceed the value of the properties mortgaged. After being mortgaged, the amount of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of state-owned lands acquired through the way of grant is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed must register the mortgage with the competent property administration authority. A real estate mortgage contract shall become effective on the date of conclusion of the real estate mortgage contract. If a mortgage is created on the real estate in respect of which a property ownership certificate has been legally obtained, the registration authority shall make an entry under the "third party rights" item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate (房屋他項權證) to the mortgagee. If a mortgage is created on the commodity properties put to pre-completion sale or under construction, the registration authority shall record the details of the commodity property put to pre-sale or under construction on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

(d) Lease of buildings

On December 1, 2010, "Administrative Measures for Commodity Housing Tenancy" (Order of the Ministry of Housing and Urban-Rural Development No. 6) (《商品房屋租賃管理辦法》(中華人民共和國住房和城鄉建設部令第6號)) were issued by Ministry of Housing and Urban-Rural Development, according to which, the parties to a housing tenancy must register the housing tenancy with the competent departments of the municipality directly under the central government, cities and counties where the tenancy is located within 30 days after the contract is signed.

F. Property Financing

The PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" (Yin Fa [2003] No. 121) (《關於進一步加強房地產信貸業務管理的通知》(銀發[2003]121號)) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

(a) the property loan by commercial banks to real estate enterprises shall be granted only under the title of "property development loan" and it is strictly forbidden to extend such loans as current capital loan for a property development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the land use rights certificates, construction land planning permit, construction works planning permit and work commencement permit;

(b) commercial banks shall not grant loans to property developers to pay off land use right grant premium;

(c) commercial banks shall not advance current capital loans to property developers; commercial banks shall not advance loans to property developers of which capital is less than 30% of the total investment of the project; and

(d) commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains at 20%. In respect of his loan application for the additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the "Guidance on Risk Management of Property Loans of Commercial Banks" (《商業銀行房地產貸款風險管理指引》) issued by CBRC on September 2, 2004, any property developer applying for property development loans shall have at least 35% of the capital funds required for the development.

According to the "Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit" (Yin Fa [2005] No. 61) (《中國人民銀行關於調整商業銀行住房信貸政策和超額儲備金存款利率的通知》(銀髮[2005]61號)) enacted by the PBOC on March 16, 2005, effective on March 17, 2005, the down payment for individual homes increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council passed the "Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices" (Guo Ban Fa [2006] No. 37) (《關於調整住房供應結構穩定住房價格的意見》(國辦發[2006]37號)). The regulations provide the following:

(a) The tightening of the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and revolving credit facilities in any form to the property developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer.

(b) From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20% of the purchase price as down payment remains unchanged.

On July 22, 2006, the CBRC promulgated the "Notice on Further Strengthening the Administration of Real Estate Credit" (《關於進一步加強房地產信貸管理的通知》). The notice requests (i) improving the credit risk classification system for all kinds of real estate loans; (ii) prohibiting providing loans to disqualified real estate developers whose own capital is less than 35% of the total capital required for the projects (not including affordable housing), or who have not obtained the "four certificates"; (iii) setting the loan term appropriately, and not allowing the provision of working capital loans in the name of real estate development loans; (iv) strictly restricting new loans for those developers who hoard land or housing and disturb market order; (v) preventing developers from obtaining loans by project split-up or rolling-ahead development strategies; and (vi) enhancing management after providing loans. All financial institutions must provide loans strictly in accordance with the real estate project progress and strengthen overall supervision of the whole process of loan utilization by developers. According to the Circular 171, foreign-invested real estate enterprises which have not paid up their registered capital fully, or failed to obtain a land use rights certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments will not approve any settlement of foreign loans by such enterprises.

On July 10, 2007, SAFE issued a circular indicating that, for foreign-invested enterprises in the property sector, it would not process any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after June 1, 2007. See "Regulation — B. Foreign-invested real estate enterprises".

On September 27, 2007, the PBOC and the CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property" (《關於加強商業性房地產信貸管理的通知》), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or more and the purchaser is buying the property for their own residence;
- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre- sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

On July 29, 2008, the PBOC and the CBRC issued the "Notice on Promoting Economization of Land Use in Finance" (Yin Fa [2008] No. 214) (《關於金融促進節約集約用地的通知》(銀發[2008]214號)), under which, commercial banks are prohibited from providing loans (i) for projects that fall within the Catalogue for Prohibited Land Use Project (and, if extended, any such loan must be withdrawn gradually); (ii) to property developers to finance the payment of land use rights grant premium; (iii) to property developers that hold idle land for two years and prohibited commercial banks from extending other loans (including asset management business) secured by such idle land to the property developers.

In addition, commercial banks are required to be prudent when extending loans for restricted land use projects and when extending loans to the property developers where the development and construction of the land has not commenced within the prescribed time in the land grant contract or where the development and construction of the land has commenced but the area of the development and construction that has commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment.

According to the notice on "Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans" (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》) issued by the PBOC on October 22, 2008 and effective on October 27, 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%.

In January 2010, the General Office of the State Council issued a "Circular on Facilitating the Stable and Healthy Development of Property Market" (Guo Ban Fa [2010] No. 4) (《關於促進

房地產市場平穩健康發展的通知》(國辦發[2010]4號)), adopting a series of measures to strengthen and improve the regulation of the property market, stabilize market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price. In April 2010, the State Council issued the "Circular on Restraining the Housing Price from Increasing Rapidly for Some Cities" (Guo Fa [2010] No. 10) (《關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)) which provides the following:

- a household (including the borrower, his or her spouse and any minor children) that borrows a mortgage loan for the purchase of its first residential property, of which the building area is more than 90 square meters, must make a down payment of not less than 30% of the purchase price;
- a household that borrows a mortgage loan for the purchase of its second residential property must make a down payment of not less than 50% of the purchase price and pay a mortgage rate which is not lower than 110% of the benchmark lending interest rate;
- the down payment proportion and mortgage rate applicable to the purchase of a household's third residential property or beyond shall be significantly increased at the sole discretion of the commercial banks according to their risk controlling principles;
- in regions where commodity housing prices are too high, have increased too rapidly or where commodity housing is in short supply, commercial banks may suspend the grant of mortgage loans to any third-time (or beyond) home buyers if they deem it appropriate according to the risks involved, and may suspend the grant of mortgage loans to any non-local home buyers who are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more. Local governments may, based on the circumstances, impose temporary restrictions during a certain period of time on the number of properties that can be purchased;
- commercial banks are prohibited from providing loans for new development projects to real estate developers who have been found to be leaving their land idle and speculating on land;

On September 29, 2010, the PBOC and the CBRC issued the "Notice on the Improvement of Diversified Residential Credit Policies" (Yin Fa [2010] No. 275) (《關於完善差別化住房信貸政策有關問題的通知》(銀發[2010]275號)). The notice provides that:

- commercial banks in the PRC must not extend loans for the purchase of third or subsequent residence or to non-local residents without proof of tax or social insurance payments for more than one year;
- the minimum down payment for a primary residence must be 30% or more of the purchase price;
- the minimum down payment for a second residence must not be less than 50% of the purchase price of the property and the loan interest rate must not be lower than 110% of the benchmark lending interest rate;
- all commercial banks in the PRC must strengthen the management of consumer credit to ensure it is not used for the purchase of housing properties;
- all commercial banks in the PRC must stop extending new real estate property loans, or extending existing loans, to real estate developers that hold idle land, that have changed the land use or land status, that have delayed the commencement date or completion date of construction, or that have delayed the launch of sales of property projects for speculative purposes.

According to the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (《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》(國辦發[2011]1號)), the minimum down payment for a second residence shall be no less than 60% of the purchase price.

G. Insurance of a property project

There are no mandatory provisions in PRC laws, regulations or government rules that require a property developer to have insurance policies for its property projects.

In light of the "Construction Law of the People's Republic of China" (《中華人民共和國建築法》) enacted by the Standing Committee of the National People's Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must maintain accident and casualty insurance for workers engaged in dangerous operations. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" (Jian Zhi [2003] No. 107) (《關於加強建築意外傷害保險工作的指導意見》(建質[2003]107號)) enacted by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance.

Construction companies shall pay the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

H. Major taxes applicable to property developers

(a) Income tax

According to the "Income Tax Law of The People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" (《中華人民共和國外商投資企業和外國企業所得稅法》) enacted by National People's Congress on April 9, 1991, and enforced on July 1, 1991 and its detailed rules enacted by the State Council on June 30, 1991, both of which have been replaced by the EIT law on March 16, 2007, the rate of enterprise income tax for foreign-invested enterprises and enterprise income tax for entities and premises engaged in production and operation by foreign enterprises in China is 30%, and the rate of local income tax is 3%.

Pursuant to the "Provisional Regulations of the People's Republic of China on Enterprise Income Tax" (《中華人民共和國企業所得稅暫行條例》) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and its Implementation Rules enacted by the Ministry of Finance on February 4, 1994, both of which have been replaced by the EIT law on March 16, 2007, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises is 33%.

According to the EIT law, a uniform income tax rate of 25% will be applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, unlike the Income Tax Law of the People's Republic of China for Enterprise with Foreign investment and Foreign Enterprise, which specifically exempts withholding tax on any dividends payable to non-PRC investors, EIT law and its implementation provide that an income tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside, whereupon the relevant tax may be reduced or exempted.

(b) Business tax

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" (Order of State Council No. 540) (《中華人民共和國營業稅暫行條例》(國務院令540號)) enacted by the State Council on December 13, 1993 and enforced on January 1, 1994 as amended on November 10, 2008 and its "Detailed Implementation Rules on the Provisional Regulations of

The People's Republic of China on Business Tax" (Order of Ministry of Finance No. 52) (《中華人民共和國營業稅暫行條例實施細則》(財政部令52號)) issued by the Ministry of Finance on December 25, 1993 and as amended on December 18, 2008, the tax rate on transfer of immovable properties, their superstructures and attachments is 5%.

(c) Land appreciation tax

According to the requirements of the Land Appreciation Provisional Regulations and the Land Appreciation Detailed Implementation Rules, any appreciation gained from taxpayer's transfer of property shall be subject to LAT. LAT is set at four different rates: 30% on appreciation not exceeding 50% of the sum of deductible items; 40% on appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on appreciation exceeding 200% of the sum of deductible items. The deductible items include but are not limited to the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the Land Appreciation Provisional Regulations, the Land Appreciation Detailed Implementation Rules and the "Notice in respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before January 1, 1994" (Cai Fa Zi [1995] No. 7) (《關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知》(財發字[1995]7號)) which was announced by the Ministry of Finance and State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- for ordinary standard residential properties (i.e. residential properties built in accordance with the local standard for general civilian residential properties and not deluxe apartments, villas, resorts etc. where the appreciation amount does not exceed 20% of the sum of deductible items;
- where property taken over and repossessed according to laws due to the construction requirements of the State;
- due to individuals who relocate as a result of redeployment of work or improvement of living standards from originally self-used residential property, but only where they have been living for five years or more, and after obtaining tax authorities' approval;
- for property transfer contracts which were signed before January 1, 1994, whenever the properties are transferred, LAT shall be exempted; and
- if the property development contracts (房地產開發合同) were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred for the first time within five years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. For particular property projects approved by the Government for the development of the entire piece of land and long-term development, if the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by the Ministry of Finance and the State Administration of Taxation, the tax-free period would be appropriately prolonged.

On December 24, 1999, the Ministry of Finance and the State Administration of Taxation issued the "Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy" (《關於土地增值稅優惠政策延期的通知》), extending the period for the LAT exemption policy as mentioned in the last bullet above to the end of 2000.

After the issuance of the Land Appreciation Provisional Regulations and the Land Appreciation Detailed Implementation Rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, the MSLR had separately and jointly issued several notices to restate the following: after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (Guo Shui Han [2002] No. 615) (《關於認真做好土地增值稅徵收管理工作的通知》(國稅函[2002]615號)) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, to improve the methods of pre-levying for the pre-sale of property. That notice also pointed out that the preferential policy of LAT exemption for first time transfer of properties under property development contracts signed before January 1, 1994 or project proposal that has been approved and for which capital was injected for development is expired, and that such tax shall be levied again.

The State Administration of Taxation issued the "Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax" (Guo Shui Han [2004] No. 938) (《關於加強土地增值稅管理工作的通知》(國稅函[2004]938號)) on August 2, 2004 and the "Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns" (Guo Shui Fa [2004] No. 100) (《關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》(國稅函[2004]100號)) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On March 2, 2006, the Ministry of Finance and State Administration of Taxation issued the "Notice of Certain Issues Regarding Land Appreciation Tax". (Cai Shui [2006] No. 21) (《關於土地增值稅若干問題的通知》(財稅[2006]21號)) The notice clarifies the relevant issues regarding LAT as follows:

(i) Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties

The notice sets out the recognized standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties and commercial properties, the value of land appreciation shall be assessed respectively. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people's government of the province, autonomous region or municipality directly under the central government.

(ii) Advance Collection and Settlement of LAT

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as at the day following the expiration of the prescribed advance collection period.
- As to any property project that has been completed and gone through the acceptance, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income generated from the transfer of property and the deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (Guo Shui Fa [2006] No. 187) (《關於房地產開發企業土地增值税清算管理有關問題的通知》) (國税發[2006]187號)) which came into effect on February 1, 2007. The notice sets out further provisions concerning the settlement of LAT by property developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled, etc. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

Pursuant to the notice described above, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incompleted development project; or (iii) the land- use rights with respect to the project is transferred directly. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (b) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (c) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The notice above also indicates that if a property developer satisfies any of the following criteria, the tax authorities will levy and collect LAT as per the levying rate no lower than the advance collection rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book as required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are disorganized or illegible, or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the "Rules on the Administration of the Settlement of Land Appreciation Tax" (Guo Shui Fa [2009] No. 91) (《土地增值税清算管理規程》(國税發[2009]91號)), which became effective on June 1, 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the rules. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On May 25, 2010, the State of Administration of Taxation issued the "Notice on Strengthening of Administration work with respect to the Collection of Land Appreciation Tax" (Guo Shui Fa [2010] No. 53) (《關於加強土地增值税徵管工作的通知》(國税發[2010]53號)) which specifies the advance collection rate of LAT in different regions in China. According to this circular, except for governmental-subsidized housing, the advance collection rate of LAT should not be less than 2% in provinces of China's eastern region, 1.5% in provinces of China's central and northeastern regions, and 1% in provinces of China's western region. The local government should apply the proper advance collection rate on the basis of the specific property category (regions should be divided in accordance with the relevant documents of the State Council).

(d) Deed tax

Pursuant to the "Interim Regulations of the People's Republic of China on Deed Tax" (Order of the State Council No. 224) (《中華人民共和國契稅暫行條例》(國務院令224號)) enacted by the State Council on July 7, 1997 and enforced on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3% to 5%. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record.

(e) Urban land use tax

Pursuant to the "Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns" (《中華人民共和國城鎮土地使用稅暫行條例》) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, the land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax as January 1, 2007 shall be between RMB0.6 and RMB30.0 per sq.m. for urban land, calculated according to the tax rate determined by local tax authorities.

(f) Buildings tax

Under the "Interim Regulations of the People's Republic of China on Buildings Tax" (Guo Fa [1986] No. 90) (《中華人民共和國房產稅暫行條例》(國發[1986]90號)) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986, buildings tax is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

Pursuant to the "Tentative Provisions on the Farmland Use Tax of the People's Republic of China" (Order of the State Council [2007] No. 511) (the "Provisions of Farmland Use Tax") (《中華人民共和國耕地佔用稅暫行條例》(國務院令[2007]511號)) enacted by the State Council on December 1, 2007, and the "Detailed Rules for the Implementation of the Tentative Regulations of the People's Republic on Farmland Use Taxes" (the "Detailed Rules of Farmland Use Taxes") (Order of the Ministry of Finance and the State Administration of Taxation [2008] No. 49) (《中華人民共和國耕地佔用稅暫行條例實施細則》(財政部、國家稅務總局[2008]49號)) enacted by the Ministry of Finance and the State Administration of Taxation on February 26, 2008, the farmland use tax is levied according to the actual area occupied by the taxpayer. The average tax rate for farmland use taxation in the various provinces, autonomous regions, and municipalities directly under the central government, shall be determined according to the average tax rate for farmland use set out in the Detailed Rules of Farmland Use Taxes (the average tax rate is RMB 40 yuan per sq.m in Beijing, RMB 35 yuan per sq.m in Tianjiin, RMB 30 yuan per sq.m in Zhejiang and Guandong, RMB 25 yuan per sq.m in Liaoning, and RMB 22.5 yuan per sq.m in Anhui) and the applicable tax rates for county-level administrative districts shall be determined according to the Provisions of Farmland Use Tax, the Detailed Rules of Farmland Use Taxes, and the rulings of the people's governments of the various provinces, autonomous regions, and municipalities directly under the central government.

(g) Stamp duty

Under the "Interim Regulations of the People's Republic of China on Stamp Duty" (Order of the State Council No. 11) (《中華人民共和國印花稅暫行條例》(國務院令第11號)) enacted by the State Council on August 6, 1988 and enforced on October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty is levied at RMB5 per item.

(h) Municipal maintenance tax

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the "Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens" (Guo Fa [2010] No. 35) (《國務院關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》(國發[2010]35號)) issued by the State Council, foreign-invested enterprises shall be subject to the urban maintenance tax as the domestic enterprises.

(i) Education surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" (《徵收教育費附加的暫行規定》) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas" (《國務院關於籌措農村學校辦學經費的通知》). Under the "Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens" (Guo Fa [2010] No. 35) (《國務院關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》(國發[2010]35號)) issued by the State Council, foreign-invested enterprises shall be subject to the education surcharge.

I. Measures on adjusting the structure of housing supply and stabilizing housing price

The General Office of the State Council enacted the "Circular on Stabilizing Housing Price" (Guo Ban Fa Dian [2005] No. 8) (《關於切實穩定住房價格的通知》) (國辦發電[2005]8號)) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market.

On May 9, 2005, the General Office of the State Council revised the "Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices", (Guo Ban Fa [2005] No. 26) (《建設部等部門關於做好穩定住房價格工作意見》(國辦發[2005]26號)) which provides:

(a) Intensifying the planning and control and improving the supply structure of houses

Where the housing price is growing excessively and where the supply of ordinary commodity houses in the medium or low price range, and economical houses are insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design, such as the height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of medium or small -sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to not be in compliance with the planning permits will be revoked.

(b) Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties grows too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium- or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing property construction is strictly restricted.

(c) Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax

From June 1, 2005, the business tax on transfer of a residential property by an individual within two years of the purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual who sells two years or more after the purchase is exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price. See "Regulation — J. Policies of business taxation on residential property".

(d) Rectifying and regulating for an orderly market

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the "Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices" (Guo Ban Fa [2006] No. 37) (《關於調整住房供應結構穩定住房價格的意見》(國辦發[2006]第37號)) of the Ministry of Construction and other relevant government authorities. The opinion provides the following:

(a) Adjusting the Housing Supply Structure

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.
- As at June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities listed on state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(b) Further adjustments by tax, loan and land policies

- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.
- Commercial banks are not allowed to advance loan facilities to property developers who do not have the required 35% minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.
- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area housing property construction will be restricted.
- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will

order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate, without compensation, the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended construction work for one year without an approval, who have invested less than one-fourth of the total proposed investment and who have developed less than one-third of the total proposed construction area.

(c) *Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing*

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt "excessive property growth triggered by passive means" (被動性住房需求的過快增長).

(d) *Further Rectifying and Regulating the Order of the Property Market*

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no construction work planning permit (規劃許可證), construction permit (施工許可證) or pre-sale permit (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of commodity properties (住房) and to confiscate the land in accordance with the law.
- The property administration authority and the administration of industry and commerce will investigate illegal dealings, such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For property developers who deliberately manipulate the supply of commodity housing, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

(e) *Gradually relieving the housing demands for low-income families*

- To expedite the establishment of low-cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(f) *Improving information disclosure system and system for collecting property statistics*

On May 30, 2006, the MSLR published an urgent notice to tighten up land administration (《關於當前進一步從嚴土地管理的通知》). In this notice, the MSLR stressed the local governments should strictly restrict the supply of land for low-density and large-size housing and suspend the supply of land for new villa projects.

On July 6, 2006, the Ministry of Construction promulgated a "supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings" (Jianzhufang [2006] No. 165) (the "Supplemental Opinion") (《關於落實新建住房結構比例要求的若干意見》(建住部[2006]第165號)). The Supplemental Opinion provides the following:

- As at June 1, 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70% of the total construction area must be used for building small apartments a with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.

- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit. If the property developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006, but that were not granted a construction work permit by that date, the relevant local governments must ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, the PBOC and the CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment required before seeking mortgage financing. See "Regulation — Legal supervision relating to property sector in the PRC — Property financing".

On September 28, 2007, MSLR issued a regulation, which reiterated that property developers must fully pay the land use right grant premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective November 1, 2007. In November 2009, the Ministry of Finance, MSLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (《關於進一步加強土地出讓收支管理的通知》(國土資發[2010]34號)). The notice raises the minimum down payment for land use right grant premium to 50% and requires the land use right premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

In March 2010, MSLR published the Notice on Increasing the Supply of Land for Real Estate Development and the Tightening of Regulation (Guo Tu Zi Fa [2010] No. 34) (《關於加強房地產供應和監管有關問題的通知》(國土資發[2010]34號)), which requires: (i) that the minimum land use right grant premium payable shall not be less than 70% of the benchmark price for land of the same grade as that of the lot to be granted; (ii) that the competitive bid bond shall not be less than 20% of the minimum land use right grant premium; and (iii) that 50% of the total land use right grant premium must be paid within one month of the signing of the contract as down payment with the remainder to be paid by the time agreed in the contract, but in any event no later than one year after the signing of the contract. If a real estate developer fails to pay the land use right grant premium when due or is found to be leaving the land idle, hoarding or speculating on land, or to have undertaken land development beyond its capacity or failed to perform its obligations under the land grant contract, the relevant municipal or county administrative authority shall prohibit it from participating in any competitive bidding for land within a certain period of time.

On January 26, 2011, the General Office of the State Council issued the "Circular of the General Office of the State Council on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market" (Guo Ban Fa [2011] No. 1) (《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》(國辦發[2011]1號)), which requires that (i) families holding local residency and owning one residential property and families holding non-local residency and who can provide a local tax payment certificate or a social security certificate are only permitted to purchase an additional residential properties (including newly constructed and second-hand) in the local district; and (ii) that families holding local residency and owning two or more residential properties and families holding non-local residency and owning at least one residential property or who cannot provide a local tax payment certificate or a social security certificate are prohibited from purchasing an additional residential properties in the local district.

On Febuary 15, 2011, the Beijing municipal government issued the "Circular on Implementation of the General Office of the State Council's polices and strengthening the control of the real estate market of the town" (Jing Zheng Ban Fa [2011] No. 8) (《北京市人民政府辦公廳關於貫徹落實國務院辦公廳檔精神進一步加強本市房地產市場調控工作的通知》(京

政辦發[2011]8號)), according to which: (i) families holding local residency (including families of soldiers or armed polices in active service stationed in Beijing, and families holding Permit for Working and Residence in Beijing (北京市工作居住證) currently effective) and owning one residential properties and families holding non-local residency but a Temporary Residential Permit (暫住證) currently effective and owning no residential properties and who can provide a local tax payment certificate or a social security certificate for consecutive 5 years (including 5 years) are only permitted to purchase an additional residential properties (including newly constructed and second-hand) in Beijing; (ii) families holding local residency and owning two or more residential properties and families holding non-local residency and owning at least one residential property or who cannot provide a Temporary Residential Permit currently effective nor a local tax payment certificate or a social security certificate for consecutive 5 years (including 5 years) are prohibited from purchasing an additional residential properties in Beijing.

Pursuant to the "Notice on Further Standardization of the Administration of Housing Purchase by Foreign Entities and Individuals" (Jian Fang [2010] No. 186) (《關於進一步規範境外機構和個人購房管理的通知》(建房[2010]186號)) issued by the Ministry of Housing and Urban-Rural Development and SAFE on November 4, 2010, except as otherwise provided by laws and regulations, (i) a foreign individual is only permitted to purchase one residential property for his own use in the PRC; and (ii)a foreign entity which has branches or representative offices in the PRC is only permitted to purchase non-residential properties for office use in the cities where its branches or representative offices are registered.

J. Policies of taxation on residential property

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Adjustments to Taxation on Real Property Transactions" (《關於調整房地產交易環節稅收政策的通知》), pursuant to which, from November 1, 2008, the rate of deed tax has been reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 sq.m., individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from land value added tax.

On September 29, 2010, the Ministry of Finance, State Administration of Taxation Bureau and the Ministry of Housing and Urban-Rural Development issued the "Notice on Adjustment of Preferential Policies for Deed Tax and Individual Income Tax for Real Estate Transaction" (Cai Shui [2010] No. 94) (《關於調整房地產交易環節契稅、個人所得稅優惠政策的通知》(財稅[2010]94號)), ruling that, (i)where an individual purchases an ordinary residential property being the only residential property for the family (including the purchaser, his/her spouse, and their minor children), a 50% reduction of deed tax is allowed; (ii) where an individual purchases an ordinary residential property with a total GFA under 90 sq.m. (including a total GFA of 90 sq.m.) and being the only residential property for the family, the deed tax will be levied at the rate of 1%; (iii) where an individual sells his/her residential property and purchases another residential property within one year, the individual income tax will be levied in full.

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (Guo Ban Fa [2008] No. 131) (《關於促進房地產市場健康發展的若干意見》(國辦發[2008]131號)) which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and a ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first-time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to "low-to medium-level price" or "small- to medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On December 29, 2008, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties", (Guo Shui [2008] No. 174) (《關於個人住房轉讓營業税政策的通知》(財税[2008]174號)) which reiterates the measures regarding business tax set forth in the above-mentioned Several Opinions on Facilitating the Healthy Development of the Real Estate Market.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and the State Administration of Taxation jointly issued the "Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties" (Cai Shui [2009] No. 157) (《關於調整個人住房轉讓營業税政策的通知》(財税[2009]157號)) to curtail speculations in the property market in response to the property price rises across the country. Pursuant to the notice, effective from January 1, 2010, business tax is imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

According to the "Circular on Adjusting Policies of Business Tax on Individual Transfer of Houses" (Cai Shui [2011] No. 12) (《關於調整個人住房轉讓營業税政策的通知》(財税[2011]12號)) issued by the State Administration of Taxation and Ministry of Finance on January 27, 2011, (i) business tax is to be levied on the entire sales proceeds upon the transfer of a residence by an individual within five years from the date of purchase; (ii) in the case of an non-ordinary residence, the business tax is to be levied on the difference between the sale income and the purchase price if that transfer occurs in the fifth year from the purchase date or more than five years after the purchase date and (iii) for the transfer of a ordinary residence in the fifth year from the purchase date or more than five years from the date of purchase, the business tax is exempted.

Legal overview of the hotel sector in the PRC

A. Foreign-invested hotel project

According to the Guidance Catalog, construction and operation of high-end hotels falls within the category of "Restricted Foreign Investment Industry". Construction and operation of common and economic hotels other than high-end hotels fall within the category of "permitted foreign investment industry". MOFCOM and the NDRC amended the Guidance Catalog in October 2007 which provides that, effective from December 1, 2007, the property development business falls within the category of industries in which foreign investment is permitted, except that the development of a whole land lot which shall be operated only by sino-foreign equity joint ventures or sino-foreign cooperative joint ventures, the construction and operations of high-end hotels, villas, premium office buildings and international conference centers, property transactions in the secondary market and property intermediaries fall within the category of industries in which foreign investment is subject to restrictions. A foreign-invested enterprise investing in the hotel business can set up an enterprise in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises. A foreign-invested enterprise in the hotel business should apply for an approval with the relevant department of commerce, and obtain an approval certification for a foreign-invested enterprise before registering with the administration of industry and commerce.

B. Hotel management

The procedures involved in hotel construction in China, including obtaining approval for land use, project planning and project construction, shall also be subject to the aforementioned regulations relating to property project development. There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

(a) Legal supervision on security and fire control

Pursuant to the "Measures for the Control of Security in the Hotel Industry" (《旅館業治安管理辦法》) issued by the Ministry of Public Security and enforced on November 10, 1987, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should make a filing with the local public security bureau and its branches in the county or city if the hotel enterprise wants to make any change including closing, transferring or merging of business, changing the place of business and name, etc. Pursuant to the "Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions" (Gong Tong Zi [2001] No. 97) (《機關、團體、企業、事業單位消防安全管理規定》) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, the "Fire Prevention Law of the PRC" (《中華人民共和國消防法》(公通字[2001]97號)) enacted by the Standing Committee of National People's Congress on October 28, 2008 and the "Regulations on the Supervision and Administration of Fire Prevention for Construction" (Order of the Ministry of Public Security No. 106) (《建設工程消防監督管理規定》(公安部令第106號)) enacted by the Ministry of Public Security on April 30, 2009, hotels (or motels) are units which require special supervision on fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required, and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

(b) Supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should gain a sanitation license. The measures for granting and managing a sanitation license are formulated by the public health authority of the province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

(c) Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain catering service licenses. Catering service licenses are granted by food hygiene supervision administrative bodies above county level. The purchasing, reserving and processing of food, tableware, and service should meet the relevant requirements and standards of food hygiene.

(d) Supervision on entertainment

According to the "Regulation on the Administration of Entertainment Venues" (Order of the Stare Council No. 458) (《娛樂場所管理條例》(國務院令458號)) enacted by the State Council on January 29, 2006 and enforced on March 1, 2006, hotels that operate singing, dancing and game places for profits should apply to the relevant local competent departments for culture administration for entertainment commercial operation approval. The relevant local competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions set down by the competent department governing entertainment administration under the State Council if it approves the relevant local application. According to the regulations concerning broadcast, movies and TV, hotels allowed to provide service to foreigners above two-star or the second rank of the national standards may apply to the local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government, the permit of receiving foreign television program from satellite is issued and the issuance of the permit should be filed with the state security administration.

(e) Supervision on disposition of sewage and pollutants

According to Regulations of the Ministry of Construction on the "Conditions for the Fifteen Items of Administrative Licensing that are Included in the Decisions of the State Council" (Order of the Ministry of Construction No. 135) (《建設部關於納入國務院決定的十五項行政許可的條件的規定》(建設部令135號)) enacted by the Ministry of Construction on October 15, 2004, enforced on December 1, 2004, hotels that have been using or planning to use the city sewage system for water drainage should apply to the local city construction authority for city water-draining permit. According to the "Measures for the Administration of City Water-draining Permit", (Order of the Ministry of Construction No. 152) (《城市排水許可管理法》(建設部令第152號)) issued by the Ministry of Construction on December 25, 2006 and effective on March 1, 2007, hotels that have been using the city sewage system for water drainage should apply for a city water-draining permit.

(f) Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers and so on are special equipment. According to the "Regulations on Security Supervisal of Special Equipment" (《特種設備安全監察條例》) enacted by the State Council on March 11, 2003 and enforced on June 1, 2003, as amended on January 24, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard.

(g) Supervision on the sale of tobacco and alcohol

According to law and regulations in relation to the sale of tobacco, hotels that sell tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License (烟草零售專營許可證). According to the "Measures for the Administration on Foreign Investment in Commercial Fields" (《外商投資商業領域管理辦法》) enacted by MOFCOM on April 16, 2004 and enforced on June 1, 2004, a foreign-invested enterprise that operates wholesale and retail is not allowed to operate a tobacco business. According to the "Measures for the Administration of Alcohol Circulation" (《酒類流通管理辦法》) enacted by MOFCOM on November 7, 2005 and enforced on January 1, 2006, an enterprise that sells alcohol should handle the archival filing and registration with the administrative department of commerce at the same level as the administrative department for industry and commerce where the registration is handled. The licensing system shall apply in those regions where the licensing administration of alcohol circulation has been carried out according to law.

Legal overview of the property management sector in the PRC

A. Foreign-invested real estate management enterprises

According to the Guidance Catalog, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalog and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a Sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign owned enterprise. Before the Administration of Industry and Commerce registers, a foreign-invested enterprise as a foreign-invested real estate management enterprise, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a "foreign-invested enterprise approval certificate".

B. Qualifications of a real estate management enterprise

According to the "Regulation on Real Estate Management" (《物業管理條例》) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the "Measures for Administration of Qualifications of Real Estate Service Enterprises" (《物業服務企業資質管理辦法》) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004, as amended on November 26, 2007, a newly established real estate service enterprise shall, within 30 days of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the central government for a grading assessment. The departments of qualification examination and approval will check and issue a "real estate service qualification certificate" corresponding to their grading assessment results.

According to the Measures for the Administration on Qualifications of Real Estate Service Enterprises, real estate service enterprise shall be classified as either class one, class two or class three. The competent construction department of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government is responsible for issuing and administering the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government is responsible for issuing and administering the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the People's government of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualifications may undertake various property service projects. The real estate service enterprises with class two qualifications may undertake the property service business of residential management projects of less than 300,000 sq.m. and non-residential management projects of less than 80,000 sq.m. The real estate service enterprises with class three qualification may undertake the property service business of residential projects of less than 200,000 sq.m. and non-residential projects under 50,000 sq.m.

C. Employment of a real estate service enterprise

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who, in aggregate, hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a real estate management enterprise, it shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

Legal overview of the construction sector in the PRC

A. Foreign-invested construction enterprise

According to the Guidance Catalog, construction business falls within the category of permitted foreign investment industries. According to the "Regulations on the Administration of Foreign- invested Construction Enterprise" (《外商投資建築業企業管理規定》) jointly enacted by the Ministry of Construction and the Ministry of Foreign Economic Cooperation (now changed to MOFCOM) on September 27, 2002 and enforced on December 1, 2002, a foreign investor that establishes foreign-invested construction enterprises in China that carry on construction operations will have to (a) obtain the approval certification of foreign-invested enterprise; (b) register with the SAIC or local administration of industry and commerce; and (c) obtain a qualification certificate of construction enterprise from construction administration authorities.

B. Qualification of a construction enterprise

According to Construction Law of the People's Republic of China and the "Provisions on the Administration of Qualifications of Enterprises in Construction Industry" (《建築業企業資質管理規定》) enacted by the Ministry of Construction on June 6, 2007 and enforced on September 1, 2007, the enterprises in the construction industry shall be classified into different qualification classes pursuant to, amongst other things, the amount of its registered capital, net asset value, professional personnel, technical equipment and performance records of completed construction works. A construction enterprise can engage in construction activities within its approved scope after obtaining the construction qualification certificate.

According to the above-mentioned provisions, the qualifications will be divided into three categories, namely that for undertaking the whole of a construction project, that for undertaking a specialized contract and that for undertaking a labor service by subcontract. The categories of qualifications for undertaking the whole of a construction project, undertaking a specialized contract and undertaking a labor service by subcontract are divided into several qualification types according to the nature of the project and technical features. Each qualification type is further divided into several classes according to the prescribed conditions.

The department in charge of construction under the State Council is responsible for the approval of: (i) the qualification of special class or first class enterprises for undertaking the whole of a construction project; (ii) the qualification of second and third class enterprises for undertaking the whole of a construction project, which are directly supervised by State-owned Assets Supervision Administration Commission of the State Council or enterprises which are directly owned by the enterprises aforesaid; (iii) the qualification of first class enterprises for undertaking specialized contracts, which are engaged in water conservancy, transportation, and the information industry; (iv) the qualification of first or second class enterprises for undertaking specialized contracts, which are engaged in operation of railroads and civil aviation; and (v) the qualification of enterprises for undertaking specialized contracts, which are engaged in road transportation and urban railroad transportation. Other kinds of qualification should be approved by the department in charge of construction under the authority of the province, autonomous region or municipality directly under the central government, and the city which has set up districts in accordance with the Provision.

The term of validity of certificate for the qualification of enterprise in construction industry is five years.

C. Business scope of qualifications for a wholly foreign owned construction enterprise

According to the "Regulations on the Administration of Foreign-invested Construction Enterprise" (《外商投資建築業企業管理規定》), a wholly foreign owned construction enterprise is allowed to contract, within its scope of qualifications, the following projects: (a) a project that is to be constructed totally with the investment of a foreign country or the donation of a foreign country or the investment and donation of a foreign country; (b) a project funded by an international financial institution or granted through international bidding according to the terms of a loan; (c) a joint construction project of which foreign investment holds 50% or more, and a Sino-foreign joint construction enterprise in which foreign investment holds less than 50% but which cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and has been approved by the administrative department of construction of the relevant provincial, regional or municipal government; and (d) a construction project using Chinese investment but that cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and approval the administrative department of construction of the relevant provincial, regional or municipal government has approved to be jointly constructed by Chinese and foreign construction enterprises.

Legal supervision relating to real estate brokerage in the PRC

On January 20, 2011, Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission and the Ministry of Human Resources and Social Security collectively jointly issued the "Measures for the Administration of Real Estate Brokerage" (Order of the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission and the Ministry of Human Resources and Social Security No. 8) (《房地產經紀管理辦法》(住房和城鄉建設部、國家發展和改革委員會、人力資源和社會保障部令第8號)), which shall come into effect as of April 1, 2011, according to which, the State shall implement a professional qualification system for real estate brokers, and real estate brokerage institutions and their branches shall, within 30 days from the date of receipt of the business license, complete the filing in front of the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the institution is located.

Regulation on foreign exchange registration of offshore investment by PRC residents

Pursuant to Circular No. 75, (a) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle ("SPV"), for the purpose of overseas equity financing with domestic enterprises assets or equity held by it (including convertible debt financing); (b) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a SPV, or engages in overseas financing after contributing assets or equity interests into a SPV, such PRC resident shall register his or her interest in the SPV and the change thereof with the local branch of SAFE; and (c) when the SPV undergoes a material event which is not related to "round-trip" investment (且不涉及返程投資的) outside the PRC, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days of the occurrence of such event, register such change with the local branch of SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on the PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV.

As a result, under Circular No. 75, if the PRC resident or the SPV described above engages in an overseas offering or otherwise undergoes a material event outside the PRC, such PRC resident and SPV are required to register such change with the local branch of SAFE within 30 days from the occurrence of such offering or event.

MANAGEMENT

Directors

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of the Board:

Name	Age	Position
LI Ming	47	Chairman, Executive Director and Chief Executive Officer
LIU Hui	41	Non-executive Director
YANG Zheng	41	Non-executive Director
CHEUNG Vincent Sai Sing	30	Non-executive Director
WANG Xiaoguang	47	Executive Director
CHEN Runfu	46	Executive Director
TSANG Hing Lun	61	Independent Non-executive Director
GU Yunchang	66	Independent Non-executive Director
HAN Xiaojing	56	Independent Non-executive Director
ZHAO Kang	62	Independent Non-executive Director

Executive Director and Chief Executive Officer

Mr. LI Ming, aged 47, joined us as General Manager in July 1997 and became Chief Executive Officer in August 2006 and our Chairman in March 2010, and is Chairman of the Investment Committee. With extensive experience in corporate governance, property development and property investment, Mr. Li is primarily responsible for our Company's overall management and strategic planning. Before joining us, Mr. Li held a senior management position in the COSCO Group. Mr. Li obtained a Bachelor's degree in Motor Vehicle Transportation from the Jilin Industrial University in July 1985 and an Executive Master of Business Administration degree from the China Europe International Business School in May 1998. He is a senior engineer. Mr. Li is currently a member of the Chinese People's Political Consultative Conference of the Beijing Municipality; a member of the People's Congress of the Chaoyang District of the Beijing Municipality, a consultant of the Real Estate Market Regulation in the Ministry of Housing and Urban-Rural Development; and Vice President of the China Real Estate Association. Mr. Li has won various nationwide awards and was conferred such titles as "Influential Person of the Chinese Real Estate Industry", "Leading Person of Brand Name Real Estate Developers in China", "Ten Outstanding Persons in the Beijing Real Estate Industry", "Ten Entrepreneurs of the Chinese Commercial Real Estate Industry" and "Ten Leaders in the Real Estate Industry Changing Cities and Influencing China".

Non-executive Directors

Ms. LIU Hui, aged 41, joined us in March 2010. Ms. Liu has 19 years of experience in banking and investment management. She held various positions, including General Manager and Deputy General Manager of China Life Insurance Asset Management Company Limited, and has served as a division head of the headquarters of China Construction Bank. She was appointed as General Manager of the Investment Management Department of China Life in February 2009. Ms. Liu graduated from the Renmin University of China with a Bachelor's degree in Economics in July 1992, and received a Master of Business Administration degree from the Tsinghua University in June 2000. She is a senior economist. Ms. Liu has been appointed by China Life.

Mr. YANG Zheng, aged 41, joined us in March 2011. Mr. Yang joined China Life as assistant to the general manager of the finance department in July 2005. In October 2006, he was promoted to serve as the deputy general manger of the same department. Mr. Yang has been the general manager of the finance department of China Life since March 2009. Before joining China Life, Mr. Yang worked at China North Industries Corp. from August 1993 to August 1998 and he also held a senior financial analyst position at Molex Inc. in USA from July 2000 to

June 2005. Mr. Yang graduated from Beijing University of Technology in 1993. He then obtained a Master's Degree in Business Administration from Northeastern University in 2000. Mr. Yang is an economist in the PRC and a Chartered Certified Accountant in Illinois, USA. Mr. Yang has been designated to serve on our Board by China Life.

Mr. CHEUNG Vincent Sai Sing, aged 30, joined us in March 2011. Mr. Cheung joined Nan Fung Development Limited ("Nan Fung Development") in 2009. Mr. Cheung currently holds a position as director of Nan Fung Development and is responsible for leading the daily operation and the proposition, consultation, and approval of investments of Nan Fung Development and its affiliated companies. He has extensive experience in the financial sector. Before joining Nan Fung Development, Mr. Cheung was vice president in Interest Rates Structuring at Barclays Capital Asia Limited from 2008 to 2009, where he worked with a number of institutional and retail clients in Asia. Before that, Mr. Cheung was vice president in Interest Rates Structuring and Medium Term Notes Trading at Citigroup Global Markets Asia Limited from 2004 to 2008. Mr. Cheung became a Committee Member of the All-China Youth Federation and a Council Member of the Hong Kong United Youth Association in 2010. Mr. Cheung received a Bachelor's Degree from the University of California, Berkeley, with honors, in Molecular and Cell Biology in 2003.

Executive Directors

Mr. WANG Xiaoguang, aged 47, Chief Operating Officer, joined us in December 2008. With his extensive experience in real estate development and investment, Mr. Wang assists in the Company's overall management and is in charge of development work in new regions. Mr. Wang received a Bachelor's degree in Machinery from the Jilin University in July 1986 and an Executive Master of Business Administration degree from the Dongbei University of Finance and Economics in June 2005. Mr. Wang is currently a member of the Internal and Judicial Affairs Committee of the People's Congress of Dalian Municipality, Vice-Chairman of the Dalian General Chamber of Commerce, and Vice-Chairman of the Liaoning Province Real Estate Development Association. Mr. Wang has been awarded various nationwide awards, such as Top Ten EMBA in China and CIHAF Top Ten New Faces in Chinese Real Estate Industry.

Mr. CHEN Runfu, aged 46, Vice President and a member of the Investment Committee, joined us in 1995. Equipped with extensive experience in property development and investment, Mr. Chen is involved with the Company's overall management and responsible for the Company's business operations in the Tianjin region. Mr. Chen obtained a Bachelor's degree in Harbour and Channel Engineering from the Dalian Institute of Technology (now the Dalian University of Technology) in July 1986 and an Executive Master of Business Administration degree from the China Europe International Business School in September 2005.

Independent Non-executive Directors

Mr. TSANG Hing Lun, aged 61, Chairman of the Audit Committee and a member of the Investment Committee, joined us in June 2007. Mr. Tsang is a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a Bachelor's degree in Business Administration (Hons) in 1973. Mr. Tsang has served in a senior management capacity in several publicly listed companies operating in Hong Kong and Singapore. Having joined the Hang Seng Bank in 1973, he served for 17 years and was Assistant General Manager of the bank's Planning and Development Division. He joined the UOB Group in Singapore in 1990 as its Head of International Branches Division and its first Vice President. Mr. Tsang became an executive director of the China Champ Group in 1994 and was an alternate chief executive and Deputy General Manager of the China Construction Bank, Hong Kong Branch, from 1995 to 1998. Mr. Tsang currently acts as an independent non-executive director and the chairman of the audit committee of Sinotrans Shipping Limited, Beijing Media Corporation Limited, and China Rongsheng Heavy Industries Group Holdings Limited, companies listed on the Stock Exchange.

Mr. GU Yunchang, aged 66, a member of the Audit Committee, the Remuneration and Nomination Committee, and the Investment Committee, joined us in June 2007. He joined the Ministry of Construction in 1979 and has over 29 years' experience in market theory and policy research, including research and analysis of the PRC property market. In 1983, he was appointed as Secretary-General of the China Residential Property Issues Research Institute and held this position for 10 years. Between 1986 and 1998, Mr. Gu participated in the research and formulation of the national housing policy reform and, in 1998, served as one of the main draftsmen for the national housing reform program in the PRC. He has participated in state level research projects such as "2000 China" and "National Xiaokang Residential Property Technological Industry Project". He has been awarded the First Class National Science Technology Advance Award in China twice. Mr. Gu was served as Vice President and Secretary-General of the China Real Estate Association from August 1998 to March 2006. He is also the main organizer and writer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu currently serves as an independent non-executive director of Shimao Property Holdings Limited, a company listed on the Stock Exchange, and independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in the USA.

Mr. HAN Xiaojing, aged 56, Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee and the Investment Committee, joined us in June 2007. Mr. Han is the founding partner of the Commerce & Finance Law Offices. He has over 23 years' experience in corporate and securities law in China, especially in the restructuring of large-scale state-owned enterprises and private companies and the offshore listing of Chinese companies. Mr. Han obtained a Master's degree in Law from the China University of Political Science and Law and obtained a Master's Degree in Law in 1985. He is currently an independent director of Shenzhen Overseas Chinese Town Holding Company, a company listed on the Shenzhen Stock Exchange in the PRC, and a supervisor of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange.

Mr. ZHAO Kang, aged 62, a member of the Remuneration and Nomination Committee and the Investment Committee, joined us in June 2007. Mr. Zhao was an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange in the PRC. After graduating from the Department of Construction at the Tsinghua University in December 1975, he became a deputy chief of the planning division of Beijing Huairou District Construction Bureau in January 1976, and joined the Beijing Municipal Construction Committee in May 1978. In May 1983, Mr. Zhao joined the Beijing First and Second Urban Development Corporation as Deputy General Manager and, in 1987, became Assistant to the General Manager and Deputy General Manager of Beijing Urban Development Group Company (北京城市發展總公司). He became General Manager and Chairman of Beijing Urban Development (Group) Co., Ltd. in April 1994. Mr. Zhao was Chairman of Beijing National Olympics Investment Company Limited (北京國奧投資有限公司) in 2005, in charge of the development of the Beijing Olympics Village and the National Gymnasium in Beijing. He is currently a member of the Eleventh Committee of the Chinese People's Political Consultative Conference of the Beijing Municipal. Mr. Zhao was an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange in the PRC.

Senior Management

Mr. XU Li, aged 49, Vice President, joined us in October 1997. He has considerable experience in property development and investment and is responsible for the Company's business operations in the Beijing region. Mr. Xu obtained a Diploma in Industrial and Residential Construction from the Liaoning Radio and Television University in December 1992 and obtained a Master's Degree in Business Administration from Cheung Kong Graduate School of Business in March 2010.

Ms. ZHOU Tong, aged 47, Vice President, joined us in August 2003. She has significant experience in property design, development and investment. Ms. Zhou is responsible for the overall management of our Hangzhou project companies and the management of our property and agency business. Ms. Zhou obtained a Bachelor's degree in Architecture from the Tongji University in July 1986 and an Executive Master of Business Administration degree from the China Europe International Business School in September 2009.

Mr. ZHU Yunchun, aged 53, Vice President, joined us in May 2002. He is involved with the Company's overall management and assists in the management of the business operations in the Tianjin region. Mr. Zhu obtained a Diploma in Political Work on Board and a Master's degree in Transportation Planning and Management from the Dalian Maritime University in July 1986 and March 2002, respectively.

Mr. LI Jianbo, aged 48, Vice President, joined us in September 2009. He possesses many years of experience in human resources and operation management in multi-national companies. He is involved with the Company's overall operation management and human resources management. Mr. Li obtained a Bachelor's degree in Computer Engineering from the Tsinghua University in July 1985 and a Master of Business Administration degree from the State University of New Jersey in August 2000. For the period from October 22, 2010 to March 16, 2011, Mr. Li was the chairman and an executive director of Gemini Property Investments Limited, a subsidiary of the Company, which is listed on the Stock Exchange.

Mr. SUM Pui Ying, Adrian, aged 49, Chief Financial Officer and Company Secretary, joined us in May 2007. Mr. Sum is a fellow member of the Hong Kong Institute of CPA and a member of the Institute of Chartered Accountants in England & Wales. He has many years of experience in companies listed on the Stock Exchange. Mr. Sum is involved with the Company's overall management and is responsible for our overall financial management, company secretarial and compliance issues, corporate finance and investor relations. Mr. Sum obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, Master of Business Administration degree from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996. Mr. Sum is currently the chairman and a non-executive director of Gemini Property Investments Limited, a subsidiary of the Company, which is listed on the Stock Exchange.

Mr. CHEN Zuyuan, aged 49, Vice President, joined us in February 2003. Mr. Chen has extensive experience in property development and planning and design. He is responsible for the overall management of our Zhongshan project companies. Mr. Chen obtained a Bachelor's degree in Industrial and Civil Construction from the Hunan University in July 1983 and an Executive MBA from the China Europe International Business School in September 2006.

Board Committees

Audit committee

We established an audit committee on September 3, 2007. The audit committee consists of three members, being Messrs. Tsang Hing Lun, Han Xiaojing and Gu Yunchang, all of whom are our independent non-executive Directors. The chairman of the audit committee is Mr. Tsang Hing Lun.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Company, nominate and monitor external auditors and provide advice and comments to our Directors.

Remuneration and nomination committee

We established a remuneration and nomination committee on September 3, 2007. The remuneration and nomination committee consists of three members, comprising Messrs. Han Xiaojing, Gu Yunchang and Zhao Kang. The chairman of the remuneration and nomination committee is Mr. Han Xiaojing. The primary functions of the remuneration and nomination committee are to evaluate the performance and make recommendations on the remuneration packages of our Directors and senior management, to evaluate and make recommendations on our retirement scheme and our performance assessment system and bonus and commission policies, and to make recommendations to the Board regarding candidates to fill vacancies on the Board.

Investment committee

We established an investment committee on September 3, 2007. The investment committee consists of six members, being Messrs. Li Ming, Chen Runfu, Tsang Hing Lun, Gu Yunchang, Han Xiaojing and Zhao Kang, as at December 31, 2010, all of whom are neither appointed by China Life nor by Mr. Chen. The chairman of the investment committee is Mr. Li Ming. The primary functions of the investment committee are to consider all matters relating to new property development and investment projects.

Retirement Schemes

Our employees in the PRC participate in a State-managed retirement pension scheme operated by the relevant local municipal government. The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees. Our only obligation in respect of the retirement pension scheme is to contribute to the scheme at a certain rate of overall payroll expenses. Such rate is prescribed by the government of each of the provinces, autonomous regions or municipalities directly under the central government and may vary in different cities. For instance, the prescribed rate in Beijing is 20% as compared with 19% in Dalian.

Compensation of Directors and Senior Management

The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including our contribution to the pension scheme on behalf of our Executive Directors and senior management) or any bonuses we paid to our executive directors, for the three years ended December 31, 2008, 2009 and 2010 were approximately RMB39 million, RMB56 million and RMB65 million, respectively.

We have not paid any fees, salaries, housing allowances, other allowances, benefits in kind (including any contribution to any pension scheme on behalf of our Non-executive Directors) or any other bonuses for the three years ended December 31, 2008, 2009 and 2010.

During the years ended December 31, 2008, 2009 and 2010, no remuneration was paid by us to, or receivable by, our Directors or senior management as an inducement to join or upon joining us. No compensation was paid by us to or receivable by our Directors, past Directors or senior management for each of the last three years for the loss of any office in connection with the management of the affairs of our member. None of our Directors waived any emoluments for each of the last three years.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2008, 2009 and 2010, by us to the Directors and the senior management.

Interests of Directors and chief executives in shares and underlying shares and debentures

As at December 31, 2010, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Nature of interest	Number of ordinary shares held (long position)	Share options	Total	Percentage in the Company's issued share capital
Mr. LI Ming	Founder of discretionary trust	125,878,375(1)	11,560,000(2)	137,438,375	2.438%
Mr. LIANG Yanfeng	Beneficial owner		3,360,000(2)	3,360,000	0.060%
Mr. WANG Xiaoguang	Interest of controlled corporation	102,355,189(3)	2,210,000(2)	104,565,189	1.854%
Mr. CHEN Runfu	Beneficial owner		4,420,000(2)	4,420,000	0.078%
Mr. WANG Xiaodong	Beneficial owner	20,000		20,000	0.0004%
Mr. TSANG Hing Lun	Beneficial owner	40,000	400,000(2)	440,000	0.008%
Mr. GU Yunchang	Beneficial owner		500,000(2)	500,000	0.009%
Mr. HAN Xiaojing	Beneficial owner		500,000(2)	500,000	0.009%
Mr. ZHAO Kang	Beneficial owner		500,000(2)	500,000	0.009%

Notes:

(1) The 125,878,375 shares are held by a discretionary trust of which Mr. LI Ming is founder.

(2) The share options were granted pursuant to our share option scheme.

(3) The 102,355,189 shares were registered in the name of, and beneficially owned by, Key Sky Group Limited. Mr. WANG Xiaoguang was a holder of 50% of the equity interest in Key Sky Group Limited. Mr. WANG was deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, none of the Directors nor the chief executives of the Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

RELATED PARTY TRANSACTIONS

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between our members and its related parties during the years ended December 31, 2009 and 2010. For a description of significant related party balances and transactions as at and during the year ended December 31, 2008, see note 43 of the Company's consolidated financial statements for the year ended December 31, 2008, which are incorporated by reference in this offering circular.

(a) Sales of properties and services

	Year ended December 31,	
	2010	2009
	RMB in thousands	
Sale of properties:		
— An associate	3,963	
— A jointly controlled entity of COSCO Group	—	109,683
	3,963	109,683
Provision of services:		
— COSCO Group	5,100	11,104
— A jointly controlled entity	3,472	7,230
— An associate	30,000	—
— A jointly controlled entity of COSCO Group	2,811	1,052
	41,383	19,386
	45,346	129,069

(b) Key management compensation

	Year ended December 31,	
	2010	2009
	RMB in thousands	
Salaries and other short-term employee benefits	32,276	32,969
Post-employment benefits	4,109	3,035
Other long-term welfare	63	2,408
Share-based payments	23,225	17,403
	64,673	55,815

(c) Year-end balances arising from sales of properties and services

	As at December 31,	
	2010	2009
	RMB in thousands	
Receivables from related parties:		
— An associate	275	—
— A jointly controlled entity	—	324
— A jointly controlled entity of COSCO Group	—	10,968
	275	11,292
Receivables from related parties:		
— A jointly controlled entity	4,753	—
	4,753	—

(d) Interest income

	Year ended December 31,	
	2010	2009
	RMB in thousands	
Interest received:		
— A jointly controlled entity	—	15,973
— An associate	38,999	17,042
	38,999	33,015

(e) Gain from related parties

Gain on disposal of a subsidiary to a jointly controlled entity	109,880	—
	109,880	—

(f) Loans to related parties

	Year ended December 31, 2010	2009
	RMB in thousands	
A jointly controlled entity:		
At January 1	532,000	267,190
Loans advanced during the year	283,356	745,170
Loans advanced as investment	—	532,000
Loans repayments received	—	(1,012,360)
Interest charged	—	15,973
Interest received	—	(15,973)
At December 31	817,356	532,000
An associate:		
At January 1	307,770	268,478
Loans advanced during the year	1,218,025	886,274
Loans repayments received	(1,188,556)	(846,982)
Interest charged	38,999	17,042
Interest received	(38,999)	(17,042)
At December 31	337,239	307,770

(g) Advances from related parties

	Year ended December 31, 2010	2009
	RMB in thousands	
A shareholders:		
At January 1	—	—
Loans advanced during year	1,724,493	—
At December 31	1,724,493	—

(h) Capital injection from related parties

	Year ended December 31, 2010	2009
	RMB in thousands	
Increase in non-controlling interests from shareholder	942,479	—
	942,479	—

PRINCIPAL SHAREHOLDERS

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at December 31, 2010, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executive of the Company.

Name of shareholders	Capacity	Long/short position	Number of ordinary shares held	Number of ordinary shares convertible under the Convertible Securities	Percentage in the Company's issued share capital
China Life (Group)(1)	Interest of controlled corporation	Long	1,357,186,120		24.07%
China Life(1)	Beneficial owner	Long	1,357,186,120		24.07%
Chen Din Hwa(2)	Interest of controlled corporation/ Family interest	Long	723,707,500		12.84%
	Interest of controlled corporation	Long		510,543,065	9.05%
Chen Yang Foo Oi(2)(3)	Interest of controlled corporation/ Family interest	Long	723,707,500		12.84%
	Family interest	Long		510,543,065	9.05%

Notes:

(1) The 1,357,186,120 shares were registered in the name of, and beneficially owned by, China Life. China Life (Group) was interested in 68.37% of China Life Insurance Company Limited.

(2) Mr. Chen Din Hwa held a long position in 723,707,500 shares of the Company and 510,543,065 shares convertible under the Convertible Securities comprising:

(a) 659,683,500 shares and 64,002,000 shares were beneficially owned by Spring Glory Investment Limited and Gavast Estates Limited respectively. Both Spring Glory Investment Limited and Gavast Estates Limited were wholly owned by Keymark Associates Limited. Keymark Associates Limited was wholly owned by Nan Fung Textiles Consolidated Limited. Nan Fung Textiles Consolidated Limited was wholly owned by Chen's Holdings Limited, which in turn was wholly owned by Mr. Chen Din Hwa;

(b) 22,000 shares were indirectly held by Mrs. Chen Yang Foo Oi, the spouse of Mr. Chen. Further details of Mrs. Chen's interest in these 22,000 shares can be referred to Note (iii)(a) below; and

(c) 510,543,065 shares convertible under the Convertible Securities were beneficially owned by Kind Talent Limited. Kind Talent Limited was wholly owned by Absolute Gain Trading Limited, which in turn was wholly owned by Mr. Chen Din Hwa.

(3) Mrs. Chen Yang Foo Oi held a long position in 723,707,500 shares of the Company and 510,543,065 shares convertible under the Convertible Securities comprising:

(a) 22,000 shares were beneficially owned by Jadespring Limited. Jadespring Limited was wholly owned by Wei An Developments Limited. Wei An Developments Limited was wholly owned by Timeworth Group Limited, which in turn was wholly owned by Mrs. Chen Yang Foo Oi;

(b) 723,685,500 shares were indirectly held by Mr. Chen Din Hwa as above Note (ii)(a). Mr. Chen is the spouse of Mrs. Chen; and

(c) 510,543,065 shares convertible under the Convertible Securities were indirectly held by Mr. Chen as above Note (ii)(c). Mr. Chen is the spouse of Mrs. Chen.

Save as disclosed above, as at December 31, 2010, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Securities, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Securities:

The issue of the US$400,000,000 Perpetual Subordinated Capital Securities Callable 2016 (the "**Securities**", which term shall include, unless the context requires otherwise, any further securities issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Sino-Ocean Land (Perpetual Finance) Limited (the "**Issuer**") was authorised by the board of directors of the Issuer on 6 May 2011. The guarantee of the Securities by Sino-Ocean Land Holdings Limited (the "**Guarantor**") was authorised by its board of directors on 6 May 2011. The Securities are constituted by the trust deed ((as amended or supplemented from time to time) the "**Trust Deed**") dated on or about 13 May 2011 (the "**Issue Date**") made between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as trustee for the Holders of the Securities (the "**Trustee**", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to the paying agency agreement dated on or about 13 May 2011 (the "**Agency Agreement**") with the Trustee, The Bank of New York Mellon, London Branch, as principal paying agent (the "**Principal Agent**"), The Bank of New York Mellon (Luxembourg) S.A., as registrar (the "**Registrar**"), The Bank of New York Mellon, London Branch as calculation agent (the "**Calculation Agent**"), The Bank of New York Mellon, New York Branch as US Paying Agent and US Transfer Agent and the other paying and transfer agents appointed under it (each a "**Paying Agent**" or "**Transfer Agent**" and together with the Registrar, the Calculation Agent and the Principal Agent, the "**Agents**") relating to the Securities. References to the "**Principal Agent**", "**Registrar**" and "**Agents**" below are references to the principal agent, registrar and agents for the time being for the Securities. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Securities. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection during usual business hours at the principal office for the time being of the Trustee (presently at One Canada Square, London E14 5Al, United Kingdom) and at the specified offices for the time being of each of the Agents. The Holders are entitled to the benefit of and are bound by all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

1 Form, Denomination and Title

(A) Form and Denomination

The Securities are issued in registered form in the denomination of US$200,000 each and higher integral multiples of US$1,000 without coupons attached. A certificate (each a "**Certificate**") will be issued to each Holder in respect of its registered holding of Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register.

Upon issue, the Securities will be represented by the Global Certificate(s) deposited with a common depositary for, and representing Securities registered in the name of a common nominee of, Euroclear, Clearstream, Luxembourg and/or DTC. The Conditions are modified by certain provisions contained in the Global Certificate(s). See "The Global Certificate(s)".

(B) Title

Title to the Securities passes only by transfer and registration in the Register as described in Condition 4. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

2 Guarantee

The Guarantor has irrevocably guaranteed on a subordinated basis the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Securities. The obligations of the Guarantor in that respect (the "**Guarantee**") are contained in the Trust Deed. The rights and claims of the Holders under the Guarantee are subordinated as provided in Condition 3.

3 Status and Subordination of the Securities and the Guarantee

(A) Status of the Securities

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The rights and claims of the Holders are subordinated as provided in this Condition 3.

(B) Ranking of Claims — Securities

In the event of the Winding-Up of the Issuer, the rights and claims of the Holders shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer, other than the claims of holders of Parity Securities.

(C) Ranking of Claims — Guarantee

In the event of the Winding-Up of the Guarantor, the rights and claims of the Holders shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Guarantor or the Perpetual Subordinated Convertible Securities, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Guarantor, other than the claims of holders of Parity Securities.

(D) Set-Off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, distribution or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Securities or the Guarantee, as the case may be, and each Holder shall, by virtue of his holding of any Security, be deemed to have waived all such rights of set-off, distribution or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Securities or the Guarantee, as the case may be, is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor as applicable (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer or the Guarantor as applicable) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer or the Guarantor as applicable (or the liquidator or, as appropriate, administrator of the Issuer or the Guarantor as applicable) and accordingly any such discharge shall be deemed not to have taken place.

4 Transfers of Securities; Issue of Certificates

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Holders of the Securities and the particulars of the Securities held by them and of all transfers of the Securities. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding of Securities.

(B) Transfer

Subject to Conditions 4(E) and 4(F) and the terms of the Agency Agreement, a Security may be transferred by delivery of the Certificate issued in respect of that Security, with the form of transfer on the back duly completed and signed by the Holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Agents. No transfer of a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities evidenced by the Global Certificate(s) will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Securities will, within three Business Days of receipt by the Registrar or, as the case may be, any other relevant Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder entitled to the Securities (but free of charge to the Holder and at the Guarantor's expense) to the address specified in the form of transfer.

Except in the limited circumstances described herein (see "The Global Certificate(s)"), owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Securities (being that of one or more Securities) in respect of which a Certificate is issued is to be transferred, a new Certificate in respect of the Securities not so transferred will, within three Business Days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder of the Securities not so transferred (but free of charge to the Holder and at the Guarantor's expense) to the address of such Holder appearing on the Register.

(D) Formalities Free of Charge

Registration of a transfer of Securities and issuance of new Certificates will be effected without charge to Holders by or on behalf of the Issuer or any of the Agents, but (i) upon payment by the relevant Holder (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) subject to Condition 4(F).

(E) Closed Periods

No Holder may require the transfer of a Security to be registered (i) during the period of seven days ending on (and including) the due date for redemption of that Security; (ii) during the period of seven days prior to (and including) any date on which Securities may be called for redemption by the Issuer at its option pursuant to Condition 8, (iii) after any such Security has been called for redemption; or (iv) during the period of seven days ending on (and including) any Distribution Record Date (as defined in Condition 7(A)). Each such period is a "**Closed Period**".

(F) Regulations

All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who asks for one.

5 Restrictive Covenants

(A) Security

So long as any Securities remain outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Parity Securities or Junior Securities, or to secure any guarantee or indemnity in respect of any such securities, without at the same time or prior thereto according to the Securities the same security as is created or subsisting to secure any such securities, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Holders, having received an opinion from independent financial, legal or tax advisors of recognised international standing, if need be, to such effect, and the Trustee shall be entitled, without liability, to rely conclusively on such opinion or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

(B) Sale and Leaseback Transactions

So long as any Securities remain outstanding, the Guarantor will not, and will not permit any of its Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Guarantor may enter into a Sale and Leaseback Transaction if such Sale and Leaseback Transaction is in accordance with and not prohibited by the rules applicable to companies the ordinary shares of which are listed on The Hong Kong Stock Exchange.

(C) Financial Statements

So long as any of the Securities remain outstanding, the Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Hong Kong Stock Exchange or any other recognised exchange on which the Guarantor's common shares are at any time listed for trading, true and correct copies of any financial report in the English language filed with such exchange.

(D) Transaction with Affiliates

So long as any Securities remain outstanding, the Guarantor will not, and will not permit any Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of capital stock of the Guarantor or (y) any Affiliate of the Guarantor (each an "**Affiliate Transaction**"), unless such Affiliate Transaction is in accordance with and not prohibited by the rules applicable to companies the ordinary shares are which are listed on The Hong Kong Stock Exchange.

(E) Further issues of subordinated debt

The Issuer and the Guarantor hereby undertake not to issue any securities, and the Guarantor undertakes not to provide a guarantee in relation to any securities, in each case which securities or guarantee will be subordinated to general creditors unless such securities or guarantee will also rank *pari passu* with or be subordinated to the Securities and the Guarantee.

6 Distribution

(A) Accrual of Distribution

Subject to Condition 6(E), the Securities confer a right to receive distributions (each a "**Distribution**") from the Issue Date at the Distribution Rate in accordance with this Condition 6.

Subject to Condition 6(E), Distributions shall be payable on the Securities semi-annually in arrear on each Distribution Payment Date in U.S. dollars.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such event, the right to a Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Principal Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

If any Distribution is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Distributions payable under this Condition will be paid in accordance with Condition 7(A).

(B) Rate of Distribution

The rate of distribution ("**Distribution Rate**") applicable to the Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, the First Call Date (as defined in Condition 8(C), the Initial Distribution Rate; and

(ii) in respect of the periods (A) from, and including, the First Call Date to, but excluding, the immediately following Reset Date and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

(C) Step up after Breach of Covenant or Change of Control

(i) Notwithstanding any other provision of this Condition 6, if the Issuer fails to comply with any of the covenants set out in Condition 5 (a "**Breach**") or if the Issuer does not redeem the Securities in accordance with Condition 8(F) following the occurrence of a Change of Control, the then-prevailing Distribution Rate, and (subject to Condition 6(C)(ii)) each subsequent Distribution Rate otherwise determined in accordance with the provisions of this Condition 6, shall be increased by 3.00 per cent. per annum with effect from (and including) (i) in the case of a Breach, the date falling 60 days after the date of such Breach or (ii) in the case of a Change of Control, the date falling 60 days after the date on which the Change of Control occurred; provided that the maximum aggregate increase in the Distribution Rate pursuant to this Condition 6(C) shall be 3.00 per cent. per annum.

(ii) In the event, following an increase in the Distribution Rate after a Breach or a Change of Control pursuant to Condition 6(C)(i), that (a) the relevant Breach is cured or (b) the combined shareholding of all State-Owned Enterprises in the Guarantor is larger than the beneficial shareholding of any other single shareholder of the Guarantor, upon written notice being given to the Holders and the Trustee, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) (i) in the case of a Breach, the date falling 30 days after the date the Trustee receives evidence to its satisfaction of the cure of such Breach or (ii) the combined shareholding of all State-Owned Enterprises in the Guarantor is larger than the beneficial shareholding of any other single shareholder of the Guarantor, the date falling 30 days after the date the Trustee receives evidence to its satisfaction of the same; provided that the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 6(C) shall be 3.00 per cent. per annum.

(D) Calculation of Distribution Rate

The Calculation Agent will, on the second New York Business Day prior to each Reset Date, calculate the Relevant Reset Distribution Rate payable in respect of each Security. The Calculation Agent will cause the applicable Distribution Rate determined by it to be notified to the Paying Agents, the Trustee and the Issuer as soon as practicable after the date on which it has been calculated. Notice thereof shall also promptly be given to the Holders. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Trustee and the Holders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(E) Distribution Deferral

(i) *Deferral*: The Issuer may, at its sole discretion, elect to defer a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (a "**Deferral Election Notice**") of such election to the Holders in accordance with Condition 16, the Trustee and the Principal Agent not more than 10 nor less than 5 Business Days prior to the relevant Distribution Payment Date. unless a Compulsory Distribution Payment Event has occurred (a "**Deferral Election Event**").

(ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 6(E)(i).

(iii) *Requirements as to Notice*: Each Deferral Election Notice shall be accompanied, in the case of the notice to the Trustee and the Principal Agent, by a certificate in the form scheduled to the Trust Deed signed by two directors of the Issuer confirming that no Compulsory Distribution Payment Event has occurred.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence of a Deferral Election Event in which event it shall be conclusive and binding on the Holders.

(iv) *Cumulative Deferral*: Any Distribution deferred pursuant to this Condition 6 shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limits as to the number of times Distributions and Arrears of Distribution can be deferred pursuant to this Condition 6 except that Condition 6(E)(v) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 6 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 6. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) *Restrictions in the case of Deferral*: If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of this Condition 6, each of the Issuer and the Guarantor shall not, and the Guarantor shall procure that (in relation to any Parity Securities) any other person which is the issuer thereof shall not:

(a) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend or other payment is made on any Junior Securities, preference shares or Parity Securities; or

(b) redeem, reduce, cancel, buy-back or acquire for any consideration any Junior Securities, preference shares or Parity Securities,

unless and until (i) the Issuer or the Guarantor, as the case may be, satisfies in full all outstanding Arrears of Distribution; or (ii) it is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 16), the Trustee and the Principal Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice); and in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earlier of (a) the date of redemption of the Securities in accordance with Condition 8; (b) the next Distribution Payment Date on the occurrence of a breach of Condition 6(E)(v) or the occurrence of a Compulsory Distribution Payment Event; (c) the date such amount becomes due under Condition 10 or on a Winding-Up of the Issuer or the Guarantor; and (d) the date of any substitution or variation in accordance with Condition 13(B). Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Holders of all outstanding Securities on a pro-rata basis.

(vi) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment pursuant to this Condition 6(E) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10) on the part of the Issuer under the Securities, the Guarantor under the Guarantee or for any other purpose.

7 Payments

(A) Method of Payment

Payment of principal, premium and Distributions (including Arrears of Distribution and any Additional Distribution Amount) due other than on a Distribution Payment Date will be made by transfer to the registered account of the Holder or by US dollar cheque drawn on a bank in New York City mailed to the registered address of the Holder if it does not have a registered account. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Distributions due on a Distribution Payment Date will be paid on the due date for the payment of such Distribution to the Holder shown on the Register at the close of business on the seventh day before the due date for the payment of Distribution (the "**Distribution Record Date**"). Payments of Distributions on each Security will be made by transfer to the registered account of the Holder or by US dollar cheque drawn on a bank in New York City mailed to the registered address of the Holder if it does not have a registered account.

(B) Registered Accounts

For the purposes of this Condition, a Holder's registered account means the US dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second Business Day before the due date for payment, and a Holder's registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Holders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Holder otherwise than by ordinary mail, expense of the Holder) on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal or premium, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay In Payment

Holders will not be entitled to any Distribution or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Holder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(F) Partial Payment

If an amount which is due on the Securities is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8 Redemption, Purchase and Cancellation

(A) No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to Condition 10) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 8.

(B) Redemption for Taxation Reasons

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Holders in accordance with Condition 16 (which notice shall be irrevocable) at their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and any Distribution accrued to the date fixed for redemption (the "**Tax Redemption Date**"), if the Issuer or the Guarantor satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 May 2011, and (ii) such obligation cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it (a "**Gross-Up Event**"), provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, as the case may be, the Guarantor) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Securities (or, as the case may be, the Guarantee) then due. Prior to the publication of any Tax Redemption Notice pursuant to this paragraph, the Issuer (or, as the case may be, the Guarantor) shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer (or, as the case may be, the Guarantor) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders. Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Securities at their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and any Distribution accrued up to (but excluding) the date fixed for redemption.

(C) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice to the Holders, the Principal Agent and the Trustee (which notice will be irrevocable), the Issuer may redeem all, but not some only, of the Securities:

(i) on 13 May 2016 (the "**First Call Date**"); or

(ii) on any Distribution Payment Date after the First Call Date,

(each, a "**Call Date**").

On expiry of any such notice as is referred to in this Condition 8(C), the Issuer shall be bound to redeem the Securities (i) on the relevant Call Date, where such date is also a Reset Date, at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) or (ii) on the relevant Call Date, where such date is not also a Reset Date, at 101 per cent. of their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(D) Redemption in the case of Minimal Outstanding Amount

On giving not less than 30 nor more than 60 days' notice to the Holders and the Trustee (which notice will be irrevocable), the Issuer may at any time redeem all, but not some only, of the Securities for the time being outstanding (i) at their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (ii) at their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption, if such redemption occurs on or after the First Call Date, provided that prior to the date of such notice at least 90 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled.

(E) Redemption on an Equity Disqualification Event

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (an "**Equity Disqualification Event Notice**") to the Trustee and the Holders in accordance with Condition 16 (which notice shall be irrevocable) at (i) their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (ii) their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amount (if any) and any Distribution accrued to the date fixed for redemption (the "**Equity Disqualification Event Redemption Date**") if such redemption occurs on or after the First Call Date, if an Equity Disqualification Event has occurred and is continuing immediately prior to the giving of the Equity Disqualification Event Notice and the Issuer complies with the requirements under this Condition 8(E).

For the purposes of this Condition, an "**Equity Disqualification Event**" is deemed to have occurred if as a result of any changes or amendments to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time, the Securities would cease to qualify as equity in the financial statements of the Guarantor.

No Equity Disqualification Event Notice shall be given at any time 90 days before the amendment or change constituting an Equity Disqualification Event becoming effective in respect of the Issuer or Guarantor (as the case may be). Prior to the publication of any Equity Disqualification Event Notice pursuant to this paragraph, the Guarantor shall deliver to the Trustee (a) a certificate signed by two directors of the Guarantor stating that the Equity Disqualification Event has occurred and such event cannot be avoided by the Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it; and (b) an opinion, in form and substance satisfactory to the Trustee of the Guarantor's independent auditors or of a recognised accountancy firm of international standing to the effect that such Equity Disqualification Event has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders. The Issuer shall redeem the Securities on the Equity Disqualification Event Redemption Date.

(F) Redemption for Change of Control

The Issuer may, at any time, on giving not more than 60 nor less than 30 days' notice to the Trustee and the Holders (which notice shall be irrevocable), redeem all but not some only of the Securities at (i) their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (ii) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if such redemption occurs on or after the First Call Date, if immediately before giving such notice, a Change of Control has occurred and is continuing.

Upon the expiry of any such notice as is referred to in this Condition 8(F), the Issuer shall be bound to redeem the Securities on such date (the "**Change of Control Redemption Date**") in accordance with this Condition 8(F).

The Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred nor be liable to any person for any failure to do so.

(G) Redemption for Breach of Covenant

The Issuer may, at any time, on giving not more than 60 nor less than 30 days' notice to the Trustee and the Holders (which notice shall be irrevocable), redeem all but not some only of the Securities at (i) their applicable Early Redemption Amount if such redemption occurs prior to the First Call Date or (ii) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if such redemption occurs on or after the First Call Date, if immediately before giving such notice, a Breach has occurred and is continuing.

Upon the expiry of any such notice as is referred to in this Condition 8(G), the Issuer shall be bound to redeem the Securities on such date (the "**Breach of Covenant Redemption Date**") in accordance with this Condition 8(G).

The Trustee shall not be required to take any steps to ascertain whether a Breach or any event which could lead to the occurrence of a Breach has occurred nor be liable to any person for any failure to do so.

(H) Holders' Tax Option

If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(B), each Holder will have the right to elect that his Security(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal or Distribution to be made in respect of such Security(ies) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction of withholding of the relevant British Virgin Islands and/or Hong Kong taxation required to be withheld or deducted. To exercise a right pursuant to this Condition 8(H), the relevant Holder must deposit a duly completed and signed notice of exercise in the form for the time being currently obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Securities to be redeemed, on or before the day falling 15 days prior to the Tax Redemption Date at the specified office of any Paying Agent.

(I) Purchase

The Guarantor or any of its Subsidiaries may at any time and from time to time purchase Securities at any price in the open market or otherwise.

(J) Cancellation

All Securities which are redeemed or purchased by the Guarantor or any of its Subsidiaries will forthwith be cancelled. Certificates in respect of all Securities cancelled will be forwarded to or to the order of the Registrar and such Securities may not be reissued or resold.

9 Taxation

All payments made by the Issuer or the Guarantor under or in respect of the Securities, the Trust Deed, the Guarantee or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the British Virgin Islands or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the "**Additional Tax Amounts**") as will result in the receipt by the Holders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Security:

(i) *Other connection*: to a Holder (or to a third party on behalf of a Holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with the British Virgin Islands or in the case of payments made by the Guarantor, Hong Kong, otherwise than merely by holding the Security or by the receipt of amounts in respect of the Security;

(ii) *Presentation more than 30 days after the relevant date*: (in the case of a payment of principal) if the Certificate in respect of such Security is surrendered more than 30 days after the relevant date except to the extent that the Holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days;

(iii) *Payment to individuals*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) *Payment by another Paying Agent*: presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union.

For the purposes hereof, "**relevant date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, seven days after the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders and cheques despatched or payment made.

References in these Conditions to principal, Distribution and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10 Non-Payment

(A) Non-Payment when due

Notwithstanding any of the provisions below in this Condition 10, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution pursuant to Condition 6(E).

In addition, nothing in this Condition 10, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer and/or the Guarantor, as the case may be, in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

(B) Proceedings for Winding-Up

If (i) an order is made or an effective resolution is passed for the Winding-Up of the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer and the Guarantor shall be deemed to be in default under the Trust Deed, the Securities and the Guarantee and the Trustee may subject to the provisions of

Condition 10(D), institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or claim in the liquidation of the Issuer, the Guarantor or both of them (as applicable) for such payment.

(C) Enforcement

Without prejudice to Condition 10(B) but subject to the provisions of Condition 10(D), the Trustee may without further notice to the Issuer and/or the Guarantor institute such proceedings against the Issuer, the Guarantor or both of them (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Trust Deed, the Securities or the Guarantee (other than any payment obligation of the Issuer or the Guarantor under or arising from the Securities, the Guarantee or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities or the Guarantee, including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

Nothing in this Condition 10(C) shall, however, prevent the Trustee from instituting proceedings for the winding-up of the Issuer, the Guarantor or both of them, proving in any winding-up of the Issuer, the Guarantor or both of them and/or claiming in any liquidation of the Issuer, the Guarantor or both of them in respect of any payment obligations of the Issuer or the Guarantor arising from the Securities, the Guarantee or the Trust Deed (including any damages awarded for breach of any obligations).

(D) Entitlement of Trustee

The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 10(B) or 10(C) against the Issuer, the Guarantor or both of them (as applicable) to enforce the terms of the Trust Deed, the Securities or the Guarantee unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(E) Right of Holders

No Holder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or the Guarantor (as the case may be) or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

(F) Extent of Holders' remedy

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 10, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities, the Guarantee or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities, the Guarantee or under the Trust Deed, as the case may be.

11 Prescription

Claims in respect of amounts due in respect of the Securities will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of Distributions) from the relevant date (as defined in Condition 9) in respect thereof.

12 Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Securities or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Securities for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Holders whatever the principal amount of the Securities so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Securities, (ii) to reduce or cancel the amount of principal, premium, Distributions (including any Arrears of Distribution or Additional Distribution Amount) payable in respect of the Securities, (iii) to change the currency of payment of the Securities, (iv) to cancel or modify the Guarantee or (vi) to modify the provisions concerning the quorum required at any meeting of the Holders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in principal amount of the Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Securities outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

13 Modification, Waiver and Substitution or Variation

(A) Modification and Waiver

The Trustee may agree, without the consent of the Holders, to (i) any modification (except as mentioned in Condition 12 above) to, or the waiver or authorisation of any breach or proposed breach of, the Securities, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders or (ii) any modification to the Securities, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Holders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Holders as soon as practicable thereafter.

(B) Substitution or Variation

If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 6 (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 13(B) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Principal Agent and, in accordance with Condition 16, the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 13(B) and subject to the receipt by it of the certificate of the directors of the Guarantor referred to herein) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 13(B).

In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) shall be satisfied in full in accordance with the provisions of Condition 6(E)(vi).

In connection with any substitution or variation in accordance with this Condition 13(B), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

(C) Interests of Holders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(D) Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Issuer and the Guarantor in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 12, a modification, waiver or authorisation in accordance with Condition 13(A) or a substitution in accordance with Condition 13(B), the Issuer will procure that the Holders be notified in accordance with Condition 16.

14 Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Securities in all respects and so that such further issue shall be consolidated and form a single series with the Securities. Such further securities may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

16 Notices

All notices to Holders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) (or, if published more than once, the first date on which publication is made) and the seventh day after being so mailed, as the case may be.

So long as the Securities are represented by the Global Certificate(s) and the Global Certificate(s) is/are held on behalf of Euroclear, Clearstream, DTC or any Alternative Clearing System, notices to Holders shall be given by delivery of the relevant notice to Euroclear, Clearstream, DTC or any Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Agents

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (a) a Principal Agent, (b) as necessary, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Directive 2003/48/EC or any other European Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform, to such Directive, and (c) a

Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Holders and in any event not less than 45 days' notice will be given.

18 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified, secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent expressly provided for.

20 Governing Law and Submission to Jurisdiction

The Securities, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England except that the subordination provisions applicable to (i) the Issuer as set out in Condition 3 hereof shall be governed by, and construed in accordance with the laws of the British Virgin Islands; and (ii) the Guarantor set out in Condition 3 hereof and Clause 6 of the Trust Deed shall be governed by, and construed in accordance with the laws of the Special Administrative Region of Hong Kong. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Securities each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the non-exclusive jurisdiction of the courts of England and in relation thereto has appointed Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom as its agent for service of process in England.

21 Definitions

In these Conditions:

"**Additional Tax Amounts**" has the meaning ascribed to it under Condition 9;

"**Affiliate**" means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) who is a spouse or any person cohabiting as a spouse, child (under the age of 18) or step-child (under the age of 18) of a Person described in clause (i) or (ii). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise;

"**Arrears of Distribution**" has the meaning ascribed to it in Condition 6(E)(iv);

"**Breach**" has the meaning ascribed to it in Condition 6(C)(i);

"**Breach of Covenant Redemption Date**" has the meaning ascribed to it in Condition 8(G);

"**Business Day**" means:

(i) in respect of Condition 4, any day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer) or the Agent with whom a Certificate is deposited in connection with a transfer, is located;

(ii) in respect of Condition 6, any day, excluding a Saturday and a Sunday on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, New York and London; and

(iii) in respect of Condition 7, any day other than a Saturday or Sunday on which commercial banks are open for business in New York, Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.;

"**Calculation Date**" means, for the purpose of calculating:

(a) the Relevant Reset Distribution Rate, the commencement date of the relevant Reset Distribution Period; and

(b) any applicable Make Whole Amount, the applicable date fixed for redemption under Condition 8(D), 8(E), 8(F) or 8(G);

"**Certificate**" has the meaning ascribed to it under Condition 1(A);

"**Change of Control**" occurs when the beneficial shareholding in the Guarantor of any Person , including any other Person controlled by such Person, (other than any State-Owned Enterprise), is larger than the combined shareholding of all State-Owned Enterprises in the Guarantor;

"**Change of Control Redemption Date**" has the meaning ascribed to it under Condition 8(F);

"**Comparable Treasury Issue**" means (a) in relation to calculating the Relevant Reset Distribution Rate, the U.S. Treasury security selected by the Calculation Agent as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years and (b) in relation to calculating a Make Whole Amount, the U.S. Treasury security selected by the Calculation Agent as having a maturity comparable to the Remaining Life that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most closely corresponding to the Remaining Life;

"**Comparable Treasury Price**" means, with respect to any redemption date:

(1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations;

"**Compulsory Distribution Payment Event**" means circumstances in which during the three month period ending on the day before the relevant Distribution Payment Date either or both of the following have occurred:

(a) a discretionary dividend, distribution or other payment has been paid or declared by the Guarantor (or in the case of any Parity Securities, the issuer thereof) on or in respect of any Junior Securities, preference shares or any Parity Securities of the Guarantor (other than any discretionary dividend, distribution or other payment paid or declared by a wholly-owned Subsidiary of the Guarantor to either (i) the Guarantor or (ii) another wholly-owned Subsidiary of the Guarantor); or

(b) the Issuer or the Guarantor (or in the case of Parity Securities, the issuer thereof) has at its discretion repurchased, redeemed or otherwise acquired any of its Junior Securities, preference shares or Parity Securities;

"**Distribution**" has the meaning ascribed to it under Condition 6(A);

"**Distribution Payment Date**" means 13 May and 13 November in each year, starting on (and including) 13 November 2011;

"**Distribution Record Date**" has the meaning ascribed to it under Condition 7(A);

"**Early Redemption Amount**" means, in relation to a redemption pursuant to Condition 8(D), 8(E), 8(F) or 8(G), the greater of:

(a) the principal amount of the Securities, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount); and

(b) the Make Whole Amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount),

provided that on any Call Date from and including the First Call Date, the redemption price shall be equal to the principal amount of the Securities together with any Distribution accrued to such date (including any Arrears of Distribution and any Additional Distribution Amount);

"**Equity Disqualification Event**" has the meaning ascribed to it under Condition 8(E);

"**Equity Disqualification Event Notice**" has the meaning ascribed to it under Condition 8(E);

"**Equity Disqualification Event Redemption Date**" has the meaning ascribed to it under Condition 8(E); "**Guarantee**" has the meaning ascribed to it under Condition 2;

"**Holder**" means (in relation to a Security) the person in whose name a Security is registered;

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Guarantor and approved in writing by the Trustee;

"**Initial Distribution Rate**" means 10.25 per cent. per annum;

"**Initial Spread**" means 8.31 per cent.;

"**Junior Securities**" means (a) in respect of the Issuer, any class of the Issuer's share capital, other than any instrument or security (including without limitation any preference shares) ranking in priority in payment and in all other respects to the ordinary shares of the Issuer; and (b) in respect of the Guarantor, (i) any class of the Guarantor's share capital, (ii) any security issued by the Guarantor which ranks or is expressed to rank junior to the Guarantor's obligations under the Guarantee; (iii) the Perpetual Subordinated Convertible Securities; and (iv) any security guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank junior to the Guarantor's obligations under the Guarantee, but excluding any other instrument or security (including without limitation any preference shares) ranking in priority in payment and in all other respects to the ordinary shares of the Guarantor;

"**Make Whole Amount**" means, with respect to any redemption date pursuant to a redemption in accordance with Condition 8(D), 8(E), 8(F) or 8(G), the amount, as determined by the Calculation Agent, equal to the sum of (a) the present value of the principal amount of the Securities to be redeemed discounted from the next Call Date, and (b) the present value of all Distributions payable (or but for any deferral would be payable) on a Distribution Payment Date after such redemption date (exclusive of Distributions accrued to the relevant redemption date) to, and including, the next Call Date, discounted to the relevant redemption date on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 1.50 per cent. per annum;

"**New York Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City;

"**Parity Securities**" means in respect of the Issuer and the Guarantor, as the case may be: (i) any security issued or guaranteed by the Issuer which ranks or is expressed to rank *pari passu* with the Securities; (ii) any security issued by the Guarantor which ranks or is expressed to rank *pari passu* with the Guarantor's obligations under the Guarantee; and (iii) any security guaranteed by the Guarantor or for which the Guarantor has otherwise assumed liability where the Guarantor's obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the Guarantor's obligations under the Guarantee;

"**Perpetual Subordinated Convertible Securities**" means (i) the US$650,000,000 Perpetual Subordinated Convertible Securities Callable 2015 issued by Sino-Ocean Land Capital Finance Limited on 27 July 2010 and (ii) the US$250,000,000 Perpetual Subordinated Convertible Securities Callable 2015 issued by Sino-Ocean Land Capital Finance Limited on 27 July 2010;

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity);

"**Qualifying Securities**" means securities that:

(a) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Trustee, and provided that certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of (i) two directors of the Guarantor and (ii) an Independent Investment Bank, shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificates the Trustee shall rely absolutely), provided that (i) they are issued by the Issuer or any wholly-owned direct or indirect finance Subsidiary of the Guarantor; (ii) they are unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis; and (iii) they (or, as appropriate, the Guarantee as aforesaid) shall rank *pari passu* on a Winding-Up with the Securities and shall contain terms which provide at least for the same Distribution Rate from time to time applying to the Securities and otherwise have substantially identical terms (as reasonably determined by the Trustee) to the Securities save where any modifications to such terms are required to be made to avoid the occurrence of a Gross-Up Event or, as the case may be, an Equity Disqualification Event; and

(b) are listed on the Official List of either the Singapore Exchange Securities Trading Limited or The Stock Exchange of Hong Kong Limited ("**The Hong Kong Stock Exchange**");

"**Reference Dealers**" means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Principal Agent and approved by the Issuer;

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Guarantor in good faith;

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date;

"**Register**" means the register of Holders which the Issuer shall procure to be kept by the Registrar;

"**relevant date**" has the meaning ascribed to it under Condition 9;

"**Relevant Reset Distribution Rate**" means the Treasury Rate with respect to the relevant Reset Date plus the Initial Spread plus the Step-Up Margin per annum;

"**Remaining Life**" means the period from the applicable redemption date to the next Call Date after such redemption date;

"**Reset Date**" means the First Call Date and each day falling every five calendar years after the First Call Date;

"**Reset Distribution Period**" the period beginning on and including the First Call Date and ending on but excluding the following Reset Date and each successive period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date;

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Guarantor or any Subsidiary transfers such property to another Person and the Guarantor or any Subsidiary leases it from such Person;

"**Special Event**" means a Gross-Up Event, an Equity Disqualification Event or any combination of the foregoing;

"**State-Owned Enterprise**" means a Person in which the State-owned Assets Supervision and Administration Commission, the State Council of the PRC and/or the Ministry of Finance (or its successor), directly or indirectly, or through any other authority or agencies directed by the State-owned Assets Supervision and Administration Commission, the State Council of the PRC and/or the Ministry of Finance (or its successor), has a controlling stake in such Person;

"**Step-up Margin**" means 3.00 per cent.;

"**Subsidiary**" means in relation to any person, is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws or regulations of Hong Kong, or Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time, should have its accounts consolidated with those of that person;

"**Tax Redemption Date**" has the meaning ascribed to it under Condition 8(B);

"**Tax Redemption Notice**" has the meaning ascribed to it under Condition 8(B);

"**Treasury Rate**" means the rate notified by the Calculation Agent to the Issuer, the Guarantor and the Holders (in accordance with Condition 16) in per cent. per annum equal to the yield, under the heading that represents the average for the week immediately prior to the relevant Calculation Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue (in the case of calculating a Make Whole Amount, if there is no Comparable Treasury Issue with a maturity within three months before or after the next Call Date after such redemption date, yields for the two published maturities most closely corresponding to such Call Date will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, "Treasury Rate" means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. The Treasury Rate will be calculated on the second New York Business Day preceding the relevant Calculation Date; and

"**Winding-Up**" means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the winding up, liquidation or similar proceedings in respect of the Issuer or the Guarantor, as the case may be.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

GLOBAL CERTIFICATES REPRESENTING THE SECURITIES

The Global Certificates contain provisions which apply to the Securities in respect of which a Global Certificate is issued, some of which modify the Conditions of the relevant Securities set out in this Offering Circular. Terms defined in the Conditions of the Securities have the same meanings in the paragraphs below. The following is a summary of certain of those provisions:

Meetings

The Holder (as defined in the Conditions) of a Global Certificate shall be treated as being two persons for the purposes of any quorum requirements of a meeting of holders and, at any such meeting, as having one vote in respect of each US$1,000 in principal amount of the relevant Securities for which the Global Certificates have been issued. The Trustee may allow a person with an interest in the Securities in respect of which the Global Certificates have been issued to attend and speak at a meeting of relevant Holders on appropriate proof of his identity and interest.

Trustee's Powers

In considering the interests of Holders while a Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances but without being obligated to do so, (a) have regard to any information provided to it by the relevant clearing system as to the identity (either individually or by category) of its accountholders with entitlements to the relevant Securities and (b) may consider such interests as if such accountholders were the Holders of the relevant Securities in respect of which a Global Certificate has been issued.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the Holder of the Securities in respect of which a Global Certificate has been issued shall be recognized as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the relevant Securities set out in the certificate of the Holder as if they were themselves the Holders of the relevant Securities in such principal amounts.

Cancellation

Cancellation of any Security required by the Conditions to be cancelled following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the relevant Securities in the register of Holders of such Securities.

Holders' Tax Option

The option of Holders not to have the Securities redeemed as provided in Condition 8(H) shall be exercised by the presentation to any Principal Agent, or to the order of such Principal Agent, of a duly completed Holder's election notice within the time limits set out in and containing the information required by such Condition.

Registration of Title

Certificates in definitive form for individual holdings of the Securities will not be issued in exchange for interests in the Securities in respect of which a Global Certificate has been issued, except (a) in the case of Securities held on behalf of Euroclear or Clearstream or any Alternative Clearing System, if Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Securities evidenced by the Global Certificates may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (b) in the case of Securities held on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Securities, or ceases to be a clearing agency registered under the US Securities Exchange Act of 1934, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC.

Payments

Payments of principal, Distributions and premium (if any) in respect of the Securities represented by a Global Certificate will be made without presentation or, if no further payment is to be made in respect of the relevant Securities, against presentation and surrender of the Global Certificates to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the holders for such purpose.

Transfers

Transfers of interests in the Securities with respect to which the Global Certificates have been issued shall be effected through the records of DTC, Euroclear or Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of DTC, Euroclear or Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Notices

So long as any Securities are represented by a Global Certificate and the Global Certificates are held on behalf of DTC, Euroclear or Clearstream (or any Alternative Clearing System), notices to Holders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream (or any Alternative Clearing System), for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

CLEARANCE AND SETTLEMENT OF THE SECURITIES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream currently in effect. The information in this section concerning DTC, Euroclear and Clearstream has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or any of the Agents takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of DTC, Euroclear and Clearstream are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. Neither the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Securities held through the facilities of DTC, Euroclear and Clearstream or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry of changes in the accounts of their participants. Euroclear and Clearstream provide their respective participants with, inter alia, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal and distributions and other payments with respect to book-entry interests in the Securities held through Euroclear or Clearstream will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

Registration and form

Book-entry interests in the Securities held through Euroclear and Clearstream will be evidenced by the Global Certificates, registered in the name of a nominee of the common depositary of Euroclear and Clearstream. The Global Certificates will be held by a common depositary for Euroclear and Clearstream.

DTC

DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the US Securities Exchange Act of 1934. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for the physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Global Clearance and Settlement Procedures

Initial settlement

The Securities will be evidenced by an Unrestricted Global Certificate and a Restricted Global Certificate. Purchasers electing to hold book-entry interests in the Unrestricted Global Certificate through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds. Purchasers electing to hold book-entry interests in the Restricted Global Certificate through DTC accounts will follow the settlement procedures applicable to interests in securities held by DTC participants.

Secondary market trading

Secondary market sales of book-entry interests in the Securities held through DTC, Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of DTC, Euroclear and Clearstream and will be settled using the procedures applicable to conventional participants.

General

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream in order to facilitate the transfers of interests in the Securities among participants of DTC, Euroclear and Clearstream, neither DTC, Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Issuer, the Guarantor, the Trustee, the Agents or any of their agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Definitive Certificates

Individual definitive certificates issued in exchange for interests in the Restricted Global Certificate (the "Restricted Definitive Certificates") or interests in the Unrestricted Global Certificate (the "Unrestricted Definitive Certificates") (together, the "Definitive Certificates"), shall not be issued except in the limited circumstances provided in the relevant Global Certificate. If issued, such Definitive Certificates shall be substantially in the form set forth in the Trust Deed. The Definitive Certificates shall be signed manually or in facsimile by one Director of the Issuer and shall be authenticated by or on behalf of the Registrar.

Exchange of Restricted Certificates for Unrestricted Certificates

Subject to the provisions of the Agency Agreement, applicable laws and regulations, an interest in the Restricted Global Certificate (or a Restricted Definitive Certificate) may be exchanged for an interest in the Unrestricted Global Certificate (or an Unrestricted Definitive Certificate, as the case may be) of any authorised denominations and aggregate principal amounts, (i) in the case of a transfer of an interest in a Restricted Global Certificate, in accordance with the applicable rules and procedures for the time being of Euroclear and Clearstream and upon receipt by the Registrar of a duly completed certificate substantially in the form provided for in the Agency Agreement or (ii) in the case of a Restricted Definitive Certificate, upon surrender of the Restricted Definitive Certificate at the office of the Registrar or at the office of any Transfer Agent, together with a written instrument of transfer and a duly completed certificate substantially in the form provided for in the Agency Agreement, together with such evidence as the Registrar or the Transfer Agent, as applicable, may reasonably require to prove the title of the transferor.

Whenever any Restricted Definitive Certificates are so surrendered for exchange, the Registrar shall promptly authenticate and deliver (directly or through an agent, as the case may be) the relevant Unrestricted Definitive Certificate or Certificates in an equal aggregate principal amount in such authorised denominations as requested. The Registrar shall adjust its records to show any increase and corresponding decrease in the principal amount of the Unrestricted Global Certificate or Restricted Global Certificate as a result of any exchange pursuant to the relevant Agency Agreement.

Exchange of Unrestricted Certificates for Restricted Certificates

Subject to the provisions of the Agency Agreement, applicable laws and regulations, an interest in the Unrestricted Global Certificate (or an Unrestricted Definitive Certificate) may be exchanged for an interest in the Restricted Global Certificate (or a Restricted Definitive Certificate, as the case may be) of any authorised denominations and aggregate principal amounts, (i) in the case of a transfer of an interest in the Unrestricted Global Certificate, in accordance with the applicable rules and procedures for the time being of Euroclear and Clearstream and upon receipt by the Registrar of a duly completed certificate substantially in the form provided for in the Agency Agreement or (ii) in the case of an Unrestricted Definitive Certificate, upon surrender of the Unrestricted Definitive Certificate at the office of the Registrar or at the office of any Transfer Agent, together with a written instrument of transfer and a duly completed certificate substantially in the form provided for in the Agency Agreement, together with such evidence as the Registrar or the Transfer Agent, as applicable, may reasonably require to prove the title of the transferor. Whenever any Unrestricted Definitive Certificates are so surrendered for exchange, the Registrar shall promptly authenticate and deliver (directly or through an agent) the relevant Restricted Definitive Certificate or Certificates in an equal aggregate principal amount in such authorised denominations as requested. The Registrar shall adjust its records to show any increase and corresponding decrease in the principal amount of the Restricted Global Certificate or Unrestricted Global Certificate as a result of any exchange pursuant to the Agency Agreement.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposal of Securities is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Securities.

You should consult their professional advisors on the possible tax consequences of buying, holding or selling any Securities under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

A BVI Business Company is not liable to pay any form of taxation in the BVI and all dividends, interests, rents, royalties, compensations and other amounts paid by a BVI Business Company to persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of a BVI Business Company by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to a BVI Business Company.

Subject to the payment of stamp duty on the acquisition of real estate in the BVI by a BVI Business Company, all instruments relating to transfers of property to or by a BVI Business Company and all instruments relating to transactions in respect of the shares, debt obligations or other securities of a BVI Business Company and all instruments relating to other transactions relating to the business of a BVI Business Company are exempt from payment of stamp duty in the BVI.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal or Distributions in respect of the Securities.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, exchange or redemption of the Securities where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Distributions on the Securities will be subject to Hong Kong profits tax where such Distribution is received by or accrues to:

(a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong;

(b) a corporation carrying on a trade, profession or business in Hong Kong (but only if such Distribution has a Hong Kong source); or

(c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such Distribution is in respect of the funds of the trade, profession or business (but only if such Distribution has a Hong Kong source).

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Securities where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security.

U.S. Federal Income Taxation

Circular 230 Disclosure

ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES SET FORTH IN THIS OFFERING CIRCULAR WAS WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING BY THE ISSUER. SUCH DISCUSSION WAS NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain material U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Securities. The discussion is not a complete description of all the tax considerations that may be relevant to a particular holder. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, all as of the date hereof, changes to any of which subsequent to the date of this offering circular may affect the tax consequences described herein and may apply retroactively. The discussion addresses only initial purchasers of the Securities that are U.S. Holders (as defined below), that hold the Securities as capital assets within the meaning of Section 1221 of the Code, that purchase the Securities in this offering at their "issue price," which will be the first price at which a substantial amount of the Securities is sold to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) for money, and that have the U.S. dollar as their functional currency.

It does not address all of the U.S. federal income tax considerations that may be relevant to investors subject to special treatment under the U.S. federal income tax laws, including:

- a person that owns (directly or indirectly) 10% or more of the voting stock of the Company;
- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;
- a person holding the Securities as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for securities;
- a person liable for alternative minimum tax; and
- an expatriate, former citizen or former resident of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the Securities, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. If you are a partnership or a partner in such partnership, you should consult your tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of the Securities.

This summary does not contain a detailed description of all the U.S. federal income tax consequences to you in light of your particular circumstances. Moreover, this summary does not address the effects of any state, local or non-U.S. tax laws or any aspects of U.S. federal tax law other than income taxation. **PROSPECTIVE PURCHASERS OF THE SECURITIES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE AND LOCAL TAX AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SECURITIES IN LIGHT OF THEIR PARTICULAR SITUATION.**

U.S. Holders

As used here, "U.S. Holder" means a beneficial owner of Securities that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Classification of the Securities

Because the Securities are (a) perpetual in term and have no maturity date and (b) subordinated in right of payment to the claims of all current and future senior and subordinated creditors, we intend to take the position that the Securities are treated as equity of the Company for U.S. federal income tax purposes. However, whether a Security is treated as debt or equity for U.S. federal income tax purposes is an inherently factual question, and no single factor is determinative. Therefore, the matter is not free from doubt, and the Internal Revenue Service (the "IRS") could assert that the Securities should be treated as indebtedness of the Company for U.S. federal income tax purposes. If the Securities were treated as indebtedness of the Company for U.S. federal income tax purposes, the timing and character of income, gain and loss recognized by a U.S. Holder would be different. For example, if the Securities are treated as indebtedness for U.S. federal income tax purposes, the difference, if any, between the stated redemption price at maturity of the Securities and its issue price would be treated as "original issue discount."

The remainder of this discussion assumes that the Securities are treated as equity for U.S. federal income tax purposes. You should note, however, that our view of the classification of the Securities is not binding on the IRS or the courts. Therefore, prospective investors are urged to consult their own tax advisors regarding the U.S. federal tax consequences of an investment in our Securities, including the alternative characterization of the Securities.

Interest Payment on the Securities

Since the Company is taking the position that the Securities are treated as equity for U.S. federal income tax purposes, any interest paid or accrued on the Securities will be treated as a distribution with respect to stock for U.S. federal income tax purposes. Therefore, the gross amount of any such interest (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, and should be taxable as ordinary income, subject to the discussion below. Subject to the passive foreign investment company ("PFIC") rules described below, to the extent that the amount of any interest paid or accrued on the Securities exceeds our current and accumulated earnings and profits attributable to that Security, such interest will be treated first as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in that Security. This reduction in basis will increase any gain, or reduce any loss, realized by the U.S. Holder on the subsequent sale, redemption or other disposition of our Securities. The amount of any interest paid or accrued that is in excess of the U.S. Holder's adjusted tax basis will be taxed as capital gain. Any capital gain will generally be treated as long-term capital gain if the U.S. Holder's holding period with respect to the Securities exceeds one year. Because the Company does not maintain calculations of earnings and profits under U.S. federal income tax principles, it is expected that any interest paid or accrued generally will be reported to U.S. Holders as dividends, even if that interest (or portion thereof) would otherwise be treated as a non-taxable return of capital or as capital gain.

Dividends will not be eligible for the dividends-received deduction generally allowed to U.S. corporations. With respect to non-corporate U.S. Holders, certain dividends received before January 1, 2013 from a "qualified foreign corporation" may be subject to reduced rates of taxation. If the Company were deemed to be a "resident enterprise" under PRC tax law and were eligible for the benefits of the income tax treaty between the United States and the PRC (the "Treaty"), we may be treated as a qualified foreign corporation and, therefore, dividends paid to certain non-corporate U.S. Holders may be subject to reduced tax rates, subject to applicable limitations. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rates on dividends in the event the Company is treated as a "resident enterprise" for purposes of PRC tax law.

Dividends will be included in a U.S. Holder's income on the date actually or constructively received by the U.S. Holder. The amount of any dividend income paid in Hong Kong dollars will be a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder will have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of its receipt. The amount of any dividend paid in property, including any non-pro rata stock dividend, will be the fair market value of such property as of the date of distribution.

The amount of any dividend will be treated as foreign-source dividend income and will generally constitute passive category income. If the Company were deemed to be a "resident enterprise" under PRC tax law, dividends paid by the Company may be subject to a 10% PRC withholding tax. The PRC taxes withheld from dividends generally will be creditable against a U.S. Holder's U.S. federal income tax liability, subject to applicable limitations that may vary depending upon the U.S. Holder's circumstances. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the creditability of foreign taxes in their particular circumstances.

Sale, Exchange or Other Disposition of the Securities

A U.S. Holder will recognize gain or loss upon the sale, exchange (other than redemption of the Securities, the consequences of which are described under the heading "— Redemption of the Securities" below), or other taxable disposition of our Securities equal to the difference between (1) the proceeds of the taxable disposition and (2) the U.S. Holder's adjusted tax basis in the Securities. Subject to the PFIC rules described below, such gain or loss will generally be capital gain or loss. Non-corporate U.S. Holders who have held their Securities for more than one year at the time of sale, exchange or other disposition will generally recognize long-term capital gain or loss and may be eligible for reduced rates of taxation. In the case of corporate U.S. Holders, net capital gain is taxed at the same U.S. federal income tax rate as ordinary income. The deductibility of capital losses is subject to limitations.

If the Company is deemed to be a “resident enterprise” under PRC tax law, any gain recognized upon the sale or other disposition of the Securities may be subject to PRC tax. If the status of the Company as a “resident enterprise” resulted in the Company being treated as a resident of the PRC under the Treaty, U.S. Holders entitled to benefits under the Treaty may elect to treat any gain as arising in the PRC. Otherwise, any gain or loss will generally be U.S. source. Therefore, unless the Company is a resident of the PRC for purposes of the Treaty and a U.S. Holder is entitled to benefits under the Treaty, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any PRC tax imposed on a sale or other disposition. U.S. Holders should consult their tax advisors as to their eligibility for benefits under the Treaty and the availability of and limitations on any foreign tax credit attributable to PRC tax.

Redemption of the Securities

If the Securities are repurchased by the Company, the repayment will be treated as a redemption of stock for U.S. federal income tax purposes. A redemption of stock may be subject to tax under the dividend provisions of the Code (which are described under the heading “— Interest Payment on the Securities”), unless the redemption (a) results in a “complete termination” of the U.S. Holder’s stock interest in us under section 302(b)(3) of the Code, (b) results in a “substantially disproportionate” redemption of stock with respect to the U.S. Holder under section 302(b)(2) of the Code, or (c) is “not essentially equivalent to a dividend” with respect to the U.S. Holder under section 302(b)(1) of the Code. In determining whether the redemption is subject to tax under the dividend provisions of the Code, the U.S. Holder must generally take into account not only stock he actually owns, but also stock constructively owned within the meaning of section 318 of the Code. A distribution to a U.S. Holder will be “not essentially equivalent to a dividend” if it results in a “meaningful reduction” in the U.S. Holder’s stock interest in us. For these purposes, a redemption of stock from a U.S. Holder whose actual and constructive ownership of our common stock is *de minimis* should satisfy the ‘‘not essentially equivalent to a dividend’’ test of section 302(b)(l). If the redemption of the Securities is not subject to tax under the dividend provisions of the Code, the redemption would generally be treated as a disposition (see “— Sale, Exchange or Other Disposition of the Securities” above) and would result in capital gain or loss equal to the difference between the amount of cash and other property received and the U.S. Holder’s adjusted tax basis in the Securities.

Passive Foreign Investment Company Rules

Based on the manner in which the Company currently operates its business, we believe that we should not be treated as a PFIC for U.S. federal income tax purposes for our current taxable year ending December 31, 2011, and we do not expect to become a PFIC in the foreseeable future. However, because PFIC status is determined annually and depends generally on the composition of the Company’s income and assets and the market value of its assets (including a proportionate share of the income and assets of our 25%-owned subsidiaries), there can be no assurance that we will not be a PFIC for the current or any future taxable year.

If the Company were a PFIC for any taxable year during which a U.S. Holder held our Securities, gain recognized by the U.S. Holder on a sale or other disposition (including certain pledges) of the Securities, or upon an indirect disposition of shares of a lower-tier PFIC, would be allocated ratably over the U.S. Holder’s holding period for the Securities. The gain allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for individuals or corporations, as applicable, for that taxable year, and an interest charge would be imposed on the resulting tax liability. Similar rules would apply to the extent any distribution received in a taxable year in respect of our Securities (or a distribution by a lower-tier PFIC that is deemed to be received by a U.S. Holder) exceeds 125% of the average annual distributions on the Securities received (or deemed to be received) by a U.S. Holder during the preceding three years or the U.S. Holder’s holding period for the Securities, whichever is shorter. In certain circumstances, you may avoid the PFIC tax consequences described above by making a valid “mark-to-market” election or by electing to treat us as a “qualified electing fund.” We do not intend to provide the necessary information to allow U.S. Holders to make a qualified electing fund election. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences of holding our Securities if we are considered a PFIC in any taxable year and, if so, the availability of the elections described above.

Information Reporting and Backup Withholding

Payments of interest, dividend, principal or proceeds from the disposition or redemption of our Securities may be subject to information reporting if made through the United States or through certain U.S.-related financial intermediaries and will be subject to backup withholding (currently at a rate of 28%) of U.S. federal income tax if a recipient that is a U.S. Holder fails to furnish to the payer an IRS Form W-9 containing such U.S. Holder's taxpayer identification number and other information or to otherwise establish an exemption from backup withholding. Penalties also may be imposed on a recipient that fails to properly supply an IRS Form W-9 or other evidence of exemption from backup withholding. Recently enacted legislation will require certain U.S. Holders to report information with respect to Securities not held through an account with a financial institution to the IRS. If a U.S. Holder fails to report information required under this legislation, such U.S. Holder could become subject to substantial penalties. U.S. Holders are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on an investment in the Securities.

Any amounts deducted and withheld as backup withholding may be allowed as a credit against the recipient's U.S. federal income tax liability, if any. If backup withholding results in an overpayment of taxes, a refund may be obtained provided that the required information is furnished to the IRS. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules to their particular circumstances.

Proposed EU Directive on the Taxation of Savings Income

The Council of the European Union has adopted a directive regarding the taxation of savings income. Member States are required from January 1, 2005 to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

PLAN OF DISTRIBUTION

The Issuer and the Guarantor have entered into a subscription agreement with Goldman Sachs (Asia) L.L.C., BOCI Asia Limited and The Hongkong and Shanghai Banking Corporation Limited (as the Joint Lead Managers) dated May 6, 2011 (the "Subscription Agreement"), pursuant to which and subject to the conditions contained therein, the Issuer agreed to issue, and the Joint Lead Managers agreed to use reasonable endeavors to seek subscribers who will subscribe and pay for the Securities in the principal amounts set out in the table below.

Joint Lead Manager	Subscription Amount
	(U.S.$)
Goldman Sachs (Asia) L.L.C.	133,334,000
BOCI Asia Limited	133,333,000
The Hongkong and Shanghai Banking Corporation Limited	133,333,000

The Joint Lead Managers have agreed to use reasonable endeavors to procure subscribers who will subscribe and pay for the Securities, at a purchase price equal to 100% of the principal amount of the Securities less (i) a transaction management and documentation fee of US$1,000,000 and (ii) a selling fee of 2.0% of the aggregate principal amount of the Securities, and related expenses.

The Issuer and the Guarantor have each agreed in the Subscription Agreement that no member of the Group nor any person acting on any of their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any securities of the same class as the Securities, (b) enter into any transaction with the same economic effect as, or which is designed to, or which may be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a) or (b) is to be settled by delivery of securities, in cash or otherwise or (c) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers between the date of the Subscription Agreement and the date which is 90 days after the Issue Date (both dates inclusive); except pursuant to the terms and conditions of the Securities.

The Issuer and the Guarantor has each undertaken under the Subscription Agreement to indemnify the Joint Lead Managers and certain related parties against certain liabilities, including certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers or their affiliates may purchase the Securities for their own account and enter into transactions, including credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Securities and/or the Guarantor's securities at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or re-sale of the Securities to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

The Joint Lead Managers and certain of their subsidiaries or affiliates have performed certain investment banking and advisory services for the Guarantor and its subsidiaries from time to time for which they have received customary fees and expenses. The Joint Lead Managers may, from time to time, engage in transactions with and perform services for the Guarantor and its subsidiaries in the ordinary course of their business.

General

Neither the Issuer, the Guarantor nor each Joint Lead Manager makes any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or us or the Issuer or the Guarantor that would permit a public offering of the Securities, or the possession, circulation or distribution of this offering circular, or any other offering or publicity material relating to the Guarantor or the Securities (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, and none of this offering circular or any other offering material or advertisements in connection with the Securities may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

The Securities and the Guarantee issued upon conversion of the Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Securities and the Guarantee are being offered and sold outside of the United States in reliance with Regulation S. The Subscription Agreement provides that the Joint Lead Managers may directly, or through their U.S. broker-dealer affiliates, arrange for the offer and re-sale of the Securities within the United States only to qualified institutional buyers in reliance on Rule 144A or another applicable exemption.

In addition, until 40 days after the commencement of this offering of the Securities, an offer or sale of the Securities or the Guarantee within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to "professional investors" as defined in the SFO and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each Joint Lead Manager has acknowledged that this offering circular or any other materials distributed by it has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

Switzerland

This offering circular does not constitute a public offering prospectus as that term is understood pursuant to Article 652a or 1156 of the Swiss Code of Obligations (the "Swiss Code"). No application has been made for a listing on the SIX Swiss Exchange and consequently, the information presented in this offering circular does not necessarily comply with the information standard set out in the listing rules of the SIX Swiss Exchange. The Securities may not be publicly offered or sold in Switzerland. The Securities may be offered or sold only to a selected number of individual investors in Switzerland, under circumstances which will not result in the Offering being a public offering within the meaning of Article 652a of the Swiss Code.

Neither the offering circular nor any other offering or marketing material relating to the offering of the Securities, the Issuer, the Guarantor or the Securities have been filed with or approved by any Swiss regulatory authority. In particular, the offering circular has not been filed with, and the offer of the Securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of the Securities has not been authorised under the Swiss Federal Act on Collective Investment Scheme ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Securities.

British Virgin Islands

Each Joint Lead Manager has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell the Securities.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, re-sale, pledge or other transfer of the Securities and the Guarantee.

The Securities and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold only to (1) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in compliance with Rule 144A or another applicable exemption and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Securities and the Guarantee, each purchaser of the Securities will be deemed to:

1. represent that it is purchasing the Securities and the Guarantee for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is: (i) a QIB, and is aware that the sale to it may be made in reliance on Rule 144A or (ii) a purchaser that is outside the United States;

2. acknowledge that the Securities and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred within the United States except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an "offshore transaction" (as defined in Regulation S under the Securities Act) in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States;

3. agree that it will inform each person to whom it transfers the Securities and the Guarantee of any restrictions on transfer of such Securities and the Guarantee;

4. understand that if it is a purchaser outside the United States, the Securities will be represented by the Unrestricted Global Certificate. If it is a QIB, it understands that the Securities offered in reliance on Rule 144A or another applicable exemption will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who is not a QIB, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restriction referred to above;

5. understand that each Security sold within the United States will bear a legend to the following effect unless otherwise agreed by the Issuer and the holder thereof (unless such Security has been sold pursuant to a registration statement that has been declared effective under the Securities Act):

   "THIS SECURITY AND THE GUARANTEE IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE

SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY"; and

6. acknowledge that the Issuer, the Guarantor and the Joint Lead Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Securities or the Guarantee are no longer accurate, it shall promptly notify the Issuer and the Guarantor. If it is acquiring any Securities or the Guarantee as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Certain legal matters with respect to the Securities will be passed upon for us and the Issuer by Maples and Calder as to matters of British Virgin Islands law; Paul, Hastings, Janofsky & Walker as to matters of English and Hong Kong law; Paul, Hastings, Janofsky & Walker LLP as to matters of United States federal law, and Kejie Law Office as to matters of PRC law. Certain legal matters will be passed upon for the Joint Lead Managers by Linklaters as to matters of English and United States federal law; and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for each of the fiscal years ended December 31, 2008, 2009 and 2010 included or incorporated by reference in this offering circular have been audited by PricewaterhouseCoopers, certified public accountants, Hong Kong, as stated in their reports dated March 26, 2009, March 22, 2010 and March 17, 2011, respectively.

ENFORCEABILITY OF CIVIL LIABILITIES

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

Maples and Calder, our counsel as to British Virgin Islands law, has advised us that the United States and the British Virgin Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the United States federal securities laws, would not be automatically enforceable in the British Virgin Islands. We have also been advised by Maples and Calder that a final and conclusive judgment obtained in United States federal or state courts under which a sum of money is payable as compensatory damages (i.e., not being a sum claimed by a revenue authority for taxes or other charges of a similar nature by a governmental authority, or in respect of a fine or penalty or multiple or punitive damages) may be the subject of an action on a debt in the court of the British Virgin Islands under the common law doctrine of obligation.

Further, we have been advised by our PRC legal counsel, Kejie Law Office, and our British Virgin Islands legal counsel, Maples and Calder, that there is uncertainty as to whether the courts of the PRC and the British Virgin Islands, respectively, would (i) enforce judgments of U.S. courts obtained against the Issuer, the Guarantor or their directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC and the British Virgin Islands, respectively, against such entities or such persons predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Securities, we are required to furnish, upon request of a holder of the Securities and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) if at the time of such request we or the Company are neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

GENERAL INFORMATION

1 Clearing Systems

The Securities have been accepted for clearance through the facilities of Euroclear and Clearstream (in the case of the Unrestricted Global Certificate) and DTC (in the case of the Restricted Global Certificate). Certain trading information with respect to the Securities is set forth below:

	ISIN	Common Code	CUSIP
Restricted Global Certificate	US82936JAA34	062312149	82936JAA3
Unrestricted Global Certificate	XS0622690575	062269057	N/A

Only Securities evidenced by either the Restricted Global Certificate or the Unrestricted Global Certificate have been accepted for clearance through DTC and Euroclear and Clearstream, respectively.

2 Listing of Securities

Approval in-principle for the listing of the Securities has been received from the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Securities are listed on the SGX-ST. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for Certificates in definitive form, we will appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for Certificates in definitive form, an announcement of such exchange shall be made by or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

3 Available Documents

Copies of the latest annual and interim reports and accounts of the Company may be obtained free of charge, and copies of the Trust Deed will be available for inspection, at the specified office of the Company at Suite 601, One Pacific Place, 88 Queensway, Hong Kong during normal business hours, so long as any of the Securities is outstanding.

4 Reliance on Certificates

The Trustee may rely without liability to holders on any certificate prepared by the directors of us or the Issuer and accompanied by a certificate or report prepared by an independent investment bank or other advisor or expert pursuant to the Terms and Conditions of the Securities and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the independent investment bank or other advisor or expert in respect thereof is limited by a monetary cap or otherwise limited or excluded; any such certificate or report shall be conclusive and binding on us, the Issuer, the Trustee and the holders.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN HKFRS AND U.S. GAAP

The audited consolidated financial information included in this offering circular has been prepared and presented in accordance with HKFRS. Certain differences exist between HKFRS and U.S. GAAP, which might be material to the financial information herein. Such differences involve methods for measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP, which have not been described.

The matters described below summarize certain differences between HKFRS and U.S. GAAP that may be material to our consolidated balance sheets and consolidated income statements. Our management is responsible for this summary. Such summary should not be construed to be exhaustive. We have not prepared a complete reconciliation of our consolidated financial information and related note disclosure between HKFRS and U.S. GAAP and has not quantified such differences. Accordingly, we cannot assure you that the following summary of differences between HKFRS and U.S. GAAP is complete. Had any such quantification or reconciliation been undertaken, other potential accounting and disclosure differences may have come to our attention which are not identified below. Furthermore, no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the audited consolidated financial information or notes thereto.

Additionally, no attempt has been made to identify future differences between HKFRS and U.S. GAAP as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate HKFRS and U.S. GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between HKFRS and U.S. GAAP that may affect the financial information as a result of transactions or events that may occur in the future. We believe that the application of U.S. GAAP to our financial statements would have a material and significant impact upon our financial information as reported under HKFRS.

In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP, and how those differences might affect the financial information included herein.

Primary financial statements

Our consolidated financial statements for the years ended December 31, 2007 and 2008 include our consolidated balance sheets, consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements. Our consolidated financial statements for the year ended December 31, 2009 include our consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement.

U.S. GAAP requires the reporting of comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial statements that constitute a full set of financial statements. Comprehensive income other than net income reported in the income statement is known as other comprehensive income (“OCI”), such items should be classified separately in OCI based on their nature. Items reported should be accumulated in a separate accumulated OCI component of shareholders’ equity. Accumulated OCI are comprised of foreign currency adjustment, unrealized gains or losses on available for sale investment securities, pension liability adjustment and income tax related to other OCI items.

Common control transactions

Under HKFRS, when the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory. Merger accounting treats two or more parties as combining on an equal footing. It is normally applied without any restatement of net assets to fair value, and includes the results of each for the whole of the accounting period. Correspondingly, it does not reflect the issue of shares as an application of resources at fair value. The difference that arises on consolidation does not represent goodwill but is deducted from, or added to, reserves.

Under U.S. GAAP, a merger of companies under common control requires the adding together of the historical financial statements of the combining companies as if they had always been combined. When accounting for a transfer of assets or exchange of shares between entities under common control, the company that receives the net assets or the equity interests should initially recognize the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity on the date of transfer. However, the purchase method of accounting should be applied if the effect of the transfer or exchange is acquisition of a part of the non-controlling equity interests in a subsidiary.

Accounting for property assets

Under HKFRS, completed properties held for sale are stated at the lower of cost and net realizable value.

Under U.S. GAAP, completed projects held for sale are long-lived assets to be disposed of by sale and shall be measured at the lower of carrying amount or fair value less cost to sell.

Properties under development

Under HKFRS, a write down of properties under development to the lower of cost or the net realizable value at the close of a fiscal period is a valuation allowance that can be subsequently reversed if the underlying facts and circumstances change. Market value under HKFRS is net realizable value.

Under U.S. GAAP, a write down of properties under development to the lower of cost or market at the close of a fiscal period creates a new cost basis that subsequently cannot be marked up based on changes in underlying facts and circumstances. Market under U.S. GAAP is the lower of the replacement cost and net realizable value minus normal profit margin.

Capitalization of finance costs

Under HKFRS, finance costs are capitalized to the extent that such costs are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale. Finance costs cease to be capitalized when substantially all the activities necessary to prepare the asset for its intended use or sale are completed.

Under U.S. GAAP, finance costs capitalized are limited to the lower of actual finance costs incurred or avoidable finance costs. Avoidable finance cost is the amount that could have been avoided if expenditures for the qualifying asset had not been made, when qualifying expenditures have occurred and activities necessary to prepare the asset have begun. The periodic amortization expense under HKFRS and U.S. GAAP differs as a result of the difference in the amount of interest capitalized under the two accounting standards.

Revenue recognition

Under HKFRS, revenue from sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and the collectability of related receivables is reasonably assured.

Under U.S. GAAP, for real estate sales other than retail land sale, profit is recognized in full on using the full accrual method if (1) a sale is consummated; (2) the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property; (3) the seller's receivable is not subject to future subordination; and (4) the seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property. Where the buyer's initial or continuing investment is inadequate, profit should be recognized by the installment method, the cost recovery method, the reduced profit method, or deposit method upon meeting certain recognition criteria prescribed by U.S. GAAP. Where real estate transactions cannot be considered a sale as a result of the seller's continuing involvement, financing, leasing or profit sharing (or co-venture) methods of revenue recognition should be used based on meeting certain criteria.

Impairment of assets

Under HKFRS, assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

U.S. GAAP requires an impairment loss to be recognized for long-lived assets, including property, plant and equipment and certain identifiable intangible assets when a triggering event occurs and the carrying amount of the asset exceeds the future undiscounted cash flows expected to result from the use and eventual disposal of the assets. If it is determined that the asset is impaired, the impairment loss recognized is the difference between the carrying amount of the asset and its fair value based on the quoted market value (if available), or determined using various valuation methods, including the sum of future discounted cash flows and fundamental analysis. Once an impairment of long-lived assets held for use is recorded, subsequent reversal of impairment charges cannot be made.

Deferred income taxes

Under HKFRS, deferred income tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Under U.S. GAAP, deferred income tax is recognized for the tax consequences of carry-forward of unused tax losses, tax credits and temporary differences. Deferred taxes are measured using the enacted tax rate(s) expected to apply to taxable income in the periods on which the deferred taxes are expected to be settled or realized. A valuation allowance is provided to reduce the amount of deferred tax assets if, in the opinion of management, it is considered more likely than not that some portion of, or all of, the deferred tax asset will not be realized in the future.

Uncertain tax positions

Under HKFRS, the general measurement guidance is contained in HKAS 12 "Income Taxes" which requires current tax liabilities (assets) for current and prior periods to be measured at the amount to be expected to be paid to (recovered from) the taxation authorities using the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. An entity may choose to consider tax uncertainties at the level of the individual uncertainty or group of related uncertainties. It may also choose to consider tax uncertainties at the level of its total tax liability to each taxing authority. The amount of provision for uncertain tax positions is measured using either a single best estimate of the most likely outcome or using an expected value (weighted average probability) approach. These provisions are generally classified as part of the current tax liability and presented as non-current if the entity has an unconditional right to defer payment for more than 12 months.

U.S. GAAP prescribes the recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained based on technical merits upon examination by tax authorities.

Presentation of debt origination costs

Under HKFRS, the unamortized portion of the direct costs related to the procuring debts are netted from the related borrowings.

Under U.S. GAAP, costs of issuing debts should be deferred as an asset and amortized using the effective interest method over the life of the debts.

Accounting for guarantees

Under HKFRS, guarantees of indebtedness of others are treated as insurance contracts. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. We assess at each reporting date whether our recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of the estimated future cash flows, the entire deficiency is recognized in the consolidated income statement.

Under U.S. GAAP, guarantees include contracts that contingently require the company to make payments to a guaranteed party based on changes in an underlying asset that is related to an asset, liability or equity security of the guaranteed party, performance guarantees, indemnification agreements or indirect guarantees of indebtedness of others. When a company issues a guarantee, the company must recognize an initial liability in its statement of financial position for the fair value, or market value, of the obligations it assumes under the guarantee and must disclose that information in its interim and annual financial statements.

Cash flow statement

Under HKFRS, dividends and interest received are classified as cash flows from investing activities. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

U.S. GAAP requires dividends and interest received be classified as operating activities. Bank overdrafts are treated as loans under U.S. GAAP rather than cash and cash equivalents.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Note:

(1) The audited consolidated financial statements of the Company set out herein have been reproduced from the Company's annual report for the years ended 31 December 2009 and 2010 respectively and page references are references to pages set out in such annual reports.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Independent Auditor's Report

TO THE SHAREHOLDERS OF SINO-OCEAN LAND HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 81 to 183, which comprise the consolidated and Company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2011

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2010	2009
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	214,895	324,867
Land use rights	8	9,723	38,964
Investment properties	9	4,988,572	3,984,000
Goodwill	10	705,572	662,602
Interests in jointly controlled entities	12	687,826	671,685
Interests in associates	13	397,458	294,462
Available-for-sale financial assets	16	433,886	592,648
Derivative financial instrument	32	—	8,331
Trade and other receivables	22	85,367	893,590
Deferred income tax assets	33	814,244	305,539
		8,337,543	7,776,688
Current assets			
Deposits for land use rights	21	18,825,060	7,371,019
Properties under development	19	41,393,331	22,254,218
Inventories, at cost	3.13(c)	231,280	99,503
Land development cost recoverable	20	2,439,138	926,828
Completed properties held for sale	23	2,648,568	3,483,588
Available-for-sale financial assets	16	181,663	—
Other investment	17	43,707	—
Financial assets at fair value through profit or loss	18	29,101	—
Trade and other receivables	22	3,566,474	1,720,294
Restricted bank deposits	24	1,057,378	896,442
Cash and cash equivalents	25	13,977,211	17,619,619
		84,392,911	54,371,511
Total assets		92,730,454	62,148,199
EQUITY			
Capital and reserves attributable to Equity holders			
Share capital and premium	26	20,121,412	20,117,523
Shares held for Restricted Share Award Scheme	26	(95,986)	—
Convertible securities	27	5,970,266	—
Reserves	30	(226,865)	(485,282)
Retained earnings	29		
— proposed final dividend	43	379,758	248,154
— others		4,922,121	3,487,484
		31,070,706	23,367,879
Non-controlling interests		2,055,098	518,535
Total equity		33,125,804	23,886,414

	Note	As at 31 December 2010	2009
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	19,276,159	17,186,844
Deferred income tax liabilities	33	1,351,372	999,182
		20,627,531	18,186,026
Current liabilities			
Borrowings	31	9,920,123	4,653,168
Trade and other payables	34	10,831,635	4,526,103
Advances from customers	35	16,234,852	9,494,610
Income tax payable		1,990,509	1,401,878
		38,977,119	20,075,759
Total liabilities		59,604,650	38,261,785
Total equity and liabilities		92,730,454	62,148,199
Net current assets		45,415,792	34,295,752
Total assets less current liabilities		53,753,335	42,072,440

Approved by the Board of Directors on 17 March 2011

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

BALANCE SHEET

	Note	As at 31 December 2010	As at 31 December 2009
		RMB'000	RMB'000
ASSET			
Non-current assets			
Investments in subsidiaries	11	3,521,624	3,407,371
Current assets			
Amounts due from subsidiaries	11	29,204,620	16,387,387
Other receivables		2,691	2,209
Cash and cash equivalents	25	300,338	6,224,132
		29,507,649	22,613,728
Total assets		33,029,273	26,021,099
EQUITY			
Share capital and premium	26	20,121,412	20,117,523
Reserve	30	333,340	222,580
Retained earnings	29		
— proposed final dividend	43	379,758	248,154
— others		57,423	206,716
Total equity		20,891,933	20,794,973
LIABILITY			
Non-current liabilities			
Borrowings	31	3,177,008	4,186,479
		3,177,008	4,186,479
Current liabilities			
Borrowings	31	1,258,313	995,503
Amount due to subsidiaries	11	5,970,266	—
Other payables	34	1,731,753	44,144
		8,960,332	1,039,647
Total liabilities		12,137,340	5,226,126
Total equity and liabilities		33,029,273	26,021,099
Net current assets		20,547,317	21,574,081
Total assets less current liabilities		24,068,941	24,981,452

Approved by the Board of Directors on 17 March 2011

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2010	2009
		RMB'000	RMB'000
Revenue	6	13,720,665	8,823,658
Cost of sales		(9,596,016)	(6,166,644)
Gross profit		4,124,649	2,657,014
Interest and other income	36	239,957	210,593
Other gains/(losses) - net	37	187,958	(8,294)
Fair value gains on investment properties	9	567,350	708,625
Selling and marketing costs		(441,019)	(318,252)
Administrative expenses		(457,233)	(319,539)
Operating profit		4,221,662	2,930,147
Finance costs	40	(287,356)	(308,753)
Share of losses of jointly controlled entities	12	(8,859)	(35,315)
Share of losses of associates	13	(72,004)	(18,334)
Profit before income tax		3,853,443	2,567,745
Income tax expense	41	(1,414,620)	(929,401)
Profit for the year		2,438,823	1,638,344
Attributable to:			
Equity holders		2,444,076	1,582,077
Non-controlling interests		(5,253)	56,267
		2,438,823	1,638,344
Earnings per share attributable to equity holders during the year (expressed in RMB)			
— Basic	42	0.398	0.337
— Diluted	42	0.397	0.336

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2010	2009
		RMB'000	RMB'000
Profit for the year		2,438,823	1,638,344
Other comprehensive income			
Fair value losses on available-for-sale financial assets	16	(38,421)	(11,402)
Reserves realized in consolidated income statement upon disposal of available-for-sale investments through disposals of subsidiaries	47(b)	80,089	—
Currency translation differences	16	(20,520)	(677)
Other comprehensive income for the year		21,148	(12,079)
Total comprehensive income for the year		2,459,971	1,626,265
Total comprehensive income attributable to:			
— Equity holders		2,465,224	1,569,998
— Non-controlling interests		(5,253)	56,267
		2,459,971	1,626,265

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders								
		Share capital	Share premium	Share held for Restricted Share Award Scheme	Other reserves	Convertible securities	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		4,289,174	15,828,349	—	(485,282)	—	3,735,638	23,367,879	518,535	23,886,414
Profit for the year		—	—	—	—	—	2,444,076	2,444,076	(5,253)	2,438,823
Other comprehensive income:										
Fair value losses on available-for-sale financial assets	16	—	—	—	(38,421)	—	—	(38,421)	—	(38,421)
Reserves realized in consolidated income statement upon disposal of available-for-sale investments through disposals of subsidiaries	47(b)	—	—	—	80,089	—	—	80,089	—	80,089
Currency translation differences	16	—	—	—	(20,520)	—	—	(20,520)	—	(20,520)
Total comprehensive income		—	—	—	21,148	—	2,444,076	2,465,224	(5,253)	2,459,971
Transactions with equity holders										
Dividends relating to 2009		—	—	—	—	—	(247,046)	(247,046)	(1,150)	(248,196)
Dividends relating to 2010	43	—	—	—	—	—	(246,850)	(246,850)	—	(246,850)
Fair value reserve on employee share option plan	30	—	—	—	112,454	—	—	112,454	—	112,454
Transfer from retained earnings	30	—	—	—	181,616	—	(181,616)	—	—	—
Issue of shares pursuant to exercise of employee share options	26	1,220	2,669	—	(1,694)	—	1,694	3,889	—	3,889
Issue of convertible securities	27	—	—	—	—	5,970,266	—	5,970,266	—	5,970,266
Distribution relating to convertible securities		—	—	—	—	—	(204,017)	(204,017)	—	(204,017)
Restricted share award scheme	26	—	—	(95,986)	—	—	—	(95,986)	—	(95,986)
Contribution from non-controlling interests		—	—	—	—	—	—	—	1,072,679	1,072,679
Total contributions by and distributions to equity holders		1,220	2,669	(95,986)	292,376	5,970,266	(877,835)	5,292,710	1,071,529	6,364,239
Increase in non-controlling interests as a result of acquisition of subsidiaries	47	—	—	—	—	—	—	—	491,487	491,487
Increase in non-controlling interests as a result of other acquisitions		—	—	—	—	—	—	—	147,987	147,987
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling shareholders	30	—	—	—	(55,107)	—	—	(55,107)	(169,187)	(224,294)
Total transactions with equity holders		1,220	2,669	(95,986)	237,269	5,970,266	(877,835)	5,237,603	1,541,816	6,779,419
Balance at 31 December 2010		4,290,394	15,831,018	(95,986)	(226,865)	5,970,266	5,301,879	31,070,706	2,055,098	33,125,804

	Note	Attributable to equity holders								
		Share capital	Share premium	Share held for Restricted Share Award Scheme	Other reserves	Convertible securities	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009		3,466,124	10,719,998	—	(226,789)	—	2,693,594	16,652,927	1,130,182	17,783,109
Profit for the year		—	—	—	—	—	1,582,077	1,582,077	56,267	1,638,344
Other comprehensive income:										
Fair value losses on available-for-sale financial assets	16	—	—	—	(11,402)	—	—	(11,402)	—	(11,402)
Currency translation differences	16	—	—	—	(677)	—	—	(677)	—	(677)
Total comprehensive income		—	—	—	(12,079)	—	1,582,077	1,569,998	56,267	1,626,265
Transactions with equity holders										
Dividends relating to 2008		19,873	136,107	—	—	—	(288,308)	(132,328)	(17,404)	(149,732)
Dividends relating to 2009	43	—	—	—	—	—	(165,513)	(165,513)	—	(165,513)
Fair value reserve on employee share option plan	30	—	—	—	78,943	—	—	78,943	—	78,943
Transfer from retained earnings	30	—	—	—	86,212	—	(86,212)	—	—	—
Issue of shares pursuant to exercise of employee share options	26	2,218	14,816	—	—	—	—	17,034	—	17,034
Issue of subscription shares to a new shareholder	26	657,910	4,456,756	—	—	—	—	5,114,666	—	5,114,666
Issue of shares for acquisitions of a subsidiary and additional interests in subsidiaries from non-controlling interests	26	143,049	500,672	—	(356,796)	—	—	286,925	(569,099)	(282,174)
Total contributions by and distributions to equity holders		823,050	5,108,351	—	(191,641)	—	(540,033)	5,199,727	(586,503)	4,613,224
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling interests	30	—	—	—	(54,773)	—	—	(54,773)	(81,411)	(136,184)
Total transactions with equity holders		823,050	5,108,351	—	(246,414)	—	(540,033)	5,144,954	(667,914)	4,477,040
Balance at 31 December 2009		4,289,174	15,828,349	—	(485,282)	—	3,735,638	23,367,879	518,535	23,886,414

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2010	2009
		RMB'000	RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	44	(13,837,929)	1,750,659
Interest paid		(1,416,381)	(871,368)
Income tax paid		(1,950,594)	(1,285,085)
Net cash used in operating activities		(17,204,904)	(405,794)
Cash flows from investing activities			
Purchases of property, plant and equipment		(57,809)	(25,186)
Proceeds from sale of property, plant and equipment	44	8,050	9,384
Purchases of available-for-sale financial assets		(63,425)	(206,898)
Proceeds from disposal of available-for-sale financial assets		—	19,432
Dividends received from available-for-sale financial assets	36	15,956	2,746
Purchases of subsidiaries, net of cash acquired	47(a)	(579,708)	(110,335)
Acquisition of additional interests in subsidiaries		(50,000)	(531,582)
Prepayment for purchasing equity shares of a third party	22	(51,000)	—
Prepayment for acquisition of a subsidiary	22	—	(158,439)
Proceeds from disposal of subsidiaries	47(b)	312,296	1,499
Capital injection to a jointly controlled entity	12	(25,000)	(175,000)
Deemed capital injection to a jointly controlled entity	12	—	(532,000)
Capital injection to an associate	13	(175,000)	(2,000)
Interest received		53,125	56,591
Net cash used in investing activities		(612,515)	(1,651,788)
Cash flows from financing activities			
Proceeds from borrowings		13,405,708	18,027,933
Repayments of borrowings		(7,343,925)	(11,178,009)
Advances received from a shareholder	34	1,724,493	—
Proceeds from issuance of shares	26	—	5,114,666
Dividends paid to non-controlling interests		(1,150)	(17,404)
Dividends paid to equity holders		(493,896)	(297,841)
Capital injection from non-controlling interests		1,072,679	—
Proceeds from issuance of convertible securities	27	5,970,266	—
Restricted share award scheme		(95,986)	—
Issue of shares pursuant to exercise of employee share options		3,889	12,550
Net cash generated from financing activities		14,242,078	11,661,895
Net (decrease)/increase in cash and cash equivalents		(3,575,341)	9,604,313
Cash and cash equivalents at beginning of the year	25	17,619,619	8,026,677
Exchange losses on cash and cash equivalents		(67,067)	(11,371)
Cash and cash equivalents at end of the year	25	13,977,211	17,619,619

The notes on pages 90 to 183 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Sino-Ocean Land Holdings Limited (the "Company") is a limited liability Company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "PRC").

These consolidated financial statements are presented in Renminbi, unless otherwise stated. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2011.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, and derivative financial instruments, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

HKFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The Group applied the revised standards to all business combinations from 1 January 2010. See Note 47 for further details of the business combinations that occurred in 2010.

HKAS 27(revised), 'Consolidated and separate financial statement', and consequential amendments to HKAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', effective from 1 January 2010. Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognized in the financial statements.

HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use right as at 1 January 2010, and found all leases as retained by the Group should be recognized as operating leases. Therefore, no reclassification is considered necessary.

HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, HKFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of Group arrangements that were not covered by that interpretation.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HK(IFRIC) 17, "Distribution of non-cash assets to owners" (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

HK(IFRIC) 16, Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. HKAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact, however no significant impact is expected for the Group.

Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

HK (IFRIC) - Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) - Int 14). The amendments correct an unintended consequence of HK (IFRIC) - Int 14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) - Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters'(Amendment to HKFRS 1), is to provide first-time adopters with the same transition provisions as included in the March 2009 amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements.

'Deferred tax: Recovery of underlying assets' (HKAS 12 (Amendment)). The amendment introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset/liability depending on whether the entity expects to recover/settle the carrying amount of the asset/liability through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interest as transactions with owners of the parent. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost. The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.7).

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests and unsecured receivables that, in substance, form part of the investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance —of the operating segments, has been identified as the executive committee that makes strategic decisions.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains — net.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) ***Group entities***

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3.5 Properties

(a) ***Investment properties***

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is initially accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

(b) ***Land use rights***

All lands in China mainland are state-owned and no individual land ownership right exists. The Group acquired the rights to certain lands, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the lands.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.12.

3.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Buildings and leasehold improvements	5-50 years
Hotel property	50 years
Machinery	8 years
Vehicles	8 years
Office equipment	5 years
Electronic equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other gains - net", in the consolidated income statement.

3.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisitions of jointly controlled entities or associates is included in investments in jointly controlled entities or associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets

3.9.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables", "restricted bank deposit" and "cash and cash equivalents" in the balance sheet (Note 3.14 and 3.15).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, unless in situation where fair value cannot be reliably measured, in which respective available-for-sale financial assets are subsequently carried at cost. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are include in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

3.10 Derivative financial instruments

Derivative financial instruments of the Group represent conversion options in relation to notes receivables and convertible bonds. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

3.11 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating) the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

3.12 Land development cost recoverable

These costs refer to costs capitalized on primary land development projects, in preparation for such lands to undergo the process of open market bidding. Primary land development works included demolitions and relocations, ground levelings, as well as establishments of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works.

3.13 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.16 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Convertible securities

Convertible securities with no contracted obligation to repay its principal nor to pay any distribution are classified as equity. Respective distributions if and when declared are treated as equity dividends.

3.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.19 Financial liabilities

(a) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the year in which they are incurred.

(b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is initially recognized at fair value and is subsequently premeasured at its fair value at each balance sheet date. Changes in the fair value of the conversion option are recognized in the consolidated income statement.

3.20 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.21 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3.22 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

3.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.24 Financial guarantee liabilities

Financial guarantee liabilities are recognized in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization.

Financial guarantee liabilities are derecognized from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenue from sales of properties is recognized when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.

(b) Rental income

Rental income is recognized on a straight-line basis over the lease terms.

(c) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(f) Hotel operating income

Hotel operating income is recognized upon the provision of services.

(g) Upfitting income

Upfitting income is recognized, over the period of the contracts, when the outcome of these contracts can be estimated reliably and it is probable that these contracts will be profitable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

3.26 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognized over the term of the lease on a straight-line basis.

3.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk, and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviewed and approved policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company are exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the Group and the Company's functional currency. Majority of the Group and the Company's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group and the Company currently do not have a foreign currency hedging policy. However, the management of the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Conversion of RMB into foreign currencies is subjected to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2010, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax gain for the year of the Group would have been RMB118,852,000 higher (2009: RMB114,176,000 lower), mainly as the result of foreign exchange gain (2009: losses) on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gains on translation of HKD/USD dominated derivative financial instruments and borrowings.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2010 and 2009, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2010, if interest rates had been increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB2,024,000 (2009: RMB2,031,000).

(b) Credit risk

Credit risk arises from restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sales financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assess the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Credit risk arises from restricted bank deposits is limited, as all counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to certain customers to secure their repayment obligations to the bank, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 31), and currency restrictions regulations at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Comparative information has been restated as permitted by the amendments to HKFRS7 for the liquidity risk discloses.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Group					
At 31 December 2010					
Borrowings	11,125,389	11,653,108	6,572,924	2,350,250	31,701,671
Trade and other payables excluding statutory liabilities	10,380,028	—	—	—	10,380,028
	21,505,417	11,653,108	6,572,924	2,350,250	42,081,699
At 31 December 2009					
Borrowings	5,549,770	7,611,270	7,095,545	4,071,483	24,328,068
Trade and other payables excluding statutory liabilities	4,391,714	—	—	—	4,391,714
	9,941,484	7,611,270	7,095,545	4,071,483	28,719,782
Company					
At 31 December 2010					
Borrowings	1,453,573	3,288,215	—	—	4,741,788
Trade and other payables excluding statutory liabilities	1,731,753	—	—	—	1,731,753
	3,185,326	3,288,215	—	—	6,473,541
Company					
At 31 December 2009					
Borrowings	1,107,469	98,667	4,254,787	—	5,460,923
Trade and other payables excluding statutory liabilities	44,144	—	—	—	44,144
	1,151,613	98,667	4,254,787	—	5,505,067

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2010 and 2009 were as follows.

	As at 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Total borrowings (Note 31)	29,196,282	21,840,012
Less: cash and cash equivalents (Note 25)	(13,977,211)	(17,619,619)
Net debt	15,219,071	4,220,393
Total equity	33,125,804	23,886,414
Total capital	48,344,875	28,106,807
Gearing ratio	31%	15%

The increase in the gearing ratio during 2010 resulted primarily from the increase in total borrowings and decrease of cash and cash equivalents as a result of increase in acquisitions (See Note 47) and volume of construction projects (See Note 19).

4.3 Fair value estimation

Effective on 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2010 and 2009.

	Level 1	Level 2	Level 3	Total
Group				
At 31 December 2010				
Other investment (Note 17)	43,707	—	—	43,707
Financial assets at fair value through profit or loss (Note 18)	29,101	—	—	29,101
Available-for-sale financial assets: equity securities (Note 16)	433,886	—	181,663	615,549
	506,694	—	181,663	688,357
Group				
At 31 December 2009				
Available-for-sale financial assets: equity securities (Note 16)	557,507	—	35,141	592,648
Derivative financial instrument (Note 32)	—	—	8,331	8,331
	557,507	—	43,472	600,979

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily HKSE equity investments classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent qualified valuations from independent valuer, DTZ Debenham Tie Leung Limited at least annually. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 9.

(b) Estimate of fair value of employee share options

Up till 31 December 2010, fair value of employee share options issued by the Group are assessed by an independent qualified valuer, DTZ Debenham Tie Leung Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

(c) Income taxes and land appreciation tax ("LAT")

The Group is primarily subjected to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(d) Deferred tax

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

(e) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.25. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests to the buyer, upon release of the respective property to the purchaser.

As disclosed in Note 45, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(f) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.8. Assets are also reviewed for impairment, whenever events or changes in circumstances are noted, that may potentially causes the carrying amount of the assets to exceed its recoverable amount. The recoverable amount of an asset or a cash generating units is determined based on value-in-use calculations which require the use of assumptions and estimates.

(g) Estimations for properties total construction cost

The Group makes estimations on properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detail budgetary information as developed by the management, and will be assessed periodically, as the constructions progresses. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating committee (the "Committee") that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From the product perspective, management considers the performance of property development and property investment. Property development businesses are further segregated geographically into Beijing, Tianjin, North-east as well as all other territories.

Other operations as carried out by the Group mainly include property management services, hotel operation, property sales agency services, as well as upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the Committee. The results of these operations are included in the "All other segments" column.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance costs and income are not included in the result for each operating segment that is reviewed by the Committee, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any unrealized gains/losses from investments in jointly controlled entities and associates as well as fair value gains/losses from investment properties. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total assets exclude corporate cash and cash equivalents, investments in a jointly controlled entity and associates, deferred tax and available-for-sale financial assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

The segment information provided to the Committee for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

	Property development				Investment property	All other segments	Total	Inter-Company elimination	Group total
	Beijing	Tianjin	North-east	Others					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010									
Total revenue	6,764,924	1,414,170	3,183,473	1,435,415	217,079	1,877,719	14,892,780	—	14,892,780
Inter-segment revenue	—	—	—	—	(5,515)	(1,166,600)	(1,172,115)	—	(1,172,115)
Revenue (from external customers)	6,764,924	1,414,170	3,183,473	1,435,415	211,564	711,119	13,720,665	—	13,720,665
Segment operating profit	2,601,814	250,320	825,999	100,161	98,015	500,568	4,376,877	(410,899)	3,965,978
Depreciation and amortization	(1,565)	(1,342)	(6,836)	(7,170)	(684)	(14,358)	(31,955)	—	(31,955)
Goodwill disposed for sales of properties (Note 10)	—	(8,838)	—	(75,064)	—	—	(83,902)	—	(83,902)
Income tax expense (Note 41)	(276,473)	(59,520)	(243,165)	(157,670)	(43,606)	(634,186)	(1,414,620)	—	(1,414,620)
Finance income	134,465	45,632	154,426	58,569	3,384	493,544	890,020	(782,206)	107,814
Year ended 31 December 2009									
Total revenue	4,765,282	697,898	1,637,613	1,117,628	162,498	1,145,988	9,526,907	—	9,526,907
Inter-segment revenue	—	—	—	—	(6,009)	(697,240)	(703,249)	—	(703,249)
Revenue (from external customers)	4,765,282	697,898	1,637,613	1,117,628	156,489	448,748	8,823,658	—	8,823,658
Segment operating profit	1,719,935	123,014	339,640	95,483	107,123	161,377	2,546,572	(202,447)	2,344,125
Depreciation and amortization	(1,560)	(934)	(5,372)	(1,660)	(341)	(9,832)	(19,699)	—	(19,699)
Goodwill disposed for sales of properties (Note 10)	—	—	—	(71,967)	—	—	(71,967)	—	(71,967)
Income tax expense (Note 41)	(309,589)	(24,784)	(134,595)	(50,291)	(15,572)	(394,570)	(929,401)	—	(929,401)
Finance income	94,903	16,091	28,688	6,594	6,228	22,203	174,707	(118,306)	56,401
As at 31 December 2010									
Total segment assets	33,940,037	9,569,868	25,535,994	20,616,400	5,274,465	19,395,793	114,332,557	(34,540,220)	79,792,337
Additions to non-current assets (other than financial instruments and deferred tax assets)	140,124	3,101	10,381	42,715	299,298	37,707	533,326	—	533,326
Total segment liabilities	16,232,942	3,661,878	7,428,596	9,087,159	1,202,665	15,198,662	52,811,902	(23,958,923)	28,852,979
As at 31 December 2009									
Total segment assets	19,549,097	4,696,369	9,038,347	10,092,367	4,180,120	8,238,678	55,794,978	(7,287,088)	48,507,890
Additions to non-current assets (other than financial instruments and deferred tax assets)	515	2,072	21,618	4,486	638	15,271	44,600	—	44,600
Total segment liabilities	12,033,464	2,385,794	3,968,744	2,550,981	910,747	1,503,032	23,352,762	(7,930,171)	15,422,591

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Segment operating profit	3,965,978	2,344,125
Corporate finance income	72,687	111,208
Corporate overheads	(384,353)	(233,811)
Finance costs (Note 40)	(287,356)	(308,753)
Fair value gain on investment properties (Note 9)	567,350	708,625
Share of loss of jointly controlled entities (Note 12)	(8,859)	(35,315)
Share of loss of associates (Note 13)	(72,004)	(18,334)
Profit before income tax	3,853,443	2,567,745

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Total segment assets	79,792,337	48,507,890
Corporate cash and cash equivalents	10,350,232	11,775,975
Investment in jointly controlled entities (Note 12)	687,826	671,685
Investment in associates (Note13)	397,458	294,462
Available-for-sale financial assets (Note 16)	615,549	592,648
Financial assets at fair value through profit or loss (Note 18)	29,101	—
Other investment (Note 17)	43,707	—
Deferred income tax assets (Note 33)	814,244	305,539
Total assets per consolidated balance sheet	92,730,454	62,148,199
Total segment liabilities	28,852,979	15,422,591
Deferred income tax liabilities (Note 33)	1,351,372	999,182
Current borrowings (Note 31)	9,920,123	4,653,168
Non-current borrowings (Note 31)	19,276,159	17,186,844
Distribution payable (Note 27)	204,017	—
Total liabilities per consolidated balance sheet	59,604,650	38,261,785

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2010 and 2009.

As at 31 December 2010, the total of non-current assets other than financial instruments and deferred tax assets located in the PRC is RMB6,873,008,000 (2009: RMB5,974,738,000), and the total of these non-current assets located in Hong Kong is RMB131,038,000 (2009: RMB1,842,000).

For the year ended 31 December 2010 and 2009, the Group does not have any single significant customer with the transaction value above 10% of the external sales.

7 Property, plant and equipment

	Buildings and leasehold improvements	Hotel property	Machinery	Vehicles	Office equipment	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010							
Opening net book amount	89,898	170,189	5,423	38,966	8,626	11,765	324,867
Additions	12,388	—	2,385	33,515	10,669	8,623	67,580
Acquisition of subsidiaries (Note 47 (a))	16,820	—	1,546	5,321	6,822	865	31,374
Disposals	—	—	(972)	(6,683)	(69)	(147)	(7,871)
Depreciation charge (Note 38)	(2,334)	(562)	(1,517)	(14,591)	(6,279)	(6,145)	(31,428)
Disposal of a subsidiary (Note 47(b)(i))	—	(169,627)	—	—	—	—	(169,627)
Closing net book amount	116,772	—	6,865	56,528	19,769	14,961	214,895
At 31 December 2010							
Cost	125,751	—	12,184	106,444	45,236	37,341	326,956
Accumulated depreciation	(8,979)	—	(5,319)	(49,916)	(25,467)	(22,380)	(112,061)
Net book amount	116,772	—	6,865	56,528	19,769	14,961	214,895
Year ended 31 December 2009							
Opening net book amount	86,900	172,489	1,044	20,318	10,741	13,497	304,989
Additions	1,271	1,653	5,185	8,881	1,869	6,327	25,186
Transfer from completed property held for sale	3,566	—	—	—	—	—	3,566
Acquisition of a subsidiary	—	—	—	19,110	143	161	19,414
Disposals	—	—	(11)	(2,028)	(263)	(7,170)	(9,472)
Depreciation charge (Note 38)	(1,839)	(3,953)	(795)	(7,315)	(3,864)	(1,050)	(18,816)
Closing net book amount	89,898	170,189	5,423	38,966	8,626	11,765	324,867
At 31 December 2009							
Cost	95,373	195,473	9,021	60,311	16,831	26,713	403,722
Accumulated depreciation	(5,475)	(25,284)	(3,598)	(21,345)	(8,205)	(14,948)	(78,855)
Net book amount	89,898	170,189	5,423	38,966	8,626	11,765	324,867

Depreciation expense of RMB22,650,000 (2009: RMB8,668,000) has been charged in 'cost of sales', and RMB8,778,000 (2009: RMB10,148,000) in 'administrative expenses'.

As at 31 December 2010 and 2009, hotel properties of the Group with the carrying values of nil and RMB170,189,000 respectively, as well as buildings with the carrying values of RMB73,341,000 and RMB74,918,000 respectively were pledged as collateral for the Group's borrowings (Note 31) as at 31 December 2010 and 2009.

8 Land use rights

The Group's interests in land use rights represented prepaid operating lease payments in the PRC which are held on leases of less than 50 years. The movements are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	38,964	36,958
Transfer from completed properties held for sale	—	2,889
Amortization charge (Note 38)	(527)	(883)
Disposal of a subsidiary (Note 47(b)(i))	(28,714)	—
At end of the year	9,723	38,964

As at 31 December 2010 and 2009, land use rights of the Group with carrying values of RMB6,329,000 and RMB35,467,000 respectively were pledged as collateral for the Group's borrowings (Note 31).

9 Investment properties

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At fair value		
At beginning of the year	3,984,000	1,984,000
Acquisition of subsidiaries (Note 47(a)(iv))	296,500	—
Transfer from completed properties held for sale	140,722	1,291,375
Fair value gains	567,350	708,625
At end of the year	4,988,572	3,984,000

(a) Amounts recognized in profit and loss for investment properties

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Rental income (Note 6)	211,564	156,489
Direct operating expenses arising from investment properties that generate rental income	90,624	62,354
Direct operating expenses that did not generate rental income	8,784	7,947

(b) Valuation basis

The fair value of the Group's investment properties at 31 December 2010 and 2009 were valued by DTZ Debenham Tie Leung Limited and BMI Appraisals Limited, independent and professionally qualified valuers. Valuations were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

(c) Non current assets pledged as security

As at 31 December 2010 and 2009, investment properties of the Group with carrying values of RMB2,906,425,000 and RMB 3,260,000,000 respectively were pledged as collateral for the Group's borrowings (Note 31).

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within 1 year	303,634	156,755
Between 1 to 5 years	534,711	241,381
After 5 years	98,048	69,573
	936,393	467,709

The Group's interests in investment properties at their net book values are analysed as follows:

	2010	2009
	RMB'000	RMB'000
In PRC, held on:		
Leases of less than 50 years	4,988,572	3,984,000

10 Goodwill

	RMB'000
Year ended 31 December 2010	
Opening net book amount	662,602
Acquisition of subsidiaries (Note 47(a))	137,872
Disposal of a subsidiary (Note 47(b)(i))	(11,000)
Goodwill disposed for sales of properties, charged to cost of sales	(83,902)
Closing net book amount	705,572
At 31 December 2010	
Cost	883,668
Goodwill disposed for sales of properties, charged to cost of sales	(178,096)
Net book amount	705,572
Year ended 31 December 2009	
Opening net book amount	734,569
Goodwill disposed for sales of properties, charged to cost of sales	(71,967)
Closing net book amount	662,602
At 31 December 2009	
Cost	756,796
Goodwill disposed for sales of properties, charged to cost of sales	(94,194)
Net book amount	662,602

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below.

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Property development	577,710	649,267
Investment property	125,527	—
Others	2,335	13,335
	705,572	662,602

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management.

Key assumptions and considerations used for the value-in-use calculations included projected cash flow forecasts, as well as weighted average market discount rates. Projected cashflow forecasts are prepared based on respective development plans of real estate projects. Weighted average discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

11 Investments in subsidiaries - Company

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Unlisted investments, at cost	3,407,371	3,407,371
Contribution to the Restricted Share Award Scheme Trust	114,253	—
Amounts due from subsidiaries	29,204,620	16,387,387
Amounts due to subsidiaries	(5,970,266)	—

Amounts due from and to subsidiaries are unsecured, interest free and repayable on demand.

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2010 which materially affect the results or assets of the Group:

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2010	Principal activities
(1)	Sino-Ocean Land Limited 遠洋地產有限公司	PRC	Wholly foreign owned enterprise	RMB5,754,700	100%	Property development
(2)	北京德年投資管理諮詢有限公司	PRC	Limited liability Company	RMB675,000	100%	Consultant service
(3)	北京卓萬創業投資管理有限公司	PRC	Limited liability Company	RMB663,261	100%	Consultant service
(4)	遠洋國際建設有限公司	PRC	Sino-foreign equity joint venture	RMB600,000	100%	Renovation service
(5)	Beijing Zhong Lian Land Development Company, Limited 北京中聯置地房地產開發有限公司	PRC	Limited liability Company	RMB560,000	100%	Property development
(6)	Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	PRC	Limited liability Company	RMB500,000	100%	Property development
(7)	北京萬洋世紀創業投資管理有限公司	PRC	Limited liability Company	RMB341,000	100%	Consultant service
(8)	北京碧城創業投資管理有限公司	PRC	Limited liability Company	RMB336,000	100%	Consultant service
(9)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	PRC	Sino-foreign equity joint venture	USD30,000	72%	Investment property
(10)	Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司	PRC	Sino-foreign equity joint venture	RMB219,000	100%	Property development
(11)	北京濤力投資管理有限公司	PRC	Limited liability Company	RMB207,736	100%	Consultant service
(12)	北京遠洋瑞景園林工程有限公司	PRC	Sino-foreign equity joint venture	RMB200,000	100%	Renovation service
(13)	Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	PRC	Limited liability Company	RMB100,000	75%	Land development
(14)	Qinhuangdao Ocean Land Development Company, Limited 秦皇島海洋置業房地產開發有限公司	PRC	Limited liability Company	RMB100,000	100%	Property development
(15)	Beijing Yuan Sheng Land Development Company, Limited 北京遠盛置業有限公司	PRC	Limited liability Company	RMB100,000	100%	Property development

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2010	Principal activities
(16)	Beijing De Jun Land Development Company Limited 北京德俊置業有限公司	PRC	Limited liability Company	RMB90,000	100%	Property development
(17)	Beijing Dong Rong Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	PRC	Sino-foreign cooperative joint venture	USD12,370	85.72%	Property development
(18)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	PRC	Limited liability Company	RMB75,000	100%	Land development
(19)	Beijing Long Ze Yuan Property Company, Limited 北京龍澤源置業有限公司	PRC	Limited liability Company	RMB60,000	100%	Investment property
(20)	Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC	Limited liability Company	RMB60,000	100%	Property development
(21)	Beijing Yuan-lin Land Development Company, Limited 北京遠麟置業有限公司	PRC	Limited liability Company	RMB50,000	100%	Property development
(22)	Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	PRC	Limited liability Company	RMB50,000	100%	Investment holding
(23)	Beijing Sino-Ocean Grand Architectural Decoration Engineering Co. Ltd. 北京遠洋中廣建築裝飾工程有限公司	PRC	Limited liability Company	RMB50,000	97%	Renovation services
(24)	Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	PRC	Limited liability Company	RMB30,000	100%	Property development
(25)	Beijing Silver Sail Real Estate Development Company Limited 北京銀帆基業房地產開發有限公司	PRC	Limited liability Company	RMB30,000	70%	Property development
(26)	Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	PRC	Limited liability Company	RMB30,000	100%	Property development
(27)	COSCO Hotel & Property Management Co., Limited 中遠酒店物業管理有限公司	PRC	Sino-foreign equity joint venture	RMB12,667	100%	Hotel and property management
(28)	Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	PRC	Limited liability Company	RMB10,000	100%	Investment holdings

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2010	Principal activities
(29)	Langfang Yuan Tuo Real Estate Development Company, Limited 廊坊市遠拓房地產開發有限公司	PRC	Limited liability Company	RMB10,000	70%	Land development
(30)	Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC	Limited liability Company	RMB10,000	100%	Property development
(31)	Beijing Sino-Ocean Property Management Company, Limited 北京遠洋基業物業管理有限公司	PRC	Sino-foreign equity joint venture	RMB8,800	100%	Property management
(32)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	PRC	Sino-foreign equity joint venture	RMB600,000	97.05%	Property development
(33)	Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產開發有限公司	PRC	Limited liability Company	RMB420,000	100%	Property development
(34)	Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司	PRC	Limited liability Company	RMB400,000	96.99%	Property development
(35)	天津宇華房地產開發有限公司	PRC	Limited liability Company	RMB100,000	90%	Property development
(36)	天津盛曼投資管理有限公司	PRC	Limited liability Company	RMB200,000	100%	Consultant service
(37)	Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產(天津)有限公司	PRC	Sino-foreign equity joint venture	RMB170,000	94.1%	Investment holding
(38)	Tianjin Yuanying Real Estate Development Company, Limited 天津市遠瀛房地產開發有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development
(39)	大連新悦置業有限公司	PRC	Wholly foreign owned enterprise	USD241,000	90%	Property development
(40)	大連廣宇置業有限公司	PRC	Wholly foreign owned enterprise	USD213,200	90%	Property development
(41)	大連廣洋置業有限公司	PRC	Wholly foreign owned enterprise	USD150,000	100%	Property development
(42)	青島遠佳置業有限公司	PRC	Sino-foreign equity joint venture	RMB667,670	100%	Property development

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2010	Principal activities
(43)	大連聖基置業有限公司	PRC	Wholly foreign owned enterprise	USD114,545	90%	Property development
(44)	大連世甲置業有限公司	PRC	Sino-foreign equity joint venture	USD97,850	90%	Property development
(45)	Wanxiang Zhiye (Shenyang) Co., Ltd. 萬祥置業(瀋陽)有限公司	PRC	Sino-foreign equity joint venture	RMB582,830	100%	Property development
(46)	大連鑫融置業有限公司	PRC	Wholly foreign owned enterprise	USD70,000	100%	Property development
(47)	Liaoning Wanxiang Property Co., Ltd. 遼寧萬祥置業有限公司	PRC	Sino-foreign equity joint venture	RMB459,240	100%	Property development
(48)	Shining (DL) Real Estate Co., Ltd. 勛業(大連)置業有限公司	PRC	Sino-foreign equity joint venture	USD90,000	100%	Property development
(49)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC	Sino-foreign equity joint venture	USD80,000	100%	Property development
(50)	大連永圖置業有限公司	PRC	Wholly foreign owned enterprise	USD79,500	90%	Property development
(51)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC	Sino-foreign equity joint venture	USD76,860	100%	Property development
(52)	大連至遠置業有限公司	PRC	Wholly foreign owned enterprise	USD69,754	90%	Property development
(53)	大連潤峰置業有限公司	PRC	Wholly foreign owned enterprise	USD64,560	90%	Property development
(54)	大連宏澤置業有限公司	PRC	Wholly foreign owned enterprise	USD60,000	100%	Property development
(55)	大連源豐置業有限公司	PRC	Sino-foreign equity joint venture	USD50,700	90%	Property development
(56)	長春東方聯合置業有限公司	PRC	Limited liability Company	RMB200,000	51%	Property development
(57)	Dalian Qianhao Real Estate Co., Ltd. 大連凱盟房地產開發有限公司	PRC	Limited liability Company	RMB150,000	100%	Property development
(58)	大連遠佳產業園開發有限公司	PRC	Wholly foreign owned enterprise	USD20,000	100%	Property development
(59)	大連元天投資管理諮詢有限公司	PRC	Wholly foreign owned enterprise	USD15,000	100%	Consultant service
(60)	大連通遠房地產開發有限公司	PRC	Limited liability Company	RMB8,000	100%	Property development
(61)	重慶遠騰房地產開發有限公司	PRC	Sino-foreign equity joint venture	RMB1,100,000	93.25%	Property development
(62)	遠洋地產(中山)開發有限公司	PRC	Sino-foreign equity joint venture	RMB720,000	100%	Property development

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2010	Principal activities
(63)	杭州遠洋天祺置業有限公司	PRC	Sino-foreign equity joint venture	USD147,760	100%	Property development
(64)	杭州遠洋運河商務區開發有限公司	PRC	Sino-foreign equity joint venture	USD93,240	100%	Property development
(65)	廣州市德逸房地產開發有限公司	PRC	Wholly foreign owned enterprise	RMB600,000	100%	Property development
(66)	杭州德洋投資管理有限公司	PRC	Wholly foreign owned enterprise	USD29,600	100%	Consultant service
(67)	Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司	PRC	Limited liability Company	RMB100,000	70%	Property development
(68)	成都市同益房地產開發有限公司	PRC	Limited liability Company	RMB10,000	100%	Property development
(69)	重慶高爾夫國際俱樂部有限公司	PRC	Limited liability Company	RMB96,290	55%	Land development
(70)	三亞南國奧林匹克花園有限公司	PRC	Limited liability Company	RMB64,100	70%	Property development
(71)	三亞棠棣莊園投資有限公司	PRC	Limited liability Company	RMB64,000	52.5%	Property development
(72)	黃山東方紅影視產業投資有限公司	PRC	Limited liability Company	RMB50,000	100%	Preparation for travel site development
(73)	武漢弘福置業有限公司	PRC	Limited liability Company	RMB45,000	55%	Property development
(74)	杭州遠洋新河酒店置業有限公司	PRC	Sino-foreign equity joint venture	USD7,307	100%	Property development
(75)	青島遠豪置業有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development
(76)	上海遠鑫置業有限公司	PRC	Limited liability Company	RMB20,000	100%	Property development
(77)	海南浙江椰香村建設開發有限公司	PRC	Limited liability Company	RMB15,000	70%	Property development
(78)	Triumph Source Limited	BVI	Limited Company	RMB2,616,612	90%	Investment holding
(79)	Neo Vast Limited 新浩有限公司	Hong Kong	Limited Company	RMB1,726,710	85.71%	Investment holding
(80)	Hero Field Investment Limited 英域投資有限公司	Hong Kong	Limited Company	RMB1,508,543	85.71%	Investment holding
(81)	Gemini Property Investments Limited 盛洋地產投資有限公司	Hong Kong	HK Listed Company	HKD22,275	70.15%	Investment property
(82)	Alpha Anchor Limited	BVI	Limited Company	RMB2,185	90%	Investment holding

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2010	Principal activities
(83)	Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限公司	Hong Kong	Limited Company	HKD 20	100%	Investment holding
(84)	Tak Shing International Investment Limited 德盛國際投資有限公司	Hong Kong	Limited Company	HKD 10	100%	Investment holding
(85)	Sino-Ocean Land (Zhong Shan) Limited 遠洋地產(中山)有限公司	Hong Kong	Limited Company	HKD 10	100%	Investment holding
(86)	Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong	Limited Company	HKD 10	100%	Investment holding
(87)	Mission Success Limited 穎博有限公司	Hong Kong	Limited Company	HKD—	100%	Investment holding
(88)	Dynamic Class Limited 昇能有限公司	Hong Kong	Limited Company	HKD—	100%	Investment holding
(89)	Moral Wealth International Limited 德發國際有限公司	Hong Kong	Limited Company	HKD—	100%	Investment holding
(90)	Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited Company	USD10	100%	Investment holding
(91)	Mega Precise Profits Limited	BVI	Limited Company	USD—	100%	Investment holding
(92)	Smart State Properties Limited	BVI	Limited Company	USD—	100%	Investment holding
(93)	Moral Known Limited 德曉有限公司	BVI	Limited Company	USD—	100%	Investment holding

12 Interests in jointly controlled entities

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	671,685	—
Capital injection	25,000	175,000
Deemed capital injection (a)	—	532,000
Addition from acquisition of a subsidiary (Note 47(a)(ii))	5,000	—
Disposals	(5,000)	—
Share of results of jointly controlled entities	(8,859)	(35,315)
At end of the year	687,826	671,685

(a) On 13 November 2009, Beijing Tianlin Real Estate Development Co., Limited. ("Tianlin"), a wholly owned subsidiary of the Group, entered into a loan agreement with Beijing Linlian Property Company Limited ("Linlian"), a jointly controlled entity of the Group, and the other two jointly controlled shareholders of Linlian, in provision of funds totalled RMB1,064,000,000 to Linlian. The amount is unsecured, interest free and would only be repayable on a future date as agreed by all parties.

(b) Following are the details of the jointly controlled entities of the Group as at 31 December 2010 and 2009, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Principal activities
				2010	2009	
Beijing Linlian Property Company Limited 北京麟聯置業有限公司	PRC	Limited liability Company	RMB400,000	50%	50%	Land and property development
Chengdu Qiansong Construction Development Company Limited. 成都乾松城市建設開發有限公司	PRC	Limited liability Company	RMB 50,000	50%	—	Land and property development

The Group's share of the assets and liabilities, revenues and results of the jointly controlled entities are set out as follows:

Name	Assets	Liabilities	Revenues	Losses	% interest held
	RMB'000	RMB'000	RMB'000	RMB'000	
2010					
Beijing Linlian Property Company Limited	1,025,484	362,668	—	(8,869)	50%
Chengdu Qiansong Construction Development Company Limited	25,029	19	—	10	50%
2009					
Beijing Linlian Property Company Limited	740,848	69,163	—	(35,315)	50%

As at 31 December 2010, there are capital commitments of RMB401,351,000 (2009: RMB267,006,000) relating to the Group's interests in the jointly controlled entity. There were no other Contingent Liabilities.

13 Interests in associates

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	294,462	310,796
Addition	175,000	2,000
Share of results of associates	(72,004)	(18,334)
At end of the year	397,458	294,462

Following are the details of the associates of the Group at 31 December 2010 and 2009, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Principal activities
				2010	2009	
Beijing Central Business District Development and Construction Company Limited 北京商務中心區開發建設有限責任公司	PRC	Limited liability Company	RMB680,850	47%	47%	Land development
Beijing Shengyong Property Development and Investment Company Limited 北京盛永置業投資有限公司	PRC	Limited liability Company	RMB500,000	35%	—	Property development and investment services
Beijing Kunlian Xinhe Business Management Company Limited 北京坤聯信和商業管理有限責有限公司	PRC	Limited liability Company	RMB 5,000	40%	40%	Consulting management

The Group's share of the assets and liabilities, revenues and results of the associates are set out as follows:

Name	Assets	Liabilities	Revenues	Losses	% interest held
	RMB'000	RMB'000	RMB'000	RMB'000	
2010					
Beijing Central Business District Development and Construction Company Limited	708,584	402,346	—	(13,064)	47%
Beijing Shengyong Property Development and Investment Company Limited	150,498	61,276	—	(58,940)	35%
Beijing Kunlian Xinhe Business Management Company Limited	1,998	—	—	—	40%
2009					
Beijing Central Business District Development and Construction Company Limited	651,928	359,464	—	(18,332)	47%
Beijing Kunlian Xinhe Business Management Company Limited	1,998	—	—	(2)	40%

There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

14 Financial instruments by category

(a) Group

	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale Financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
As at 31 December 2010				
Available-for-sale financial assets (Note 16)	—	—	615,549	615,549
Financial assets at fair value through profit or loss (Note 18)	—	29,101	—	29,101
Trade and other receivables excluding prepayments	1,972,934	—	—	1,972,934
Restricted bank deposits (Note 24)	1,057,378	—	—	1,057,378
Cash and cash equivalents (Note 25)	13,977,211	—	—	13,977,211
	17,007,523	29,101	615,549	17,652,173
As at 31 December 2009				
Available-for-sale financial assets (Note 16)	—	—	592,648	592,648
Derivative financial instrument (Note 32)	—	8,331	—	8,331
Trade and other receivables excluding prepayments	1,513,137	—	—	1,513,137
Restricted bank deposits (Note 24)	896,442	—	—	896,442
Cash and cash equivalents (Note 25)	17,619,619	—	—	17,619,619
	20,029,198	8,331	592,648	20,630,177

	Other financial liabilities
	RMB'000
Liabilities	
As at 31 December 2010	
Borrowings (Note 31)	29,196,282
Trade and other payables excluding tax payable	10,380,028
	39,576,310
As at 31 December 2009	
Borrowings (Note 31)	21,840,012
Trade and other payables excluding tax payable	4,391,714
	26,231,726

(b) Company

	Loans and receivables
	RMB'000
Assets	
As at 31 December 2010	
Amounts due from subsidiaries (Note 11)	29,204,620
Trade and other receivables excluding prepayments	630
Cash and cash equivalents (Note 25)	300,338
	29,505,588
As at 31 December 2009	
Amounts due from subsidiaries (Note 11)	16,387,387
Trade and other receivables excluding prepayments	2,209
Cash and cash equivalents (Note 25)	6,224,132
	22,613,728

	Other financial liabilities
	RMB'000
Liabilities	
As at 31 December 2010	
Borrowings (Note 31)	4,435,321
Amount due to subsidiaries (Note 11)	5,970,266
Trade and other payables excluding tax payable	1,731,753
	12,137,340
As at 31 December 2009	
Borrowings (Note 31)	5,181,982
Trade and other payables excluding tax payable	44,144
	5,226,126

15 Credit quality of financial assets

(a) Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	As at 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Trade receivables		
Counterparties without external credit rating	104,954	64,651
Trade receivables that are neither past due nor impaired	90,774	51,416

All bank deposits are with reputable corporate banks. None of the bank deposits is considered as exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2010 and 2009.

(b) Company

All bank deposits are with reputable banks. None of the bank deposits is considered as exposure to major credit risk.

16 Available-for-sale financial assets

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Investment in Glorious Property Holding Limited (a)	—	163,279
Investment in listed securities held in the SOL Fund (b)	433,886	394,228
Investment in other unlisted equity securities (c)	181,663	35,141
	615,549	592,648
Less: non-current portion	(433,886)	(592,648)
Current portion	181,663	—

(a) In October 2009, Moral King International Limited ("Moral King"), a wholly owned subsidiary, acquired 52,840,000 ordinary shares of Glorious Property Holding Limited ("Glorious"), a company incorporated in the Cayman Islands on 27 July 2007, and whose shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited, at price of HKD4.4 per share, totaling RMB206,872,000.

On 31 December 2010, the Group disposed of its entire investment in Glorious through disposals of subsidiaries (see Note 47 (b)) to Win Powerful Investment Limited, a company incorporated in the British Virgin Islands, and an independent third party at consideration approximate the original cost of investment by the Group, totaling RMB199,828,000. As a result, the deficit of investment revaluation reserve of RMB80,089,000 were reversed and no gain or loss on disposal were recorded by the Group. Such consideration is due to be received by 30 June 2011.

(b) On 31 March 2008, SOL Investment Fund Limited ("SOL"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, with the purpose to carry out investment activities for the Group. The sole underlying investment in SOL is SOL Fund, representing a portfolio of investments in listed shares and its fair value as at 31 December 2010 was based on the respective quoted closing prices.

(c) Available-for-sale financial assets of the Group also include certain unlisted equity securities, all denominated in RMB. The fair values of unlisted securities are based on the net asset values of respective securities.

The movements of available-for-sale financial assets of the Group are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	592,648	426,715
Additions	208,625	206,898
Disposal of a subsidiary (Note 47(b)(iii))	(126,783)	(28,886)
Revaluation losses charged to equity (Note 30)	(38,421)	(11,402)
Currency translation differences (Note 30)	(20,520)	(677)
At end of the year	615,549	592,648

Available-for-sale financial assets include the following:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Fair value:		
— listed	433,886	557,507
— unlisted	181,663	35,141
	615,549	592,648
Market value of listed securities	433,886	557,507

Available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
— HKD	433,886	557,507
— RMB	181,663	35,141
	615,549	592,648

There were no impairment provisions on available-for-sale financial assets as at 31 December 2010 and 2009.

17 Other investment

Other investment represents gold bullions stated at fair values less costs to sell. The fair values are determined by reference to the quoted market price. Gain or loss arising on measurement amounting to RMB1,165,000 recognised in profit or loss (Note 37).

18 Financial assets at fair value through profit or loss - Group

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Listed securities - held-for-trading		
Equity securities listed in Hong Kong	6,054	—
Equity securities listed elsewhere	23,047	—
Market value of listed securities	29,101	—

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows (Note 44).

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other (losses)/gains - net' in the income statement (Note 37).

The fair value of all equity securities is based on their current bid prices in an active market.

19 Properties under development

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	22,254,218	18,443,878
Additions	22,912,229	5,995,153
Transfer from land development cost recoverable	65,336	1,426,204
Transfer from deposits for land use rights	2,559,575	2,189,580
Acquisition of a subsidiary (Note 47(a)(ii))	1,125,162	420,443
Disposal of a subsidiary (Note 47(b)(ii))	(458,438	—
Transfer to completed properties held for sale	(7,064,751	(6,221,040
At end of the year	41,393,331	22,254,218
Properties under development comprises:		
Land use rights	20,997,958	7,437,652
Construction costs and capitalized expenditure	18,632,258	13,383,219
Interest capitalized	1,763,115	1,433,347
	41,393,331	22,254,218

Land use rights are analyzed as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	16,187,930	4,664,727
Leases within 50 years	4,810,028	2,772,925
At end of the year	20,997,958	7,437,652

Properties under development are all located in the PRC.

As at 31 December 2010 and 2009, properties under development of approximately RMB1,485,192,000 and RMB2,120,717,000 (Note 31) respectively were pledged as collateral for the Group's borrowings.

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB31,316,688,000 (2009:RMB15,189,467,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

20 Land development cost recoverable

Land development cost recoverable refers to capitalized costs on primary land development projects. The land use right certificates belong to the government for these projects, and the Group subsequently receives an agreed amount with the government after work has been completed. Main activities for primary land development projects included dismantling and land leveling works.

21 Deposits for land use rights

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Deposits to local land authorities (a)	15,382,824	4,137,885
Deposits to third parties (b)	3,442,236	3,233,134
	18,825,060	7,371,019

(a) Deposits of approximately RMB15,382,824,000 and RMB4,137,885,000 were paid to local land authorities for open market bidding of land use rights as at 31 December 2010 and 2009 respectively.

(b) Deposits of approximately RMB3,442,236,000 and RMB3,233,134,000 are paid to third parties for the transfers of land use rights as at 31 December 2010 and 2009 respectively. Such lands are acquired with the intention of project developments.

22 Trade and other receivables

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Trade receivables	71,562	55,336
Amounts due from customers for contract work	33,392	9,315
Less: provision for impairment of receivables	(6,051)	(5,388)
Trade receivables - net (a)	98,903	59,263
Prepayments for acquisition (b)	51,000	158,439
Prepaid tax - income tax	567,954	414,948
Prepaid tax - others	886,796	509,762
Entrusted loan to third parties (c)	427,000	118,680
Entrusted loan to an associate (d)	337,239	307,770
Notes receivables (e)	202,543	196,543
Receivable from disposals or acquisition of subsidiaries (f)	199,828	483,926
Amounts due from a jointly controlled entity (g)	285,356	—
Other prepayments	173,157	17,598
Other receivables	422,065	346,955
	3,651,841	2,613,884
Less: non-current portion	(85,367)	(893,590)
Current portion	3,566,474	1,720,294

The carrying amounts of trade and other receivables approximated to their respective fair values as at 31 December 2010 and 2009.

(a) Trade receivables

Proceeds from services and sales rendered are to be received in accordance with the term of respective agreements. Ageing analysis of trade receivables and amounts due from customers for contract work at the respective balance sheet dates is as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within than 6 months	71,230	52,282
Between 6 months to 1 year	19,544	4,973
Between 1 year to 2 years	5,697	1,875
Between 2 years to 3 years	3,294	969
Over 3 years	5,189	4,552
	104,954	64,651

As at 31 December 2010, trade receivables of RMB14,180,000 (2009: RMB13,235,000) were considered as past due. Included in these balances, RMB5,894,000 (2009: RMB6,251,000) are not considered as impaired. Balances not impaired represent receivables from sales of properties. These relate to a number of independent customers for whom there is no recent history of default. All of these receivables are overdue for less than six months.

As at 31 December 2010, trade receivables of RMB8,286,000 (2009: RMB 6,984,000) were impaired. The amount of the provision was RMB6,051,000 as at 31 December 2010 (2009: RMB5,388,000).The individually impaired receivables mainly relate to receivables of property management fees. It was assessed that a portion of the receivables is expected to be recovered.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
At 1 January	(5,388)	(5,021)
Provision for receivable impairment (Note 38)	(663)	(367)
At 31 December	(6,051)	(5,388)

(b) As at 31 December 2010, prepayments for acquisition amounting to RMB51,000,000 represented amounts for establishing a joint venture with third parties which 10% will be held by the Group.

As at 31 December 2009, prepayments for acquisition amounting to RMB158,439,000 represents amounts paid to Tianjin Equity Exchange for the acquisition of 55% interest in Chongqing Golf Club Company Limited.("Chongqing Golf"). Such acquisition was completed during the year (Note 47(a)(i)).

(c) As at 31 December 2010, entrusted loans amounting to RMB427,000,000 (2009: RMB118,680,000) represent amounts lent to certain third parties. These balances are secured by respective share capital of the third parties, interest bearing from 4.86% to 12% (2009:6.2%), and are repayable on demand.

(d) Entrusted loans to an associate are unsecured, interest bearing at rate 5.31% (2009: 5.31%) and are repayable before 25 March 2011.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB (Note 49(f)).

(e) On 8 January 2008, the Group subscribed notes receivables with an aggregate principal amount of USD30 million (the "Notes") from an independent third party. The Notes will be converted into shares of the issuer, at a conversion price that is calculated based on the terms as predetermined in the Notes, should the issuer successfully go on its initial public offering within 36 months from the subscription date. At any time after the 36th month from the subscription date, should the issuer failed to go on its initial public offering, the Group has an option to elect to receive USD30 million in cash, with respective interest calculated at a rate as predetermined in the Notes.

As at 31 December 2010, the Group, together with other subscribers of the Notes, was in arrangement with the issuer for repayments of the principal of the Notes, as well as respective interests. As at the date of this report, such arrangement for repayment is still in progress.

(f) As at 31 December 2010, balance represents considerations receivable from a disposal of Glorious' shares through disposals of subsidiaries (See Note 16(a)).

As at 31 December 2009, balance represents amounts lent to Chongqing Golf as its working capital. Chongqing Golf had then became a subsidiary of the Group during the year ended 31 December 2010 (Note 47(a)(i)).

(g) Amounts due from a jointly controlled entity is interest free, and repayable on demand (Note 49(f)).

23 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2010 and 2009 respectively.

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Completed properties held for sale comprised:		
Land use rights	556,605	461,344
Construction costs and capitalized expenditure	1,967,816	2,811,478
Interest capitalized	124,147	210,766
	2,648,568	3,483,588

As at 31 December 2010, no completed properties held for sale were pledged as collateral for the Group's borrowings (2009: RMB106,609,000) (Note 31).

Land use rights are analyzed as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	152,221	201,697
Leases within 50 years	404,384	259,647
At end of the year	556,605	461,344

24 Restricted bank deposits

Restricted bank deposits mainly represent guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balance also includes guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements.

25 Cash and cash equivalents

	As at 31 December			
	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	11,934,507	11,440,315	124,929	5,254,231
Short-term bank deposits	2,042,704	6,179,304	175,409	969,901
Cash and cash equivalents	13,977,211	17,619,619	300,338	6,224,132
Denominated in:				
— RMB	11,867,219	9,248,384	—	—
— HKD	1,574,725	5,400,057	139,398	5,138,165
— USD	523,839	2,971,169	160,928	1,085,958
— AUD	10,907	—	12	—
— CHF	259	—	—	—
— SGD	250	—	—	—
— GBP	12	9	—	9
	13,977,211	17,619,619	300,338	6,224,132

The effective interest rates on short-term bank deposits ranged from 0.36% to 2.25% for the year ended 31 December 2010 (2009: 0.36% to 3.6%).

The Group's cash and cash equivalents denominated in RMB, HKD, USD and AUD are deposited with banks in the PRC and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

26 Share capital and premium

	Number of ordinary shares of HKD 0.8 each	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Share held for Restricted Share Award Scheme	Total
		HK $'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance 1 January 2010	5,636,626,432	4,509,301	4,289,174	15,828,349	—	20,117,523
Issue of shares pursuant to exercise of employee share option	1,748,000	1,398	1,220	2,669	—	3,889
At 31 December 2010	5,638,374,432	4,510,699	4,290,394	15,831,018	—	20,121,412
Restricted share award scheme (a)	(21,528,000)	—	—	—	(95,986)	(95,986)
	5,616,846,432	4,510,699	4,290,394	15,831,018	(95,986)	20,025,426)
Opening balance 1 January 2009	4,468,587,000	3,574,870	3,466,124	10,719,998	—	14,186,122
Issue of consideration shares for the acquisition of a subsidiary and additional interests in subsidiaries from a non-controlling interests	202,711,000	162,169	143,049	500,672	—	643,721
Issue of shares pursuant to exercise of employee share option	3,148,000	2,518	2,218	14,816	—	17,034
Issue of scrip dividends	28,180,432	22,544	19,873	136,107	—	155,980
Placing	934,000,000	747,200	657,910	4,456,756	—	5,114,666
At 31 December 2009	5,636,626,432	4,509,301	4,289,174	15,828,349	—	20,117,523

(a) On 22 March 2010, the board of the Company resolved to adopt a restricted share award scheme, pursuant to which existing shares are purchased from the market and be held in trust for the relevant selected Group of employees, until such shares are vested in accordance with the provision of the scheme.

As at 31 December 2010, no share was vested to employees under the scheme.

27 Convertible securities

On 27 July 2010, Sino-ocean Land Capital Finance Limited, a wholly owned subsidiary, issued a perpetual subordinated convertible securities (the "convertible securities") callable in 2015, with an initial aggregate principal amount of USD900,000,000.

Such convertible securities are guaranteed by and convertible into shares of the Company, at the same time bear distribution at a rate of 8% per annum, payable semi-annually. The issuer of the convertible securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

Holders of the convertible securities have the right to convert such convertible securities into shares of the Company at any time, commencing from 12 months after the issue date, at a fixed price of HKD6.85 per share.

As the convertible securities have no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition for classification of a financial liabilities under HKAS 32. As a result, the whole instrument is classified as equity, and respective distributions if and when declared are treated as equity dividends.

The Group had not elected to defer distribution payments for the semi-annual period ended 27 January 2011, and such distribution had been fully settled as at the date of the approval of these financial statements.

28 Share option

Share options are granted to several directors and to selected employees, in which 40% of the options are exercisable 1 year from the grant date; 70% of the options are exercisable 2 years from the grant date, and all options are exercisable 3 years from the grant date. The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share	Shares (thousands)
At 1 January 2010	6.78	178,435
Lapsed during the year	6.82	(6,126)
Exercised during the year	2.55	(1,748)
At 31 December 2010	6.82	170,561

Out of the 170,561,000 outstanding options (2009: 178,435,000), 116,818,000(2009: 57,617,000) were exercisable as at 31 December 2010.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
27 September 2012	7.7	59,595
24 January 2013	7.7	8,930
19 September 2013	2.55	27,576
30 July 2014	8.59	26,070
2 September 2014	7.01	21,750
5 October 2014	7.11	26,640
		170,561

No options were granted for the year ended 31 December 2010.The weighted average fair value of options granted during the year 2009 determined using the binomial lattice model was HKD2.99 per option. Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

29 Retained earnings

	As at 31 December			
	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	3,735,638	2,693,594	454,870	620,043
Profit for the year	2,444,076	1,582,077	474,513	288,648
Dividends relating to 2008	—	(288,308)	—	(288,308)
Dividends relating to 2009	(247,046)	(165,513)	(247,046)	(165,513)
Dividends relating to 2010 (Note 43)	(246,850)	—	(246,850)	—
Distribution relating to convertible securities (Note 27)	(204,017)	—	—	—
Issue of shares pursuant to exercise of employee share option	1,694	—	1,694	—
Transfer to statutory reserve fund	(181,616)	(86,212)	—	—
At 31 December	5,301,879	3,735,638	437,181	454,870

30 Reserves

(a) Group

	Capital redemption reserve	Merger reserve	Statutory reserve	Translation reserve	Investment revaluation reserve	Employee share option	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	4,898	(763,427)	490,500	(9,138)	(14,228)	217,682	(411,569)	(485,282)
Fair value loss on available-for-sale financial assets (Note 16)	—	—	—	—	(38,421)	—	—	(38,421)
Reserves realized in consolidated income statement upon disposal of available-for-sale investments through disposals of subsidiaries (Note 47(b))	—	—	—	4,467	75,622	—	—	80,089
Currency translation difference (Note 16)	—	—	—	(20,520)	—	—	—	(20,520)
Employee share option	—	—	—	—	—	112,454	—	112,454
Issue of shares pursuant to exercise of employee share options	—	—	—	—	—	(1,694)	—	(1,694)
Transfer from retained earnings	—	—	181,616	—	—	—	—	181,616
Acquisition of additional interests in subsidiaries from non-controlling interests (Note 48)	—	—	—	—	—	—	(55,107)	(55,107)
At 31 December 2010	4,898	(763,427)	672,116)	(25,191)	22,973	328,442	(466,676)	(226,865)
At 1 January 2009	4,898	(763,427)	404,288	(8,461)	(2,826)	138,739	—	(226,789)
Fair value loss on available-for-sale financial assets (Note 16)	—	—	—	—	(11,402)	—	—	(11,402)
Currency translation differences (Note 16)	—	—	—	(677)	—	—	—	(677)
Employee share option	—	—	—	—	—	78,943	—	78,943
Transfer from retained earnings	—	—	86,212	—	—	—	—	86,212
Issue of shares of acquisition of a subsidiary and additional interests in subsidiaries from a non-controlling interests	—	—	—	—	—	—	(356,796)	(356,796)
Acquisition of additional interests in subsidiaries from non-controlling interests	—	—	—	—	—	—	(54,773)	(54,773)
At 31 December 2009	4,898	(763,427)	490,500	(9,138)	(14,228)	217,682	(411,569)	(485,282)

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

(b) Company

	RMB'000
At 1 January 2010	222,580
Employee share option	112,454
Issue of shares pursuant to exercise of employee share options	(1,694)
At 31 December 2010	333,340
At 1 January 2009	143,637
Employee share option	78,943
At 31 December 2009	222,580

31 Borrowings

	As at 31 December			
	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings (a)	12,613,522	14,607,814	3,177,008	4,186,479
Other borrowings (b)	6,662,637	2,579,030	—	—
Total non-current borrowings	19,276,159	17,186,844	3,177,008	4,186,479
Current				
Current portion of long-term bank borrowings (a)	8,368,989	3,526,665	927,178	—
Short-term bank borrowings	1,551,134	1,126,503	331,135	995,503
Total current borrowings	9,920,123	4,653,168	1,258,313	995,503
Total borrowings	29,196,282	21,840,012	4,435,321	5,181,982

(a) As at 31 December 2010 and 2009, long-term bank borrowings amounting to RMB4,556,000,000 and RMB7,028,000,000 were secured by properties under development (Note 19), completed properties held for sale (Note 23), land use rights (Note 8), property, plant and equipment (Note 7) and investment properties (Note 9) of the Group.

(b) On 23 June 2009, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with an aggregate principal amount of RMB2,600,000,000 and a maturity period of 6 years. The net proceeds were RMB2,576,900,000 (net of issuance costs of RMB23,100,000). The bond carries a fixed annual interest rate of 4.40% for the first three years and the Group has the option to increase such interest rate from 0 to 100 basis points at the end of the third year. Interests are payable annually, with the principal fully repayable on 22 June 2015. Bond holders have the right to sell all or part of the bond at its face value to the issuer from the interest payment date of the third year.

As at 31 December 2010, other borrowings also included RMB4,080,000,000 raised through the establishment of trusts. Entrusted loans provided to certain wholly owned subsidiaries were transferred to the trust as contributions by the Group. Such loans bears interests at the rate of 7% per annum, and are repayable after 25 months from the inception date of the loan.

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2010	2009
	Bank and other borrowings	Bank and other borrowings
	RMB'000	RMB'000
Total borrowings		
— Within 1 year	9,920,123	4,653,168
— Between 1 and 2 years	11,062,008	7,019,293
— Between 2 and 5 years	6,184,151	6,358,520
— Over 5 years	2,030,000	3,809,031
	29,196,282	21,840,012

(d) The Group's borrowings denominated in RMB, USD and HKD respectively are set out as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Denominated in:		
— RMB	22,178,325	16,658,030
— HKD	—	176,100
— USD	7,017,957	5,005,882
	29,196,282	21,840,012

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Bank borrowings	5.27%	5.40%
Other borrowings	5.75%	4.40%
Convertible bonds (i)	—	6.50%

(i) All convertible bonds matured on September 2009.

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within 6 months	18,066,426	15,942,982
Between 6 and 12 months	4,417,219	3,318,000
Between 1 and 5 years	6,712,637	2,579,030
	29,196,282	21,840,012

(g) The carrying amounts of non-current borrowings approximated to their respective fair values as at 31 December 2010 and 2009.

Fair values of non-current borrowings as at 31 December 2010 are based on cash flows discounted using borrowing rates of 5.85% (2009: 5.40%).

32 Derivative financial instruments

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Conversion option in relation to notes receivables	—	8,331

As at 31 December 2010, the Group, together with other subscribers of the Notes, was in arrangement with the issuer for repayments of the principal of the Notes, as well as respective interests (See Note 22). Since it is became certain that no conversion would occur, respective derivative is derecognized.

33 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Deferred tax assets:		
— to be recovered after more than 12 months	283,415	38,365
— to be recovered within 12 months	530,829	267,174
	814,244	305,539
Deferred tax liabilities:		
— to be recovered after more than 12 months	(1,342,414)	(984,011)
— to be recovered within 12 months	(8,958)	(15,171)
	(1,351,372)	(999,182)
Deferred tax liabilities, net	(537,128)	(693,643)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	693,643	678,261
Recognized in the income statement (Note 41)	(431,184)	(5,788)
Acquisition of subsidiaries (Note 47(a))	274,669	21,170
At end of the year	537,128	693,643

The movement in deferred income tax assets and liabilities during the years ended 31 December 2010 and 2009, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of expenses	Recognition of financial guarantee liabilities	Unrealized gain	Tax losses not recognized	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	142,389	15,859	156,086	—	314,334
Charged/(credited) to income statement	287,306	(4,552)	168,770	48,386	499,910
At 31 December 2010	429,695	11,307	324,856	48,386	814,244
At 1 January 2009	54,131	10,076	62,309	—	126,516
Charged to income statement	88,258	5,783	93,777	—	187,818
At 31 December 2009	142,389	15,859	156,086	—	314,334

Deferred income tax liabilities

	Depreciation difference	Investment properties revaluation	Property revaluation	Deemed disposal	Others	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2010	(46,368)	(421,629)	(534,860)	—	(5,120)	(1,007,977)
(Credited)/charged to income statement	(13,726)	(175,045)	120,045	—	—	(68,726)
Acquisition of subsidiaries (Note 47(a))	—	—	(274,669)	—	—	(274,669)
At 31 December 2010	(60,094)	(596,674)	(689,484)	—	(5,120)	(1,351,372)
At 1 January 2009	(24,853)	(244,473)	(519,690)	(10,171)	(5,590)	(804,777)
(Credited)/charged to income statement	(21,515)	(177,156)	6,000	10,171	470	(182,030)
Acquisition of subsidiaries	—	—	(21,170)	—	—	(21,170)
At 31 December 2009	(46,368)	(421,629)	(534,860)	—	(5,120)	(1,007,977)

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future profits is probable. The Group did not recognize tax losses amounting to RMB189,765,000 as at 31 December 2009 that can be carried forward against future taxable income. These tax losses are going to expire within five years.

Deferred income tax liabilities of RMB232,582,000 (2009: RMB87,764,000) have not been recognised for the withholding tax that would be payable on the undistributed earnings of certain subsidiaries. Such amounts are permanently reinvested. Undistributed earnings totaled RMB3,448,749,000 at 31 December 2010 (2009: RMB1,294,875,000).

34 Trade and other payables

(a) Group

	As at 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Trade payables.	3,612,571	2,541,430
Accrued expenses.	597,312	659,869
Distribution payable (Note 27)	204,017	—
Advances received from a shareholder (i)	1,724,493	—
Considerations received in respect of partial disposal of equity interests in a subsidiary (ii)	1,300,000	—
Consideration payable (iii)	455,800	—
Other payables.	2,426,846	1,129,788
Other tax	451,607	134,389
Provision for financial guarantee liabilities	58,989	60,627
	10,831,635	4,526,103

The carrying amounts of trade payables and other payables approximate their fair values.

(i) On 21 November 2010, the Group entered into a co-operation agreement with Nan Fung, a major shareholder of the Company, in respect of the establishment of a series of joint ventures for the development of certain commercial property projects. The total investment amount in relation to the establishment of the joint ventures will be approximately USD 650,000,000. The actual formation of the Joint Venture is in progress as at the date of this report, and expects to be completed in the first half year of 2011. (Note 49(g)).

(ii) On 31 December 2010, Sino-Ocean Land (Hong Kong) Limited ("SOLHK"), a wholly owned subsidiary of the Group, entered into a Co-operation Agreement (the "agreement") with Greentown China Holdings Limited ("Greentown") and Zhejiang Railway Investment Group Limited ("Railway"), both independent third parties.

Pursuant to the agreement, SOLHK agreed to dispose a 24.5% equity interest of Poly Link Management Limited ("Poly Link"), a wholly owned subsidiary of the Group, to Greentown and Railway each. Total consideration receivable for the disposal amounted to approximately RMB 1,846,000,000.

Poly link is an investment holding company that holds 100% equity interests in certain real estate projects companies, with real estate projects located in Hangzhou, P.R.C. The actual disposal of equity interests is in progress as at the date of this report, and expects to be completed in the first half year of 2011.

(iii) Consideration payable as at 31 December 2010 represents amounts payable to a third party for an acquisition of land during the year.

(iv) Ageing analysis of the trade payables is as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within than 6 months	2,802,237	1,975,186
Between 6 months to 12 months	530,425	315,809
Between 1 year to 2 years	233,748	241,241
Between 2 years to 3 years	30,860	7,655
Over 3 years	15,301	1,539
	3,612,571	2,541,430

The provision for financial guarantee liabilities given to purchasers of the Group's properties as set out in Note 45 is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	60,627	40,304
Addition	59,502	111,975
Reversal	(61,140)	(91,652)
At end of the year	58,989	60,627

(b) Company

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Amount due to a shareholder (Note 34(a))	1,724,493	—
Other payables	7,260	44,144
	1,731,753	44,144

35 Advances from customers

Advances from customers represent amounts received from sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at year-end.

36 Interest and other income

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Dividend income from available-for-sale financial assets	15,956	2,746
Interest income	180,501	167,609
Others	43,500	40,238
	239,957	210,593

37 Other gains/(losses) - net

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Loss on disposal of available-for-sale financial assets	—	(9,454)
Gain on disposal of subsidiaries, net (Note 47(b))	297,048	3,585
Gain on redemption of convertible bonds	—	1,458
De-recognition of derivative financial instrument (Note 32)	(8,331)	—
Fair value gain of other investment	1,165	—
Loss on revaluation of financial assets at fair value through profit or loss	(3,703)	—
Gain on disposal of financial assets at fair value through profit or loss	2,551	—
Negative goodwill from acquisition of a subsidiary (Note 47(a)(iii))	2,512	10,867
Gain/(loss) on disposal of property, plant and equipment	179	(88)
Exchange losses	(103,463)	(14,662)
	187,958	(8,294)

38 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing costs and administrative expenses as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	1,127,017	813,168
— Capitalized interest	252,252	232,737
— Construction related cost	6,884,007	4,144,112
Cost of upfitting services rendered	174,289	155,686
Direct investment property expenses (Note 9)	99,408	70,301
Employee benefit expense (Note 39)	363,863	312,479
Consultancy fee	102,551	72,451
Auditor's remuneration	10,650	7,100
Depreciation (Note 7)	31,428	18,816
Amortization of land use rights (Note 8)	527	883
Advertising and marketing	388,543	284,722
Business taxes and other levies	763,229	490,936
Net impairment for trade and other receivables (Note 22(a))	663	367
Office expenditure	85,151	47,697
Properties maintenance expenses	86,526	67,554
Energy expenses	41,943	32,060
Others	82,221	53,366
	10,494,268	6,804,435

39 Employee benefits expense

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Salaries, wages and bonuses	504,140	317,170
Retirement benefits contribution	34,525	21,768
Share options granted to directors and employees	112,454	83,426
Other allowances and benefits	87,070	55,787
	738,189	478,151
Less: capitalized in properties under development	(374,326)	(165,672)
	363,863	312,479

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' basic salary for the years ended 31 December 2010 and 2009.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD20,000).

(a) Directors' emoluments

The remunerations of every director for the years are set out below:

	Year ended 31 December									
	2010					2009				
	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Total	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long- term welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Li Ming	—	3,830	1,733	63	5,626	—	3,760	1,658	2,408	7,826
Ms.Liu Hui	—	—	—	—	—	—	—	—	—	—
Mr. Liang Yanfeng	—	—	—	—	—	—	—	—	—	—
Mr. Wang Xiaodong	—	—	—	—	—	—	—	—	—	—
Mr. Wang Xiaoguang	—	3,530	136	—	3,666	—	—	—	—	—
Mr. Chen Runfu	—	2,680	219	—	2,899	—	2,840	143	—	2,983
Mr. Tsang Hing Lun	213	—	—	—	213	176	—	—	—	176
Mr. Gu Yunchang	213	—	—	—	213	176	—	—	—	176
Mr. Han Xiaojing	213	—	—	—	213	176	—	—	—	176
Mr. Zhao Kang	213	—	—	—	213	176	—	—	—	176
Mr. Yin Yingneng	—	—	—	—	—	176	—	—	—	176
	852	10,040	2,088	63	13,043	880	6,600	1,801	2,408	11,689

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Basic salaries and allowance	10,010	4,974
Bonuses	10,688	4,980
Retirement scheme contributions	2,352	295
Other long-term welfare	63	—
	23,113	10,249

The emoluments fell within the following bands:

	Year ended 31 December	
	2010	**2009**
RMB 1,400,000 to RMB 2,500,000	—	—
RMB 2,500,000 to RMB 4,000,000	2	2
RMB 4,000,000 to RMB 4,500,000	—	1
Over RMB 4,500,000	3	—
	5	3

(c) During the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

40 Finance costs

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Interest expense:		
— Bank borrowings	1,143,434	871,368
— Other borrowings	342,423	85,080
— Convertible bonds	—	32,889
Less: interest capitalized at a capitalization rate of 5.35% (2009: 5.35%) per annum	(1,198,501)	(680,584)
	287,356	308,753

41 Income tax expense

Majority of the Group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these Group entities for the years ended 31 December 2010 and 2009. Other companies are mainly subjected to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Current income tax:		
— PRC enterprise income tax	1,442,655	687,105
— PRC land appreciation tax	403,149	248,084
Deferred income tax (Note 33)	(431,184)	(5,788)
	1,414,620	929,401

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Profit before income tax	3,853,443	2,567,745
Add: Share of loss of a jointly controlled entity (Note 12)	8,859	35,315
Share of losses of associates (Note 13)	72,004	18,334
	3,934,306	2,621,394
Tax calculated at a tax rate of 25%	983,577	655,349
Effect of higher tax rate for the appreciation of land in the PRC	302,362	186,063
Income not subject to tax	(17,219)	(17,979)
Expenses not deductible for tax purposes	124,297	76,491
Tax losses not recognized	48,386	44,168
Utilization of previously unrecognized tax losses	(26,783)	(14,691)
Tax expense	1,414,620	929,401

42 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and shares held for Restricted Share Award Scheme (Note 25).

	Year ended 31 December	
	2010	**2009**
Profit attributable to equity holders of the Company (RMB'000)	2,444,076	1,582,077
Distribution relating to convertible securities (RMB'000) (Note 27)	(204,017)	—
Profit used to determine basic earnings per share (RMB'000)	2,240,059	1,582,077
Weighted average number of ordinary shares in issue (thousands)	5,632,962	4,690,952
Basic earnings per share (RMB per share)	0.398	0.337

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and convertible securities. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Convertible securities of 374,278,000 shares (Note 27) when calculated on a weighted average basis were not included in the calculation of dilutive earnings per share because of their anti-diluted effect.

	Year ended 31 December	
	2010	**2009**
Profit attributable to equity holders of the Company (RMB'000)	2,444,076	1,582,077
Distribution relating to on convertible securities (RMB'000) (Note 27)	(204,017)	—
Profit used to determine diluted earnings per share (RMB'000)	2,240,059	1,582,077
Weighted average number of ordinary shares in issue (thousands)	5,632,962	4,690,952
Adjustment for: — share options (thousands)	15,982	15,954
Weighted average number of ordinary shares for diluted earnings per share (thousands)	5,648,944	4,706,906
Diluted earnings per share (RMB per share)	0.397	0.336

43 Dividends

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Interim dividend paid	246,850	165,513
Final dividend proposed (a)	379,758	248,154

(a) On 17 March 2011, the Company proposed a final dividend of RMB379,758,000.

44 Cash used in operations

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit for the year	2,438,823	1,638,344
Adjustments for:		
— Tax expense (Note 41)	1,414,620	929,401
— Depreciation (Note 7)	31,428	18,816
— Amortization of land use rights (Note 8)	527	883
— Goodwill disposed for sales of properties (Note 10)	83,902	71,967
— Net impairment for trade and other receivables (Note 22(a))	663	367
— (Gain)/loss on sale of property, plant and equipment (Note 37)	(179)	88
— Interest expense	287,356	308,753
— Interest income	(59,125)	(65,651)
— Share of loss of jointly controlled entities (Note 12)	8,859	35,315
— Share of loss of associates (Note 13)	72,004	18,334
— Valuation gain on investment properties (Note 9)	(567,350)	(708,625)
— De-recognition of derivative financial statements (Note 37)	8,331	—
— Fair value gains from other investment (Note 37)	(1,165)	—
— Fair value losses on financial assets at fair value through profit or loss (Note 37)	3,703	—
— Loss transfer from equity of available-for-sale		
— Loss on disposal of available-for-sale financial assets (Note 37)	—	9,454
— Gain on acquisition of a subsidiary (Note 37)	(2,512)	(10,867)
— Gain on disposal of subsidiaries (Note 37)	(297,048)	(3,585)
— Investment income from available-for-sale financial assets (Note 36)	(15,956)	(2,746)
— Exchange losses	67,067	11,371
— Employee share option	78,408	52,392
— Gain on redemption of convertible bonds (Note 37)	—	(1,458
	3,552,356	2,302,553
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	880,260	(538,880)
— Inventories, at cost	(129,503)	(19,286)
— Trade and other receivables	(928,918)	(410,330)
— Land development cost recoverable	(561,120)	944,211
— Deposits for land use rights	(11,212,615)	(3,216,587)
— Trade and other payables	2,819,482	(199,346)
— Derivative financial instruments	—	(1,451)
— Other investment	(3,203)	—
— Financial assets at fair value through profit or loss	(32,196)	—
— Prepayments	(155,559)	28,508
— Advanced proceeds received from customers	6,658,041	5,745,336
— Properties under development	(14,564,018)	(2,797,633)
— Restricted cash	(160,936)	(86,436)
Cash (used in)/generated from operations	(13,837,929)	1,750,659

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Net book amount (Note 7)	7,871	9,472
Gains/(losses) on disposal of property, plant and equipment (Note 37)	179	(88)
Proceeds from disposal of property, plant and equipment	8,050	9,384

45 Financial guarantees

(a) Group

The Group had the following financial guarantees as at the end of the years ended 31 December 2010 and 2009:

	As at 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Guarantees in respect of mortgage facilities for certain purchasers	2,925,285	1,812,083

As at 31 December 2010 and 2009, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) Company

As at years end 31 December 2010 and 2009, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of convertible securities (Note 27).

46 Commitments

(a) Capital commitments

(i) Capital Commitments - Group

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Land use rights	9,167,037	344,850
Properties under development	9,309,635	6,843,910
Contracted but not provided for	18,476,672	7,188,760

(ii) Capital Commitments - Company

There are no capital commitments relating to the Company for the year ended 2010 and 2009.

(b) ***Operating lease rental receivables***

(i) Operating lease rental receivables - Group

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Within 1 year	312,301	177,016
Between 1 to 5 years	563,930	309,206
After 5 years	98,048	273,981
	974,279	760,203

(ii) Operating lease rental receivables - Company

There are no operating lease rental receivables relating to the Company for the year ended 2010 and 2009.

47 Business combination

(a) ***Acquisition of subsidiaries***

(i) On 5 January 2010, the Group acquired 55% equity interest in Chongqing Golf Club Company Limited, a real estate company established on 31 July 1998, at a consideration of RMB152,000,000.

	2010
	RMB'000
Purchase consideration - cash paid	152,000

The assets and liabilities arising from the acquisition are as follows:

	Fair value
	RMB'000
Property, plant and equipment	4,422
Land development cost recoverable	903,325
Inventory, at cost	1,164
Trade and other receivables and prepayments	416
Cash and cash equivalents	4,061
Borrowings	(100,000)
Trade and other payables	(589,156)
Deferred income tax liabilities	(25,302)
Net identified assets acquired	198,930
Non-controlling interest	(46,930)
	152,000
Inflow of cash to acquire business, net of cash acquired	
Cash consideration	(152,000)
Less: prepaid consideration in 2009	152,000
	—
Cash and cash equivalents in subsidiary acquired	4,061
Cash inflow on acquisition in 2010	4,061

(1) *Acquisition related costs*

Acquisition related costs of RMB6,439,000 are included in the income statement.

(2) *Acquired receivables*

The fair value of other receivables is RMB416,000, and there are no trade receivables acquired.

(3) *Non-controlling interest*

The Group recognized the non-controlling interest at fair value using the proportionate share method.

(4) *Revenue and profit contribution*

The acquired business contributed revenues of RMB 6,321,000 and net loss of RMB13,075,000 to the Group for the period from 5 January 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, the consolidated statement of comprehensive income would show revenue of RMB13,720,665,000 and profit of RMB2,438,823,000.

(ii) On 2 February 2010, the Group acquired 70% equity interest in Sanya South Olympic Garden Company Limited, a real estate Company established on 15 April 2002, at a consideration of RMB500,000,000.

The goodwill of RMB 12,345,000 arising from the acquisition is attributable to the economies of scale expected from combining the operations of the Group and Sanya South Olympic Garden Company Limited.

None of the goodwill recognized is expected to be deductible for income tax purposes.

	2010
	RMB'000
Purchase consideration - cash paid	500,000

The assets and liabilities arising from the acquisition are as follows:

	Fair value
	RMB'000
Property, plant and equipment	9,297
Interest in a jointly controlled entity	5,000
Properties under development	1,125,162
Trade and other receivables and prepayments	40,206
Cash and cash equivalents	203,413
Borrowings	(60,000)
Trade and other payables	(300,346)
Deferred income tax liabilities	(239,578)
Non-controlling interests	(86,504)
Net identified assets acquired	696,650
Non-controlling interest	(208,995)
Goodwill	12,345
	500,000
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	(500,000)
Cash and cash equivalents in the subsidiary acquired	203,413
Cash outflow on acquisition	(296,587)

(1) *Acquisition related costs*

Acquisition related costs of RMB 200,000 are included in the income statement.

(2) *Acquired receivables*

The fair value of other receivables is RMB 40,206,000, and there are no trade receivables acquired.

(3) *Non-controlling interest*

The Group recognized the non-controlling interest at fair value using the proportionate share method.

(4) *Revenue and profit contribution*

The acquired business contributed revenues of RMB3,162,000 and net loss of RMB15,628,000 to the Group for the period from 2 February 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, the consolidated statement of comprehensive income would show revenue of RMB13,721,012,000 and profit of RMB2,435,890,000.

(iii) On 5 February 2010, the Group acquired a 100% equity interest in Dalian JiYee Concrete Manufacture Company Limited, a concrete manufacturing company established on 12 December 2004, at a consideration of RMB7,090,000.

	2010
	RMB'000
Purchase consideration - cash paid	7,090

The assets and liabilities arising from the acquisition are as follows:

	Fair value
	RMB'000
Property, plant and equipment	17,499
Other long-term assets	10,559
Trade and other receivables and prepayments	23,908
Inventory, at cost	1,535
Cash and cash equivalents	18,479
Borrowings	(37,880)
Trade and other payables	(24,498)
Net identified assets acquired	9,602
Non-controlling interest	—
Negative goodwill	(2,512)
	7,090
Inflow of cash to acquire business, net of cash acquired	
Cash paid	(7,090)
Cash and cash equivalents in the subsidiary acquired	18,479
Cash inflow on acquisition	11,389

(1) *Acquisition related costs*

Acquisition related costs of RMB60,000 are included in the income statement.

(2) *Acquired receivables*

The fair value of trade and other receivables is RMB23,908,000 and includes trade receivables with a fair value of RMB21,041,000. The gross contractual amount for trade receivables due is RMB24,371,000, of which RMB1,430,000 is expected to be uncollectible.

(3) *Non-controlling interest*

The Group recognize the non-controlling interest at fair value, using the proportionate share method.

(4) *Revenue and profit contribution*

The acquired business contributed revenues of RMB 117,562,000 and net profit of RMB 7,856,000 to the Group for the period from 5 February 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, the consolidated statement of comprehensive income would show revenue of RMB13,723,901,000 and profit of RMB2,437,314,000.

(iv) On 14 October 2010, the Group acquired a 70% equity interest in Kee Shing (Holding) Limited, a Main Board listed company on the Stock Exchange of Hong Kong with its main business in investment property management, at a consideration of RMB442,708,000.

The goodwill of RMB 125,527,000 arising from the acquisition is attributable to the economies of scale expected from combining the operations of the Group and Kee Shing (Holding) Limited.

None of the goodwill recognized is expected to be deductible for income tax purposes.

	2010
	RMB'000
Purchase consideration - cash paid	442,708

The assets and liabilities arising from the acquisition are as follows:

	Fair value
	RMB'000
Investment Properties	296,500
Property, plant and equipment	156
Other investment	39,339
Financial assets at fair value through profit or loss	608
Trade and other receivables	9,069
Cash and cash equivalents	144,137
Deferred income tax liabilities	(9,789)
Trade and other payables	(13,781)
Non-controlling interests	(14,072)
Net identified assets acquired	452,167
Non-controlling interest	(134,986)
Goodwill	125,527
	442,708
Outflow of cash to acquire business, net of cash acquired	
Cash paid	(442,708)
Cash and cash equivalents in the subsidiary acquired	144,137
Cash outflow on acquisition	(298,571)

(1) *Acquisition related costs*

Acquisition related costs of RMB2,755,000 are included in the income statement.

(2) *Acquired receivables*

The fair value of trade and other receivables is RMB9,069,000, and there are no trade and receivables acquired.

(3) *Non-controlling interest*

The Group recognize the non-controlling interest at fair value using the proportionate share method.

(4) *Revenue and profit contribution*

The acquired business contributed revenues of RMB3,336,000 and net loss of RMB61,258,000 to the Group for the period from 14 October 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, the consolidated statement of comprehensive income would show revenue of RMB13,733,823,000 and profit of RMB2,511,948,000.

(b) ***Disposal of subsidiaries***

(i) On 23 April 2010, the Group entered into an agreement with Beijing Wuhuan Hotel Operation Limited to dispose Beijing Best Western Premier Beijing Hotel Limited, a 100% owned subsidiary of the Group. The subsidiary was sold on 31 May 2010 for cash consideration of RMB200,000,000

	2010
	RMB'000
Proceeds on disposal of subsidiary	200,000
Less: Goodwill arising from acquisition of the subsidiary	(11,000)
Carrying value of the subsidiary disposed - shown as below	(1,832)
Gain on disposal of the subsidiary	187,168

The assets and liabilities arising from the disposal are as follows:

	Carrying value
	RMB'000
Property, plant and equipment	169,627
Land use right	28,714
Inventory, at cost	449
Trade and other receivables	2,213
Cash and cash equivalents	5,111
Trade and other payables	(204,125)
Advance from customer	(157)
Net assets disposed	1,832
Inflow of cash to dispose business, net of cash disposed	
Proceeds received in cash	200,000
Cash and cash equivalents in subsidiary disposed of	(5,111)
Cash inflow on disposal	194,889

(ii) On 9 September 2010, the Group entered into an agreement with Beijing Shengyong Property Development and investment Limited, an associate of the Group, to dispose Beijing Yuanxiang Property Development Limited, a 100% owned subsidiary of the Group. The subsidiary was sold on 18 October 2010 for cash consideration of RMB119,856,000.

	2010
	RMB'000
Proceeds on disposal of subsidiary	119,856
Carrying value of the subsidiary disposed - shown as below	(9,976)
Gain on disposal of the subsidiary	109,880

The assets and liabilities arising from the disposal are as follows:

	Carrying value
	RMB'000
Properties under development	458,438
Trade and other receivables	339
Cash and cash equivalents	2,449
Borrowings	(444,000)
Trade and other payables	(7,250)
Net assets disposed	9,976
Inflow of cash to dispose business, net of cash disposed	
Proceeds received in cash	119,856
Cash and cash equivalents in subsidiary disposed of	(2,449)
Cash inflow on disposal	117,407

(iii) On 31 December 2010, the Group entered into an agreement with Win Powerful Investment Limited to dispose of Grand Thrive Investment Limited and its subsidiary, both 100% owned subsidiaries of the Group. The subsidiaries were sold on 31 December 2010 for cash consideration of RMB199,828,000.

	2010
	RMB'000
Proceeds on disposal of the subsidiary (including in other receivables as at 31 December 2010)	199,828
Less: loan to the subsidiary	(199,828)
Net liabilities of the subsidiary disposed - shown as below	80,089
Reserve realized in consolidated income statement upon disposal of available-for-sale investments through disposals of subsidiaries	(80,089)
Gain on disposal of the subsidiary	—

The assets and liabilities arising from the disposal are as follows:

	Carrying value
	RMB'000
Available-for-sale financial assets	126,783
Loan from shareholder	(199,828)
Other payables	(7,044)
Net liabilities disposed	(80,089)
Inflow of cash to dispose business, net of cash disposed	
Cash consideration	199,828
Less: cash will be received in year 2011 (Note 22(f))	(199,828)
Cash inflow on disposal in year 2010	—

48 Transactions with non-controlling interests

(a) Acquisition of additional interest in subsidiaries

On 18 January 2010, a wholly owned subsidiary of the Group, acquired an additional 30% interest in Hangzhou Yuanyang Tianqi Property Company Limited, Hangzhou Yuanyang Yunhe Commercial District Development Company Limited and Hangzhou Yuanyang Xinhe Hotel Property Company Limited (the "Hangzhou subsidiaries") respectively for a purchase consideration of RMB224,294,000. The carrying amount of the non-controlling interests in the Hangzhou subsidiaries on the date of acquisition was RMB169,187,000. The Group recognised a decrease in non-controlling interests of RMB169,187,000 and a decrease in equity attributable to owners of the parent of RMB55,107,000. The effect of changes in the ownership interest of the Hangzhou subsidiaries on the equity attributable to owners of the Company during the period is summarized as follows:

	2010
	RMB'000
Carrying amount of non-controlling interests acquired	169,187
Consideration paid to non-controlling interests	(224,294)
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	(55,107)

(b) Effects of transactions with non-controlling interests on the equity attributable to equity holders for the year ended 31 December 2010

	2010
	RMB'000
Total comprehensive income for the year attributable to the shareholders of the Company	2,465,224
Changes in equity attributable to shareholders of the Company arising from the acquisition of additional interests in subsidiaries	(55,107)
	2,410,117

49 Related party transactions

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2010 and 2009:

(a) Sales of properties and services

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Sales of properties:		
— An associate	3,963	—
— A jointly controlled entity of China Ocean Shipping (Group) Company Limited ("COSCO Group")	—	109,683
	3,963	109,683
Provision of services:		
— COSCO Group	5,100	11,104
— A jointly controlled entity	3,472	7,230
— An associate	30,000	—
— A jointly controlled entity of COSCO Group	2,811	1,052
	41,383	19,386
	45,346	129,069

(b) Key management compensation

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	37,276	32,969
Post-employment benefits	4,109	3,035
Other long-term welfare	63	2,408
Share-based payments	23,225	17,403
	64,673	55,815

(c) Year-end balances arising from sales of properties and services

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Receivables from related parties:		
— An associate	275	—
— A jointly controlled entity	—	324
— A jointly controlled entity of COSCO Group	—	10,968
	275	11,292
Receivables from related parties:		
— A jointly controlled entity	4,753	—
	4,753	—

(d) Interest income

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Interest received:		
— A jointly controlled entity	—	15,973
— An associate	38,999	17,042
	38,999	33,015

(e) Gain on disposal of a subsidiary

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Gain from related parties:		
Gain on disposal of a subsidiary to a jointly controlled entity	109,880	—
	109,880	—

(f) ***Loans to related parties***

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Jointly controlled entities:		
At 1 January	532,000	267,190
Loans advanced during year (Note 22)	285,356	745,170
Loans advanced as investment (Note 12)	—	532,000
Loans repayments received	—	(1,012,360)
Interest charged	—	15,973
Interest received	—	(15,973)
At 31 December	817,356	532,000
An associate:		
At 1 January	307,770	268,478
Loans advanced during year	1,218,025	886,274
Loans repayments received	(1,188,556)	(846,982)
Interest charged	38,999	17,042
Interest received	(38,999)	(17,042)
At 31 December	337,239	307,770

(g) ***Advances from related parties***

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
A shareholders:		
At 1 January	—	—
Loans advanced during year (Note 34(a))	1,724,493	—
At 31 December	1,724,493	—

(h) ***Capital injection from related parties***

	Year ended 31 December	
	2010	**2009**
	RMB'000	**RMB'000**
Increase in non-controlling interests from shareholder	942,479	—
	942,479	—

50 Event after the balance sheet date

On 21 January 2011 and 30 January 2011, the Group successfully bid for two pieces of land located within Baoshan District of Shanghai, P.R.C., with a consideration of RMB538,260,000 and RMB 3,133,770,000. These lands occupy a total area of 35,600 sq.m. and 137,708 sq.m. respectively. These lands are planned for residential and commercial use.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
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Central, Hong Kong

Independent Auditor's Report

TO THE SHAREHOLDERS OF SINO-OCEAN LAND HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 79 to 168, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2010

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2009	2008
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	324,867	304,989
Land use rights	8	38,964	36,958
Investment properties	9	3,984,000	1,984,000
Goodwill	10	662,602	734,569
Interest in a jointly controlled entity	12	671,685	—
Interests in associates	13	294,462	310,796
Available-for-sale financial assets	16	592,648	426,715
Derivative financial instrument	29	8,331	8,338
Trade and other receivables	20	893,590	250,731
Deferred income tax assets	30	305,539	111,777
		7,776,688	4,168,873
Current assets			
Properties under development	17	22,254,218	18,443,878
Land under development	18	926,828	1,839,557
Inventories, at cost		99,503	80,217
Deposits for land use rights	19	7,371,019	4,066,559
Trade and other receivables	20	1,720,294	1,589,327
Completed properties held for sale	21	3,483,588	4,242,538
Restricted bank deposits	22	896,442	810,006
Cash and cash equivalents	23	17,619,619	8,026,677
		54,371,511	39,098,759
Total assets		62,148,199	43,267,632
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and premium	24	20,117,523	14,186,122
Reserves	27	(485,282)	(226,789)
Retained earnings			
— proposed final dividend	39	248,154	288,373
— others		3,487,484	2,405,221
		23,367,879	16,652,927
Minority interests		518,535	1,130,182
Total equity		23,886,414	17,783,109

	Note	As at 31 December 2009	2008
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	17,186,844	8,778,770
Deferred income tax liabilities	30	999,182	790,038
		18,186,026	9,568,808
Current liabilities			
Borrowings	28	4,653,168	5,964,807
Derivative financial instrument	29	—	1,458
Trade and other payables	31	4,526,103	5,010,158
Advances from customers		9,494,610	3,749,274
Income tax payable		1,401,878	1,190,018
		20,075,759	15,915,715
Total liabilities		38,261,785	25,484,523
Total equity and liabilities		62,148,199	43,267,632
Net current assets		34,295,752	23,183,044
Total assets less current liabilities		42,072,440	27,351,917

Approved by the Board of Directors on 22 March 2010

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

BALANCE SHEET

	Note	As at 31 December 2009	2008
		RMB'000	RMB'000
ASSET			
Non-current assets			
Investments in subsidiaries	11	3,407,371	3,407,371
Current assets			
Amounts due from subsidiaries	11	16,387,387	14,060,108
Other receivables		2,209	—
Cash and cash equivalents	23	6,224,132	41,001
		22,613,728	14,101,109
Total assets		26,021,099	17,508,480
EQUITY			
Share capital and premium	24	20,117,523	14,186,122
Reserve	27	222,580	143,637
Retained earnings			
— proposed final dividend	39	248,154	288,373
— others		206,716	331,670
Total equity		20,794,973	14,949,802
LIABILITY			
Non-current liabilities			
Borrowings	28	4,186,479	1,474,565
		4,186,479	1,474,565
Current liabilities			
Borrowings	28	995,503	710,262
Derivative financial instrument	29	—	1,458
Amounts due to subsidiaries	11	—	14,870
Other payables	31	44,144	357,523
		1,039,647	1,084,113
Total liabilities		5,226,126	2,558,678
Total equity and liabilities		26,021,099	17,508,480
Net current assets		21,574,081	13,016,996
Total assets less current liabilities		24,981,452	16,424,367

Approved by the Board of Directors on 22 March 2010

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2009	2008
		RMB'000	RMB'000
Revenue	6	8,823,658	6,487,380
Cost of sales		(6,166,644)	(3,667,392)
Gross profit		2,657,014	2,819,988
Other income	32	210,593	214,879
Other (losses)/gains - net	33	(8,294)	127,228
Fair value gain on investment properties	9	708,625	—
Selling and marketing costs		(318,252)	(250,592)
Administrative expenses		(319,539)	(420,404)
Operating profit		2,930,147	2,491,099
Fair value gain on derivative financial instruments	29	—	56,457
Finance costs	36	(308,753)	(161,178)
Share of loss of a jointly controlled entity	12	(35,315)	(54)
Share of losses of associates	13	(18,334)	(2,430)
Profit before income tax		2,567,745	2,383,894
Income tax expense	37	(929,401)	(939,308)
Profit for the year		1,638,344	1,444,586
Attributable to:			
Equity holders of the Company		1,582,077	1,387,896
Minority interests		56,267	56,690
		1,638,344	1,444,586
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— basic	38	0.337	0.310
— diluted	38	0.336	0.310
Dividends	39	413,667	406,357

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2009	2008
		RMB'000	RMB'000
Profit for the year		1,638,344	1,444,586
Other comprehensive income			
Fair value losses on available-for-sale financial assets	16	(11,402)	(20,910)
Currency translation differences	16	(677)	(8,621)
Other comprehensive income for the year		(12,079)	(29,531)
Total comprehensive income for the year		1,626,265	1,415,055
Total comprehensive income attributable to:			
— equity holders of the Company		1,569,998	1,358,365
— minority interests		56,267	56,690
		1,626,265	1,415,055

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the equity holders of the Company						
		Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		3,471,022	10,719,998	(399,126)	2,032,315	15,824,209	1,054,110	16,878,319
Profit for the year		—	—	—	1,387,896	1,387,896	56,690	1,444,586
Other comprehensive income:								
Fair value losses on available-for-sale financial assets	16	—	—	(20,910)	—	(20,910)	—	(20,910)
Currency translation differences	16	—	—	(8,621)	—	(8,621)	—	(8,621)
Total comprehensive income for the year ended 31 December 2008		—	—	(29,531)	1,387,896	1,358,365	56,690	1,415,055
Dividends relating to 2007	39	—	—	—	(502,907)	(502,907)	(6,000)	(508,907)
Dividends relating to 2008	39	—	—	—	(117,984)	(117,984)	—	(117,984)
Share buybacks	24	(4,898)	—	4,898	(19,570)	(19,570)		(19,570)
Fair value reserve on employee share option plan	27	—	—	110,814	—	110,814	—	110,814
Transfer from retained earnings	27	—	—	86,156	(86,156)	—	—	—
Increase/(decrease) in minority interests as a result of:								
- acquisition of additional interests in subsidiaries from minority shareholders		—	—	—	—	—	(188,930)	(188,930)
- contribution from minority shareholders		—	—	—	—	—	211,387	211,387
- disposal of a subsidiary		—	—	—	—	—	2,925	2,925
		(4,898)	—	172,337	661,279	828,718	76,072	904,790
Balance at 31 December 2008		3,466,124	10,719,998	(226,789)	2,693,594	16,652,927	1,130,182	17,783,109
Balance at 1 January 2009		3,466,124	10,719,998	(226,789)	2,693,594	16,652,927	1,130,182	17,783,109
Profit for the year		—	—	—	1,582,077	1,582,077	56,267	1,638,344
Other comprehensive income:								
Fair value losses on available-for-sale financial assets	16	—	—	(11,402)	—	(11,402)	—	(11,402)
Currency translation differences	16	—	—	(677)	—	(677)	—	(677)
Total comprehensive income for the year ended 31 December 2009		—	—	(12,079)	1,582,077	1,569,998	56,267	1,626,265
Dividends relating to 2008	39	19,873	136,107	—	(288,308)	(132,328)	(17,404)	(149,732)
Dividends relating to 2009	39	—	—	—	(165,513)	(165,513)	—	(165,513)
Fair value reserve on employee share option plan	27	—	—	78,943	—	78,943	—	78,943
Transfer from retained earnings	27	—	—	86,212	(86,212)	—	—	—
Issue of shares pursuant to exercise of employee share options	24	2,218	14,816	—	—	17,034	—	17,034
Issue of subscription shares to a new shareholder	24	657,910	4,456,756	—	—	5,114,666	—	5,114,666
Issue of shares for acquisitions of a subsidiary and additional interests in subsidiaries from a minority shareholder	24	143,049	500,672	(356,796)	—	286,925	(569,099)	(282,174)
Decrease in minority interests as a result of acquisition of additional interests in subsidiaries from minority shareholders	27	—	—	(54,773)	—	(54,773)	(81,411)	(136,184)
		823,050	5,108,351	(258,493)	1,042,044	6,714,952	(611,647)	6,103,305
Balance at 31 December 2009		4,289,174	15,828,349	(485,282)	3,735,638	23,367,879	518,535	23,886,414

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2009	2008
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	40	1,648,701	(1,111,360)
Interest paid	36	(871,368)	(1,009,403)
Income tax paid		(1,285,085)	(669,956)
Net cash used in operating activities		(507,752)	(2,790,719)
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(25,186)	(27,001)
Proceeds from sale of property, plant and equipment	40	9,384	8,619
Purchases of available-for-sale financial assets	16	(206,898)	(687,883)
Proceeds from disposal of available-for-sale financial assets		19,432	308,696
Purchase of notes receivables		—	(187,483)
Purchase of subsidiaries, net of cash acquired	43	(110,335)	23,905
Prepayment for acquisition of a subsidiary	20	(158,439)	—
Proceeds of disposal of subsidiaries		1,499	22,000
Capital injection to a jointly controlled entity	12	(175,000)	—
Capital injection to an associate	13	(2,000)	—
Deemed capital injection to a jointly controlled entity	12	(532,000)	—
Interest received		158,549	180,197
Dividends received		2,746	19,146
Acquisition of additional interests in subsidiaries		(531,582)	(153,546)
Net cash used in investing activities		(1,549,830)	(493,350)
Cash flows from financing activities			
Proceeds from borrowings		18,027,933	8,903,904
Repayments of borrowings		(11,178,009)	(5,431,503)
Proceeds from issuance of shares	24	5,114,666	—
Dividends paid to minority shareholders		(17,404)	(6,000)
Dividends paid to equity holders of the Company		(297,841)	(620,891)
Capital injection from minority shareholders		—	211,387
Redemption of preference shares		—	(148,678)
Share buybacks	26	—	(19,570)
Issue of shares pursuant to exercise of employee share options		12,550	—
Net cash generated from financing activities		11,661,895	2,888,649
Net increase/(decrease) in cash and cash equivalents		9,604,313	(395,420)
Cash and cash equivalents at beginning of the year		8,026,677	8,468,815
Exchange losses on cash and cash equivalents		(11,371)	(46,718)
Cash and cash equivalents at end of the year	23	17,619,619	8,026,677

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Sino-Ocean Land Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong on 12 March 2007.The address of its registered office is Suite 1512, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "PRC").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2010.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, derivative financial instruments, notes receivables, convertible bonds and employee share options, which are carried at their fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

During the year, the Group changed its accounting policy for land use rights held for development and subsequent sale. Land use rights held for development and subsequent sale meet the definition of both inventories and leasehold land. Previously, land use rights held for development and subsequent sale were classified as prepaid operating lease payments and amortized on a straight line basis over the period of the lease in accordance with HKAS 17 "Leases". Amortization of leasehold land during the development phase was capitalized as part of the construction cost of the property. Amortization charges incurred prior to development, and following completion of the property, was recognized in profit or loss. Subsequent to the change in accounting policy, land use rights held for development and subsequent sale are accounted for as inventories and measured at lower of cost and net realizable value in accordance with HKAS 2 "Inventories".

Management believes that the new classification of land use rights results in a more relevant presentation of the financial position of the Group, and of its performance for the year. Management considers the classification as inventory more closely reflects the substance of the asset in view of management's intention to develop and sell the asset in the ordinary course of business. The new accounting policy also results in a presentation comparable with a number of the Group's competitors.

As the change in accounting policy has had no material effect on the consolidated financial statements of the Group for the current year or comparative year, such change has been accounted for prospectively.

(a) New and amended standards adopted by the Group

The group has adopted the following new and amended HKFRSs and interpretations to existing standards as of 1 January 2009:

HKFRS 7 "Financial Instruments - Disclosures" (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKAS 1 (revised) "Presentation of financial statements" - effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKFRS 2 (amendment), "Share-based payment" - effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have any impact on the Group's financial statements.

HKAS 23 (Amendment), as part of the HKICPA's improvements to HKFRS published in October 2008, and "Borrowing costs", HKAS 23 (Revised), "Borrowing costs". The revised standard requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

The definition of borrowing costs has also been amended in the HKICPA's improvements to HKFRS published in October 2008, so that interest expense is calculated using the effective interest method defined in HKAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. Since the Group had already chosen to capitalize borrowing costs relating to qualifying assets in previous years using the effective interest method, HKAS 23 (Revised) does not have any impact on the Group's consolidated financial statements.

HKFRS 8, "Operating segments" - effective from 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported property development segment has been split into property development-Beijing, property development-Tianjin, property development-North-east and property development-other segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as executive committee that makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to previous acquisitions within the property development segment has been allocated to the property development-Tianjin segment and property development-other segments. The change in reportable segments has not resulted in any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.

HK(IFRIC) - Int 15, "Agreements for construction of real estates" (superseded HK Int-3, "Revenue - Pre-completion contracts for the sale of development properties".) HK(IFRIC) - Int 15 clarifies whether HKAS 18, "Revenue" or IAS 11, "Construction contracts" should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. HK(IFRIC) - Int 15 is not relevant to the Group's operations as all revenue transactions are accounted for under HKAS 18 and not HKAS 11.

(b) Amendment that are not effective as at year end but were early adopted by the Group

HKAS 27 (Revised), "Consolidated and separate financial statements" - effective from 1 July 2009. The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group had applied HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2009.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

HK(IFRIC) 17 "Distribution of non-cash assets to owners" - effective on or after 1 July 2009. The interpretation is part of the HKICPA's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This is not currently applicable to the Group, as it has not distributed any non-cash assets to shareholders.

HKFRS 3 (revised), "Business combinations" - effective from 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

HKAS 38 (amendment), "Intangible Assets" - effective from 1 July 2009. The amendment is part of the HKICPA's annual improvements project published in May 2009 and the group and company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

HKFRS 5 (amendment), "Measurement of non-current assets (or disposal groups) classified as held for sale". The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. This is not currently relevant to the Group as it doesn't hold any of such assets.

HKAS 1 (amendment), "Presentation of financial statements". The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have any material impact on the Group's financial statements.

HKFRS 2 (amendments), "Group cash-settled share-based payment transactions" - effective from 1 January 2010. In addition to incorporating HK(IFRIC)-Int 8, "Scope of HKFRS 2", and HK(IFRIC)-Int 11, "HKFRS 2 - group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

If the acquisition involves more than one exchange transaction, each exchange transaction shall be treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.

Inter-company transactions, balances and unrealized gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.7). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The group treats transactions with non-controlling interest as transactions with equity holders of the company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity.

(c) Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.7).

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests and unsecured receivables that, in substance, form part of the investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized as a separate component of equity.

3.4 Properties

(a) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings owned by the group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is initially accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

As a result of the 2008 Improvements to HKFRSs, IAS/HKAS 40, "Investment property", has been amended to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was within the scope of HKAS 16 "Property, plant and equipment" until the construction or development was complete.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The amendment to HKAS 40 has been applied prospectively for annual periods beginning 1 January 2009 in accordance with the effective date and transitional provisions of the amendment. As at 1 January 2009 all property that is being constructed or developed for future use as investment property was transferred from property, plant and equipment and revalued to fair value on that date determined by an external valuer.

(b) Land use rights

All lands in China mainland are state-owned and no individual land ownership right exists. The Group acquired the rights to certain lands, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the lands.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.12.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset over its estimated useful life to their residual values. The useful lives adopted for this purpose are as follows:

Buildings and leasehold improvements	5-50 years
Hotel property	50 years
Machineries	8 years
Vehicles	8 years
Office equipment	5 years
Electronic equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other gains - net", in the consolidated income statement.

3.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisitions of jointly controlled entities or associates is included in investments in jointly controlled entities or associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

3.7 Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.8 Financial assets

The Group classifies its financial assets into loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables", "restricted bank deposit" and "cash and cash equivalents" in the balance sheet (Note 3.13 and 3.14).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

3.9 Derivative financial instruments

Derivative financial instruments of the Group represent conversion options in relation to notes receivables and convertible bonds. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

3.10 Impairment of financial assets

(a) Assets carried at amortized cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

3.11 Land under development

Land under development represents primary land development projects, in preparation for such lands to undergo the process of open market bidding. Primary land development works included demolitions and relocations, ground levelings, as well as establishments of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works.

3.12 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development cost of properties comprises land use right, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Inventories mainly comprise raw material for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.15 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.16 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.17 Financial liabilities

(a) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the year in which they are incurred.

(b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is initially recognized at fair value and is subsequently premeasured at its fair value at each balance sheet date. Changes in the fair value of the conversion option are recognized in the consolidated income statement.

3.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3.20 Share-based payments

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

3.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.22 Financial guarantee liabilities

Financial guarantee liabilities are recognized in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization.

Financial guarantee liabilities are derecognized from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenue from sales of properties is recognized when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.

(b) Rental income

Rental income is recognized on a straight-line basis over the lease terms.

(c) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(f) Hotel operating income

Hotel operating income is recognized upon the provision of services.

(g) Upfitting income

Upfitting income is recognized, over the period of the contracts, when the outcome of these contracts can be estimated reliably and it is probable that these contracts will be profitable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

3.24 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognized over the term of the lease on a straight-line basis.

3.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk, and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviewed and approved policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company are exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the Group and the Company's functional currency. Majority of the Group and the Company's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group and the Company currently do not have a foreign currency hedging policy. However, the management of the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Conversion of RMB into foreign currencies is subjected to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2009, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax profit for the year of the Group would have been RMB114,176,000 lower (2008: RMB46,708,000 higher), mainly as the result of foreign exchange losses (2008: gains) on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gains on translation of HKD/USD dominated derivative financial instruments and borrowings.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2009 and 2008, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2009, if interest rates had been increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB2,031,000 (2008: RMB878,000).

(b) Credit risk

Credit risk arises from restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sales financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assess the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Credit risk arises from restricted bank deposits is limited, as all counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to certain customers to secure their repayment obligations to the bank, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount together with and any accrued interest. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. The directors of the Company consider that the Group's exposure to credit risk on this regard is minimal.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 28), and currency restrictions regulations at all times so that the group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Comparative information has been restated as permitted by the amendments to HKFRS7 for the liquidity risk discloses.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Group					
At 31 December 2009					
Borrowings	5,549,770	7,611,270	7,095,545	4,071,483	24,328,068
Trade and other payables	4,391,714	—	—	—	4,391,714
	9,941,484	7,611,270	7,095,545	4,071,483	28,719,782
At 31 December 2008					
Borrowings	6,732,094	6,146,904	2,022,629	1,293,024	16,194,651
Trade and other payables	4,889,008	—	—	—	4,889,008
	11,621,102	6,146,904	2,022,629	1,293,024	21,083,659
Company					
At 31 December 2009					
Borrowings	1,107,469	98,667	4,254,787	—	5,460,923
Trade and other payables	44,144	—	—	—	44,144
	1,151,613	98,667	4,254,787	—	5,507,067
Company					
At 31 December 2008					
Borrowings	821,909	1,517,741	—	—	2,339,650
Trade and other payables	357,523	—	—	—	357,523
	1,179,432	1,517,741	—	—	2,697,173

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2009 and 2008 were as follows.

	As at 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Total borrowings (Note 28)	21,840,012	14,743,577
Less: cash and cash equivalents (Note 23)	(17,619,619)	(8,026,677)
Net debt	4,220,393	6,716,900
Total equity	23,886,414	17,783,109
Total capital	28,106,807	24,500,009
Gearing ratio	15%	27%

The decrease in the gearing ratio during 2009 resulted primarily from the issue of share capital (Note 24).

4.3 Fair value estimation

Effective 1 January 2009, the group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2009 and 2008.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 31 December 2009				
Available-for-sale financial assets; equity securities	557,507	—	35,141	592,648
Derivative financial instrument	—	—	8,331	8,331
	557,507	—	43,472	600,979
Group				
At 31 December 2008				
Available-for-sale financial assets; equity securities	367,418	—	59,297	426,715
Derivative financial instrument	—	—	8,338	8,338
	367,418	—	67,635	435,053

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily HKSE equity investments classified as available for sales.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The fair values of investment properties owned by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited, as at 31 December 2009. In making its judgement, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(b) Estimate of fair value of notes receivables

The fair values of notes receivables subscribed by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited, as at 31 December 2009. The valuation is performed on the basis of open market value of the issuer upon reaching an IPO condition, as well as discounted cash flow valuation techniques for the straight bond portion of the financial instrument. The assumptions used are mainly based on market conditions existing at each balance sheet date.

(c) Estimate of fair value of employee share options

Up till 31 December 2009, fair value of employee share options issued by the Group are assessed by an independent valuer, DTZ Debenham Tie Leung Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

(d) Income taxes and land appreciation tax ("LAT")

The Group is primarily subjected to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(e) Deferred tax

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

(f) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.23. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the purchaser.

As disclosed in Note 41, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will be expired when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(g) Estimated impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.7. Assets are reviewed for impairment annually whenever events or changes in circumstances that the carrying amount of the assets exceed its recoverable amount. The recoverable amount of an asset or a cash generating units is determined based on value-in-use calculations which require the use of assumptions and estimates.

(h) Estimations for properties total construction costs

The Group makes estimates on properties construction costs upon recognition of respective costs of sales. Such estimates are substantiated by detail budgetary information as developed by the management and will be assessed periodically, as well as actual situation of the construction progress. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief executive committee (the "Committee") that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From a business perspective, management assesses the performance of property development and property investment. Property development is further evaluated on a geographic basis (Beijing, Tianjin, North-east and other territories).

Other segments as carried out by the Group mainly include property management, hotel operation, property sales agency and upfitting service. These sales have not been included within the reportable operating segments, as they are not included within the reports provided to the Committee.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance cost is not included in the result for each operating segment that is reviewed by the Committee, which is managed on a central basis. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total assets exclude corporate cash and cash equivalents, investments in a jointly controlled entity and associates, deferred tax and available-for-sale financial assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

The segment information provided to the Committee for the reportable segments for the year ended 31 December 2009 and 2008 is as follows:

	Property development				Investment property	All other segments	Total	Inter-company elimination	Group total
	Beijing	Tianjin	North-east	Others					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009									
Total revenue	4,765,282	697,898	1,637,613	1,117,628	162,498	1,145,988	9,526,907	—	9,526,907
Inter-segment revenue	—	—	—	—	(6,009)	(697,240)	(703,249)	—	(703,249)
Revenue (from external customers)	4,765,282	697,898	1,637,613	1,117,628	156,489	448,748	8,823,658	—	8,823,658
Adjusted operating profit	1,719,935	123,014	339,640	95,483	107,123	161,377	2,546,572	(202,447)	2,344,125
Depreciation and amortization	(1,560)	(934)	(5,372)	(1,660)	(341)	(9,832)	(19,699)	—	(19,699)
Finance income	94,903	16,091	28,688	6,594	6,228	22,203	174,707	(118,306)	56,401
Year ended 31 December 2008									
Total revenue	4,530,165	307,190	643,017	354,844	125,939	932,549	6,893,704	—	6,893,704
Inter-segment revenue	—	—	—	—	(4,003)	(402,321)	(406,324)	—	(406,324)
Revenue (from external customers)	4,530,165	307,190	643,017	354,844	121,936	530,228	6,487,380	—	6,487,380
Adjusted operating profit	2,184,809	121,587	158,170	58,278	130,353	408,555	3,061,752	(384,612)	2,677,140
Depreciation and amortization	(5,092)	(959)	(862)	(788)	(332)	(15,607)	(23,640)	—	(23,640)
Finance income	154,352	18,368	4,319	—	40,795	116,091	333,925	(260,285)	73,640
As at 31 December 2009									
Total assets	19,549,097	4,696,369	9,038,347	10,092,367	4,180,120	8,238,678	55,794,978	(7,287,088)	48,507,890
Additions to non-current assets (other than financial instrument and deferred tax assets)	515	2,072	21,618	4,486	638	15,271	44,600	—	44,600
Total liabilities	12,033,464	2,385,794	3,968,744	2,550,981	910,747	1,503,032	23,352,762	(7,930,171)	15,422,591
As at 31 December 2008									
Total assets	19,721,230	3,940,823	6,650,889	5,470,069	2,167,494	7,561,488	45,511,993	(6,617,707)	38,894,286
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,121	730	1,716	3,276	36	24,998	31,877	—	31,877
Total liabilities	12,204,765	1,035,021	912,322	1,862,931	424,848	1,688,183	18,128,070	(8,177,162)	9,950,908

A reconciliation of adjusted operating profit to total profit before income tax is provided as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Adjusted operating profit	2,344,125	2,677,140
Corporate finance income	111,208	106,557
Corporate overheads	(233,811)	(292,598)
Finance costs (Note 36)	(308,753)	(161,178)
Fair value gain on investment properties (Note 9)	708,625	—
Fair value gain on derivative financial instrument (Note 29).	—	56,457
Share of loss of a jointly controlled entity (Note 12)	(35,315)	(54)
Share of loss of associates (Note13)	(18,334)	(2,430)
Profit before income tax	2,567,745	2,383,894

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Total segment assets	48,507,890	38,894,286
Corporate cash and cash equivalents	11,775,975	3,524,058
Investment in a jointly controlled entity (Note 12)	671,685	—
Investment in associates (Note13)	294,462	310,796
Available-for-sale financial assets (Note 16)	592,648	426,715
Deferred income tax assets (Note 30)	305,539	111,777
Total assets per balance sheet	62,148,199	43,267,632
Total segment liabilities	15,422,591	9,950,908
Deferred income tax liabilities (Note 30)	999,182	790,038
Current borrowings (Note 28)	4,653,168	5,964,807
Non-current borrowings (Note 28)	17,186,844	8,778,770
Total liabilities per balance sheet	38,261,785	25,484,523

The Company is domiciled in Hong Kong and most of its main subsidiaries are domiciled in the PRC. All the revenue from external customers of the Group are derived in the PRC for the years ended 2009 and 2008.

As at 31 December 2009, the total of non-current assets other than financial instruments and deferred tax assets located in the PRC is RMB5,425,058,000 (2008: RMB2,747,552,000), and the total of these non-current assets located in Hong Kong is RMB551,522,000 (2008: RMB623,760,000).

For the year ended 31 December 2009 and 2008, the Group do not have any single significant customer with the transaction value above 10% of the external sales.

7 Property, plant and equipment

	Buildings and leasehold improvements	Hotel property	Machineries	Vehicles	Office equipment	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008							
Opening net book amount	83,900	170,855	683	20,417	16,724	—	292,579
Reclassification	—	—	(98)	(648)	(9,642)	10,388	—
Net book amount as at 1 January 2008	83,900	170,855	585	19,769	7,082	10,388	292,579
Additions	—	5,568	863	5,042	6,619	8,909	27,001
Disposals	(6,094)	—	(7)	(2,002)	(366)	(469)	(8,938)
Transfer from completed							
property held for sale	7,825	—	—	—	—	—	7,825
Acquisition of a subsidiary	3,035	—	—	1,325	—	516	4,876
Depreciation charge	(1,766)	(3,934)	(397)	(3,816)	(2,594)	(5,847)	(18,354)
Closing net book amount	86,900	172,489	1,044	20,318	10,741	13,497	304,989
At 31 December 2008							
Cost	90,536	193,820	3,847	34,348	15,082	27,395	365,028
Accumulated depreciation	(3,636)	(21,331)	(2,803)	(14,030)	(4,341)	(13,898)	(60,039)
Net book amount	86,900	172,489	1,044	20,318	10,741	13,497	304,989
Year ended 31 December 2009							
Opening net book amount	86,900	172,489	1,044	20,318	10,741	13,497	304,989
Additions	1,271	1,653	5,185	8,881	1,869	6,327	25,186
Disposals	—	—	(11)	(2,028)	(263)	(7,170)	(9,472)
Transfer from completed property held for sale	3,566	—	—	—	—	—	3,566
Acquisition of subsidiaries (Note 43)	—	—	—	19,110	143	161	19,414
Depreciation charge	(1,839)	(3,953)	(795)	(7,315)	(3,864)	(1,050)	(18,816)
Closing net book amount	89,898	170,189	5,423	38,966	8,626	11,765	324,867
At 31 December 2009							
Cost	95,373	195,473	9,021	60,311	16,831	26,713	403,722
Accumulated depreciation	(5,475)	(25,284)	(3,598)	(21,345)	(8,205)	(14,948)	(78,855)
Net book amount	89,898	170,189	5,423	38,966	8,626	11,765	324,867

Depreciation expense of RMB8,668,000 (2008: RMB9,581,000) has been charged in 'cost of sales', and RMB10,148,000 (2008:RMB8,773,000) in 'administrative expenses'.

As at 31 December 2009 and 2008, hotel property of the Group with the carrying values of RMB170,189,000 and RMB172,489,000 respectively, as well as buildings with the carrying values of RMB74,918,000 and RMB76,496,000 respectively, were pledged as collateral for the Group's borrowings (Note 28).

8 Land use rights

The group's interests in land use rights represented prepaid operating lease payments in the PRC which are held on lease of less than 50 years. The movements are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	36,958	36,947
Transfer from completed properties held for sale	2,889	679
Amortization charge	(883)	(668)
At end of the year	38,964	36,958

As at 31 December 2009 and 2008, land use right of the Group with carrying values of RMB35,467,000 and RMB36,285,000 respectively were pledged as collateral for the Group's borrowings (Note 28).

9 Investment properties

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At fair value		
At beginning of the year	1,984,000	1,984,000
Transfer from completed properties held for sale	1,291,375	—
Fair value gains	708,625	—
At end of the year	3,984,000	1,984,000

(a) Amounts recognized in profit and loss for investment properties

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Rental income	156,489	121,936
Direct operating expenses arising from investment properties that generate rental income	62,354	30,059
Direct operating expenses that did not generate rental income	7,947	1,932

(b) Valuation basis

The fair value of the Group's investment properties at 31 December 2009 and 2008 were valued by DTZ Debenham Tie Leung Limited, the independent and professionally qualified valuers. Valuations were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

(c) Non current assets pledged as security

As at 31 December 2009 and 2008, investment properties of the Group with carrying values of RMB3,260,000,000 and RMB1,260,000,000 respectively were pledged as collateral for the Group's borrowings (Note 28).

(d) Leasing arrangements

Minimum lease payments under non cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	As at 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Within 1 year	156,755	127,531
Between 1 to 5 years	241,381	166,084
After 5 years	69,573	45,266
	467,709	338,881

10 Goodwill

	RMB'000
At 1 January 2008	
Cost and net book amount	756,796
Year ended 31 December 2008	
Opening net book amount	756,796
Impairment charged to cost of sales	(22,227)
Closing net book amount	734,569
At 31 December 2008	
Cost	756,796
Impairment charged to cost of sales	(22,227)
Net book amount	734,569
Year ended 31 December 2009	
Opening net book amount	734,569
Impairment charged to cost of sales	(71,967)
Closing net book amount	662,602
At 31 December 2009	
Cost	756,796
Impairment charged to cost of sales	(94,194)
Net book amount	662,602

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below.

	As at 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Property development	649,267	721,234
Others	13,335	13,335
	662,602	734,569

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management.

Key assumptions and considerations used for the value-in-use calculations included projected cash flow forecasts, as well as weighted average market discount rates. Projected cashflow forecasts are prepared based on respective development plans of real estate projects. Weighted average discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

11 Investments in subsidiaries — Company

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Investments in unlisted shares, at cost	3,407,371	3,407,371
Amounts due from subsidiaries	16,387,387	14,060,108
Amounts due to subsidiaries	—	(14,870)

Amounts due with subsidiaries are unsecured, interest free and repayable on demand.

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2009 which materially affect the results or assets of the Group:

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2009	Principal activities
(1)	Sino-Ocean Land Limited 遠洋地產有限公司	The PRC	Wholly foreign owned enterprise	RMB5,100,000	100%	Property development
(2)	北京德年投資管理諮詢有限公司	The PRC	Limited liability company	RMB675,000	100%	Consultant service
(3)	北京卓萬創業投資管理有限公司	The PRC	Limited liability company	RMB663,261	100%	Consultant service
(4)	北京萬洋世紀創業投資管理有限公司	The PRC	Limited liability company	RMB341,000	100%	Consultant service
(5)	北京碧城創業投資管理有限公司	The PRC	Limited liability company	RMB336,000	100%	Consultant service
(6)	Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	The PRC	Sino-foreign equity joint venture	USD30,000	72%	Investment property
(7)	Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司	The PRC	Sino-foreign equity joint venture	RMB219,000	100%	Property development
(8)	北京濤力投資管理有限公司	The PRC	Limited liability company	RMB207,736	100%	Consultant service
(9)	Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	The PRC	Limited liability company	RMB100,000	75%	Land development
(10)	Beijing Dong Rong Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	The PRC	Sino-foreign cooperative joint venture	USD12,370	85.72%	Property development
(11)	Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	The PRC	Limited liability company	RMB75,000	100%	Land and property development

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2009	Principal activities
(12)	Beijing Long Ze Yuan Property Company, Limited 北京龍澤源置業有限公司	The PRC	Limited liability company	RMB60,000	100%	Property development
(13)	Beijing Yuan-lin Land Development Company, Limited 北京遠麟置業有限公司	The PRC	Limited liability company	RMB50,000	100%	Property development
(14)	Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	The PRC	Limited liability company	RMB50,000	100%	Property development
(15)	Beijing Sino-0cean Grand Architectural Decoration Engineering Co.,Ltd. 北京遠洋中廣建築裝飾工程有限公司	The PRC	Limited liability company	RMB50,000	97%	Renovation services
(16)	Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	The PRC	Limited liability company	RMB30,000	100%	Property development
(17)	Beijing Silver Sail Real Estate Development Company Limited 北京銀帆基業房地產開發有限公司	The PRC	Limited liability company	RMB30,000	70%	Property development
(18)	Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	The PRC	Limited liability company	RMB30,000	100%	Property development
(19)	Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	The PRC	Limited liability company	RMB30,000	100%	Property development
(20)	COSCO Hotel & Property Management Co., Limited 中遠酒店物業管理有限公司	The PRC	Sino-foreign equity joint venture	RMB12,667	100%	Hotel and property management
(21)	Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	The PRC	Limited liability company	RMB10,000	100%	Land development
(22)	Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	The PRC	Limited liability company	RMB10,000	100%	Property development
(23)	Beijing Yuan-Xiang Real Estate Development Company, Limited 北京遠翔置地房地產開發有限公司	The PRC	Limited liability company	RMB10,000	100%	Property development

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2009	Principal activities
(24)	Best Western Premier Beijing Hotel Limited 北京世紀遠洋賓館有限公司	The PRC	Limited liability company	RMB10,000	100%	Hotel operation
(25)	Beijing Sino-Ocean Property Management Company, Limited 北京遠洋基業物業管理有限公司	The PRC	Sino-foreign equity joint venture	RMB8,800	100%	Property management
(26)	Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	The PRC	Sino-foreign equity joint venture	RMB600,000	97.05%	Property development
(27)	Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產開發有限公司	The PRC	Limited liability company	RMB420,000	100%	Property development
(28)	Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司	The PRC	Limited liability company	RMB400,000	96.99%	Property development
(29)	天津盛曼投資管理有限公司	The PRC	Limited liability company	RMB200,000	100%	Consultant service
(30)	Sino-Ocean Real Estate Tianjin) Co., Ltd. 遠洋地產(天津)有限公司	The PRC	Sino-foreign equity joint venture	RMB170,000	94.10%	Investment holding
(31)	Yianjin Yuanying Real Estate Development Company, Limited 天津市遠贏房地產開發有限公司	The PRC	Limited liability company	RMB20,000	100%	Property development
(32)	杭州遠洋天祺置業有限公司	The PRC	Sino-foreign equity joint venture	USD48,200	70%	Property development
(33)	杭州遠洋運河商務區開發有限公司	The PRC	Sino-foreign equity joint venture	USD39,220	70%	Preparation for property development
(34)	杭州德洋投資管理有限公司	The PRC	Wholly foreign owned enterprise	USD29,600	100%	Consultant service
(35)	Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司	The PRC	Limited liability company	RMB100,000	70%	Property development

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2009	Principal activities
(36)	杭州遠洋新河酒店置業有限公司	The PRC	Sino-foreign equity joint venture	USD7,307	70%	Preparation for property development
(37)	黃山東方紅影視產業投資有限公司	The PRC	Limited liability company	RMB50,000	100%	Preparation for travel site development
(38)	Shining (DL) Real Estate Co., Ltd. 勳業(大連)置業有限公司	The PRC	Sino-foreign equity joint venture	USD90,000	100%	Property development
(39)	Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	The PRC	Sino-foreign equity joint venture	USD80,000	100%	Property development
(40)	Dalian Sky-Upright Property Limited 大連正乾置業有限公司	The PRC	Sino-foreign equity joint venture	USD76,860	100%	Property development
(41)	Dalian Qianhao Real Estate Co., Ltd. 大連乾豪房地產開發有限公司	The PRC	Limited liability company	RMB150,000	100%	Property development
(42)	大連元天投資管理諮詢有限公司	The PRC	Wholly foreign owned enterprise	USD15,000	100%	Consultant service
(43)	Sino-Ocean Land (Zhong Shan) Development Co., Limited 遠洋地產(中山)開發有限公司	The PRC	Sino-foreign cooperative joint venture	RMB720,000	100%	Property development
(44)	Wanxiang Zhiye (Shenyang) Co., Ltd. 萬祥置業(瀋陽)有限公司	The PRC	Sino-foreign equity joint venture	RMB582,830	100%	Property development
(45)	Liaoning Wanxiang Property Co., Ltd. 遼寧萬祥置業有限公司	The PRC	Sino-foreign equity joint venture	RMB459,240	100%	Property development
(46)	Sino-Ocean Land Property Development Limited 遠洋地產國際發展有限公司	Hong Kong	Limited company	HKD20	100%	Investment holding
(47)	Tak Shing International Investment Limited 德盛國際投資有限公司	Hong Kong	Limited company	HKD10	100%	Investment holding
(48)	Sino-Ocean Land (Zhong Shan) Limited 遠洋地產(中山)有限公司	Hong Kong	Limited company	HKD10	100%	Investment holding
(49)	Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong	Limited company	HKD10	100%	Investment holding
(50)	Mission Success Limited 穎博有限公司	Hong Kong	Limited company	HKD—	100%	Investment holding

	Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2009	Principal activities
(51)	Dynamic Class Limited 昇能有限公司	Hong Kong	Limited company	HKD—	100%	Investment holding
(52)	Moral King Int'l Ltd 德永國際有限公司	Hong Kong	Limited company	HKD—	100%	Investment holding
(53)	Moral Wealth International Limited 德發國際有限公司	Hong Kong	Limited company	HKD—	100%	Investment holding
(54)	Techson International Investment Limited 德信國際投資有限公司	Hong Kong	Limited company	HKD—	100%	Investment holding
(55)	Sino-Ocean Land Capital Investment Ltd 遠洋地產資本投資有限公司	BVI	Limited company	USD50	100%	Investment holding
(56)	Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited company	USD10	100%	Investment holding
(57)	Mega Precise Profits Limited	BVI	Limited company	USD—	100%	Investment holding
(58)	Smart State Properties Limited	BVI	Limited company	USD—	100%	Investment holding
(59)	Moral Known Limited 德曉有限公司	BVI	Limited company	USD—	100%	Investment holding

12 Interest in a jointly controlled entity

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	—	54
Capital injection	175,000	—
Loan to the jointly controlled entity (a)	532,000	—
Share of results of a jointly controlled entity	(35,315)	(54)
At end of the year	671,685	—

(a) On 13 November 2009, Beijing Tianlin Real Estate Development Co., Limited. ("Tianlin"), a wholly owned subsidiary of the Group, entered into a loan agreement with Beijing Linlian Property Company Limited ("Linlian"), the jointly controlled entity of the Group, and the other two jointly controlled shareholders of Linlian, in provision of funds totalled RMB 1,064,000,000. The amount is unsecured, interest free and would only be repayable on a future date as agreed by all parties.

(b) The following is details of the jointly controlled entity at 31 December 2009 and 2008, which is established and operates in the PRC:

Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Principal activities
				2009	2008	
Beijing Linlian Property Company Limited 北京麟聯置業有限公司	The PRC	Limited liability company	RMB400,000	50%	50%	Land and property development

The Group's share of the assets and liabilities, revenues and results of the jointly controlled entity are set out as follows:

Name	Assets	Liabilities	Revenues	Losses	% interest held
	RMB'000	RMB'000	RMB'000	RMB'000	
2009					
Beijing Linlian Property Company Limited	794,314	69,163	—	(4,100)	50%
2008					
Beijing Linlian Property Company Limited	428,970	406,719	—	(1,646)	50%

There were no other contingent liabilities or capital commitments relating to the Group's interests in the jointly controlled entity.

13 Interests in associates

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	310,796	327,056
Addition	2,000	—
Share of results of associates	(18,334)	(2,430)
Reclassification to other assets and liabilities when an associate became a subsidiary	—	(6,000)
Dividend received	—	(7,830)
At end of the year	294,462	310,796

The following is the particular of the associate held at 31 December 2009 and 2008, which are unlisted, and are established and operate in the PRC:

Name	Country/ place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Principal activities
				2009	2008	
Beijing Central Business District Development and Construction Company Limite 北京商務中心區開發建設有限責任公司	The PRC	Limited liability company	RMB680,850	47%	47%	Land development
Beijing Kunlian Xinhe Business Management Company Limited 北京坤聯信和管理有限責任公司	The PRC	Limited liability company	RMB5,000	40%	—	Consulting management

The Group's share of the assets and liabilities, revenues and results of the associate are set out as follows:

Name	Assets	Liabilities	Revenues	Losses	% interest held
	RMB'000	RMB'000	RMB'000	RMB'000	
2009					
Beijing Central Business District Development and Construction Company Limited	678,766	359,464	—	(2,825)	47%
Beijing Kunlian Xinhe Business Management Company Limited	1,998	—	—	(2)	40%
2008					
Beijing Central Business District Development and Construction Company Limited	590,753	268,626	132	(2,430)	47%

There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

14 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

(a) Group

	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
As at 31 December 2009				
Available-for-sale financial assets (Note 16)	—	—	592,648	592,648
Derivative financial instrument (Note 29)	—	8,331	—	8,331
Trade and other receivables excluding prepayments	1,513,137	—	—	1,513,137
Restricted bank deposits (Note 22)	896442	—	—	896,442
Cash and cash equivalents (Note 23)	17,619,619	—	—	17,619,619
	20,029,198	8,331	592,648	20,630,177
As at 31 December 2008				
Available-for-sale financial assets (Note 16)	—	—	426,715	426,715
Derivative financial instrument (Note 29)	—	8,338	—	8,338
Trade and other receivables excluding prepayments	1,428,864	—	—	1,428,864
Restricted bank deposits (Note 22)	810,006	—	—	810,006
Cash and cash equivalents (Note 23)	8,026,677	—	—	8,026,677
	10,265,547	8,338	426,715	10,700,600

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RMB'000	RMB'000	RMB'000
Liabilities			
As at 31 December 2009			
Borrowings (Note 28)	—	21,840,012	21,840,012
Trade and other payables excluding statutory liabilities	—	4,391,714	4,391,714
	—	26,231,726	26,231,726
As at 31 December 2008			
Borrowings (Note 28)	710,262	14,033,315	14,743,577
Derivative financial instrument (Note 29)	1,458	—	1,458
Trade and other payables excluding statutory liabilities	—	4,889,008	4,889,008
	711,720	18,922,323	19,634,043

(b) Company

	Loans and receivables
	RMB'000
Assets	
As at 31 December 2009	
Amounts due from subsidiaries (Note 11)	16,387,387
Trade and other receivables excluding prepayments	2,209
Cash and cash equivalents (Note 23)	6,224,132
	22,613,728
As at 31 December 2008	
Amounts due from subsidiaries (Note 11)	14,060,108
Cash and cash equivalents (Note 23)	41,001
	14,101,109

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RMB'000	RMB'000	RMB'000
Liabilities			
As at 31 December 2009			
Borrowings (Note 28)	—	5,181,982	5,181,982
Trade and other payables excluding statutory liabilities	—	44,144	44,144
	—	5,226,126	5,226,126
As at 31 December 2008			
Borrowings (Note 28)	710,262	1,474,565	2,184,827
Derivative financial instrument (Note 29)	1,458	—	1,458
Amounts due to subsidiaries (Note 11)	—	14,870	14,870
Trade and other payables excluding statutory liabilities	—	357,523	357,523
	711,720	1,846,958	2,558,678

15 Credit quality of financial assets

(a) Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	As at 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Trade receivables		
Counterparties without external credit rating	64,651	192,141
Trade receivables that are neither past due nor impaired	51,416	178,047
Other receivables that are neither past due nor impaired	969,948	1,241,744
Deposits for land use rights that are neither past due nor impaired	235,000	—

Deposits for land use rights amounting to RMB235,000,000 (2008: nil) represents amounts paid to local land authorities for the participation in the open market bidding process. As these deposits were paid to governmental authorities, none of these deposits is considered as exposed to major credit risk.

All bank deposits are with reputable corporate banks. None of the bank deposits is considered as exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2009 (2008: nil).

(b) Company

All bank deposits are with reputable banks. None of the bank deposits is considered as exposure to major credit risk.

16 Available-for-sale financial assets

	As at 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Investment in Glorious Property Holding Limited (a)	163,279	—
Investment in SOL Investment Fund Limited (b)	394,228	367,418
Investment in other unlisted equity securities	35,141	59,297
	592,648	426,715

(a) On 11 September 2009, Moral King International Limited ("Moral King"), a wholly owned subsidiary, entered into an agreement with Glorious Property Holding Limited ("Glorious"), a real estate development company, and its Joint Global Coordinators, in which Moral King agreed to purchase portions of Glorious's Investors' Shares at the IPO Price. On 2 October 2009, Glorious had its listing on The Stock Exchange of Hong Kong Limited, and Moral King purchased 52,840,000 shares at HKD4.4 per share accordingly. Its fair value as at 31 December 2009 was based on quoted closing price from The Stock Exchange of Hong Kong Limited.

(b) On 31 March 2008, SOL Investment Fund Limited ("SOL Fund"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, with the purpose to carry out investment activities for the Group. The underlying investment of SOL Funds represented investments in shares listed on The Stock Exchange of Hong Kong Limited, and hence its fair value as at 31 December 2009 was based on quoted closing price from The Stock Exchange of Hong Kong Limited.

Available-for-sale financial assets of the Group also include certain unlisted equity securities, all denominated in RMB. The fair values of unlisted securities are based on the net asset values of respective securities.

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	426,715	67,487
Additions	206,898	696,504
Disposals	(28,886)	(307,745)
Revaluation losses charged to equity	(11,402)	(20,910)
Currency translation differences	(677)	(8,621)
At end of the year	592,648	426,715

Available-for-sale financial assets include the following:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Fair value:		
— listed	557,507	367,418
— unlisted	35,141	59,297
	592,648	426,715
Market value of listed securities	557,507	367,418

Available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
— HKD	557,507	367,418
— RMB	35,141	59,297
	592,648	426,715

There were no impairment provisions on available-for-sale financial assets as at 31 December 2009 and 2008.

17 Properties under development

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	18,443,878	13,002,533
Additions	5,995,153	6,479,227
Transfer from land under development	1,426,204	1,507,737
Transfer from deposits for land use rights	2,189,580	3,036,010
Acquisition of subsidiaries	420,443	—
Transfer to completed properties held for sale	(6,221,040)	(5,581,629)
At end of the year	22,254,218	18,443,878
Properties under development comprises:		
Land use rights	7,437,652	6,591,275
Construction costs and capitalized expenditure	13,383,219	10,672,866
Interest capitalized	1,433,347	1,179,737
	22,254,218	18,443,878

Land use rights are analyzed as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	4,664,727	4,655,820
Leases within 50 years	2,772,925	1,935,455
At end of the year	7,437,652	6,591,275

Properties under development are all located in the PRC.

As at 31 December 2009 and 2008, properties under development of approximately RMB2,120,717,000 and RMB1,467,719,000 (Note 28) respectively were pledged as collateral for the Group's borrowings.

18 Land under development

Land under development refers to primary land development projects. No land use rights certificates were obtained for these projects, and the Group generally receives an agreed amount as compensation. Main activities for primary land development projects included dismantling and land leveling works.

19 Deposits for land use rights

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Deposits to local land authorities (a)	4,137,885	2,525,086
Deposits to third parties (b)	3,233,134	1,541,473
	7,371,019	4,066,559

(a) Deposits of approximately RMB 4,137,885,000 and RMB2,525,086,000 were paid to local land authorities for open market bidding of land use rights as at 31 December 2009 and 2008 respectively.

(b) Deposits of approximately RMB3,233,134,000 and RMB1,541,473,000 are paid to third parties for the transfers of land use rights as at 31 December 2009 and 2008 respectively. Such lands are acquired with the intention of project developments.

20 Trade and other receivables

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Trade receivables	55,336	145,917
Amounts due from customers for contract work	9,315	46,224
Less: provision for impairment of receivables	(5,388)	(5,021)
Trade receivables — net (a)	59,263	187,120
Prepayments for acquisition (b)	158,439	—
Prepaid tax — income tax	414,948	166,642
Prepaid tax — others	509,762	198,446
Entrusted loan to third parties (c)	118,680	160,100
Entrusted loan to a jointly controlled entity	—	267,190
Entrusted loan to an associate (d)	307,770	268,478
Notes receivables (Note 29(a))	196,543	187,483
Other prepayments	17,598	46,106
Other receivable from a third party (b)	483,926	—
Other receivables	346,955	358,493
	2,613,884	1,840,058
Less: non-current portion	(893,590)	(250,731)
Current portion	1,720,294	1,589,327

The carrying amounts of trade and other receivables approximated to their respective fair values as at 31 December 2009 and 2008.

(a) Ageing analysis of trade receivables and amounts due from customers for contract work at the respective balance sheet dates are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Less than 6 months	52,282	103,889
6 months to 1 year	4,973	80,505
1 year to 2 years	1,875	2,763
2 years to 3 years	969	606
over 3 years	4,552	4,378
	64,651	192,141

As at 31 December 2009, trade receivables of RMB13,235,000 (2008: RMB14,094,000) were considered as past due. Included in these balances, RMB6,251,000 (2008: RMB7,793,000) are not considered as impaired. Balances not impaired represent receivables from sales of properties. These relate to a number of independent customers for whom there is no recent history of default. All of these receivables are overdue for less than six months.

As at 31 December 2009, trade receivables of RMB 6,984,000 (2008: RMB6,301,000) were impaired. The amount of the provision was RMB5,388,000 as at 31 December 2009 (2008: RMB5,021,000). The individually impaired receivables mainly relate to receivables of property management fees. It was assessed that a portion of the receivables is expected to be recovered.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
At 1 January	(5,021)	(2,446)
Acquisition of a subsidiary	—	(2,974)
Provision for receivable impairment	(367)	(48)
Unused amounts reversed	—	447
At 31 December	(5,388)	(5,021)

(b) Prepayments for acquisition amounting to RMB158,439,000 represents amounts paid to Tianjin Equity Exchange for the acquisition of 55% interest in Chongqing Golf Club Company Limited ("Chongqing Golf").

Other receivable from a third party amounting to RMB 483,926,000 represents amounts lent to Chongqing Golf as its working capital. Such receivable is interest free and repayable or demand.

(c) Entrusted loans amounting to RMB118,680,000 represent amounts lent to certain third parties. These balances are secured by respective share capital of the third parties, interest bearing at 6.20%, and are repayable before 22 July 2010.

(d) Entrusted loans to an associate are unsecured, interest bearing at rate 5.31% (2008: 6.73% to 7.29%) and are repayable before 25 March 2010.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB.

21 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2009 and 2008 respectively.

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Completed properties held for sale comprised of:		
Land use rights	461,344	539,318
Construction costs and capitalized expenditure	2,811,478	3,479,706
Interest capitalized	210,766	223,514
	3,483,588	4,242,538

As at 31 December 2009 and 2008, completed properties held for sale of approximately RMB 106,609,000 and nil respectively were pledged as collateral for the Group's borrowings (Note 28).

Land use rights are analyzed as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	201,697	216,241
Leases within 50 years	259,647	323,077
At end of the year	461,344	539,318

22 Restricted bank deposits

Restricted bank deposits mainly represent guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balance also includes guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements.

23 Cash and cash equivalents

	As at 31 December			
	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	11,440,315	4,840,548	5,254,231	1,611
Short-term bank deposits	6,179,304	3,186,129	969,901	39,390
Cash and cash equivalents	17,619,619	8,026,677	6,224,132	41,001
Denominated in:				
— RMB	9,248,384	7,344,056	—	—
— HKD	5,400,057	31,943	5,138,165	15,604
— USD	2,971,169	650,655	1,085,958	25,374
— GBP	9	23	9	23
	17,619,619	8,026,677	6,224,132	41,001

The effective interest rates on short-term bank deposits ranged from 0.36% to 3.6% for the year ended 31 December 2009 (2008:0.01% to 3.6%).

The Group's cash and cash equivalents denominated in RMB, HKD and USD are deposited with banks in the PRC and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

24 Share capital and premium

	Number of ordinary shares of HKD 0.8 each	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HKD'000	RMB'000	RMB'000	RMB'000
Opening balance 1 January 2008	4,475,540,000	3,580,432	3,471,022	10,719,998	14,191,020
Share buybacks	(6,953,000)	(5,562)	(4,898)	—	(4,898)
At 31 December 2008	4,468,587,000	3,574,870	3,466,124	10,719,998	14,186,122
Opening balance 1 January 2009	4,468,587,000	3,574,870	3,466,124	10,719,998	14,186,122
Issue of shares for acquisitions of a subsidiary and additional interests in subsidiaries from a minority shareholder (a)	202,711,000	162,169	143,049	500,672	643,721
Issue of subscription shares to a new shareholder (b)	934,000,000	747,200	657,910	4,456,756	5,114,666
Issue of shares pursuant to exercise of employee share option	3,148,000	2,518	2,218	14,816	17,034
Issue of shares for scrip dividends	28,180,432	22,544	19,873	136,107	155,980
At 31 December 2009	5,636,626,432	4,509,301	4,289,174	15,828,349	20,117,523

(a) On 7 November 2008, the Group entered into 2 sales and purchase agreements ("SP Agreements") to acquire 100% ownership in Tsanghao Real Estate Company (Note 43), as well as 49% equity interests in each of Dalian Sky Upright Property Limited ("Dalian Sky Upright") and Dalian Sunny Ocean Property Limited ("Dalian Sunny Ocean"), for a total consideration no more than RMB1,200,000,000 in the form of shares in the Company and RMB480,000,000 in cash. Details of these SP Agreements were set out in the circular as issued by the Company on 28 November 2008. The acquisition was completed on 2 January 2009 and the actual consideration was amounting to RMB1,123,568,000. Before the acquisition, the Group owned 51% equity interests in each of Dalian Sky Upright and Dalian Sunny Ocean. After the acquisition, Dalian Sky Upright and Dalian Sunny Ocean became wholly owned subsidiaries of the Group.

(b) On 24 December 2009, the Company entered into an agreement with China Life Insurance Company Limited ("China Life"), in which China Life agreed to subscribe 934,000,000 shares of the Company at the price of HKD6.23 per share. The transaction is completed on 30 December 2009.

25 Share option

Share options are granted to several directors and to selected employees, in which 40% of the options are exercisable one year from the grant date; 70% of the options are exercisable two years from the grant date, and all options are exercisable three years from the grant date. The options have a contractual option term of five years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share	Shares (thousands)
	HKD	
At 1 January 2009	6.14	111,580
Granted during the year	7.59	77,350
Lapsed during the year	6.52	(7,347)
Excercised during the year	4.53	(3,148)
At 31 December 2009	6.78	178,435

Out of the 178,435,000 outstanding options (2008: 111,580,000), 57,617,000 (2008: 26,972,000) were exercisable as at 31 December 2009.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
27 September 2012	7.7	61,915
24 January 2013	7.7	9,390
19 September 2013	2.55	30,280
30 July 2014	8.59	26,770
2 September 2014	7.01	22,420
5 October 2014	7.11	27,660
		178,435

The weighted average fair value of options granted during the year determined using the binomial lattice model was 2.99 HK dollars per option (2008: 1.50 HK dollars). Significant inputs into the model included weighted average Share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

26 Retained earnings

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	2,693,594	2,032,315	620,043	624,477
Profit for the year	1,582,077	1,387,896	288,648	636,027
Dividends relating to 2007	—	(502,907)	—	(502,907)
Dividends relating to 2008 (Note 39)	(288,308)	(117,984)	(288,308)	(117,984)
Dividends relating to 2009 (Note 39)	(165,513)	—	(165,513)	—
Transfer to statutory reserve fund	(86,212)	(86,156)	—	—
Share buybacks	—	(19,570)	—	(19,570)
At 31 December	3,735,638	2,693,594	454,870	620,043

27 Reserves

(a) Group

	Capital redemption reserve	Merger reserve	Statutory reserve	Translation reserve	Investment revaluation reserve	Employee share option	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	—	(763,427)	318,132	160	18,084	27,925	—	(399,126)
Fair value loss on available-for-sale financial assets (Note 16)	—	—	—	—	(20,910)	—	—	(20,910)
Currency translation difference (Note 16)	—	—	—	(8,621)	—	—	—	(8,621)
Employee share option	—	—	—	—	—	110,814	—	110,814
Share buyback	4,898	—	—	—	—	—	—	4,898
Transfer from retained earnings	—	—	86,156	—	—	—	—	86,156
At 31 December 2008	4,898	(763,427)	404,288	(8,461)	(2,826)	138,739	—	(226,789)
At 1 January 2009	4,898	(763,427)	404,288	(8,461)	(2,826)	138,739	—	(226,789)
Fair value loss on available-for-sale financial assets (Note 16)	—	—	—	—	(11,402)	—	—	(11,402)
Currency translation difference (Note 16)	—	—	—	(677)	—	—	—	(677)
Employee share option	—	—	—	—	—	74,686	4,257	78,943
Transfer from retained earnings	—	—	86,212	—	—	—	—	86,212
Issue of shares of acquisition of a subsidiary and additional interests in subsidiaries from a minority shareholder	—	—	—	—	—	—	(356,796)	(356,796)
Acquisition of additional interests in subsidiaries from minority shareholders	—	—	—	—	—	—	(54,773)	(54,773)
At 31 December 2009	4,898	(763,427)	490,500	(9,138)	(14,228)	213,425	(407,312)	(485,282)

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

(b) Company

	RMB'000
At 1 January 2008	27,925
Capital redemption reserve	4,898
Employee share option	110,814
At 31 December 2008	143,637
At 1 January 2009	143,637
Employee share option	78,943
At 31 December 2009	222,580

28 Borrowings

	As at 31 December			
	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings (a)	14,607,814	8,778,770	4,186,479	1,474,565
Other borrowings (b)	2,579,030	—	—	—
Total non-current borrowings	17,186,844	8,778,770	4,186,479	1,474,565
Current				
Current portion of long-term bank borrowings (a)	3,526,665	4,476,545	—	—
Current portion of convertible bonds (Note 29 (b))	—	710,262	—	710,262
Current portion of long-term other borrowings	—	100,000	—	—
Short-term bank borrowings	1,126,503	678,000	995,503	—
Total current borrowings	4,653,168	5,964,807	995,503	710,262
Total borrowings	21,840,012	14,743,577	5,181,982	2,184,827

(a) As at 31 December 2009 and 2008, long-term bank borrowings amounting to RMB7,028,000,000 and RMB5,206,565,000 were secured by properties under development (Note 17), completed properties held for sale (Note 21), land use rights (Note 8), property, plant and equipment (Note 7) and investment properties (Note 9) of the Group.

(b) On 23 June 2009, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with an aggregate principal amount of RMB2,600,000,000 and a maturity period of 6 years. The net proceeds were RMB2,576,900,000 (net of issuance costs of RMB23,100,000). The bond carries a fixed annual interest rate of 4.40% for the first three years and the Group has the option to increase such interest rate from 0 to 100 basis points at the end of the third year. Interests are payable annually, with the principal fully repayable on 22 June 2015. Bond holders have the right to sell all or part of the bond at its face value to the issuer from the interest payment date of the third year.

(c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December					
	2009			2008		
	Bank and other borrowings	Convertible bonds	Total	Bank and other borrowings	Convertible bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings						
— Within 1 year	4,653,168	—	4,653,168	5,254,545	710,262	5,964,807
— Between 1 and 2 years	7,019,293	—	7,019,293	5,783,315	—	5,783,315
— Between 2 and 5 years	6,358,520	—	6,358,520	1,795,455	—	1,795,455
— Over 5 years	3,809,031	—	3,809,031	1,200,000	—	1,200,000
	21,840,012	—	21,840,012	14,033,315	710,262	14,743,577

(d) The Group's borrowings denominated in RMB, USD and HKD respectively are set out as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Denominated in:		
— RMB	16,658,030	12,558,750
— HKD	176,100	710,262
— USD	5,005,882	1,474,565
	21,840,012	14,743,577

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2009	2008
Bank borrowings	5.40%	7.69%
Other borrowings	4.40%	5.91%
Convertible bonds	6.50%	6.50%

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Within 6 months	15,942,982	9,233,315
Between 6 and 12 months	3,318,000	5,010,262
Between 1 and 5 years	2,579,030	500,000
	21,840,012	14,743,577

(g) The carrying amounts of non-current borrowings approximated to their respective fair values as at 31 December 2009 and 2008.

Fair values of non-current borrowings as at 31 December 2009 are based on cash flows discounted using borrowing rates of 5.40%.

29 Derivative financial instruments

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Conversion option in relation to		
Notes receivables (a)	8,331	8,338
Convertible bonds (b)	—	1,458

(a) Notes receivables

On 8 January 2008, the Group subscribed notes receivables (Note 20) with an aggregate principal amount of USD30 million (the "Notes") from an independent third party. The Notes will be converted into shares of the issuer, at a conversion price that is calculated based on the terms as predetermined in the Notes, should the issuer successfully go on its initial public offering within 36 months from the subscription date. At any time after the 36th month from the subscription date, should the issuer failed to go on its initial public offering, the Group has an option to elect to receive USD30 million in cash, with respective interest calculated at a rate as predetermined in the Notes.

No Fair value gain nor loss on notes receivables is recognized for the year ended 31 December 2009 (2008: loss RMB19,365,000).

(b) Convertible bonds

All convertible bonds (Note 28) matured on 28 September 2009, and the Group had redeemed all bonds at par, amounting to HKD795,000,000. Accordingly, all related conversion option had been charged to the consolidated income statement in the current year.

No fair value gain nor loss on convertible bonds is recognized for the year ended 31 December 2009 (2008: gain RMB75,822,000).

30 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Deferred tax assets:		
— to be recovered after more than 12 months	38,365	38,910
— to be recovered within 12 months	267,174	72,867
	305,539	111,777
Deferred tax liabilities:		
— to be recovered after more than 12 months	(984,011)	(779,867)
— to be recovered within 12 months	(15,171)	(10,171)
	(999,182)	(790,038)
Deferred tax liabilities, net	(693,643)	(678,261)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
At beginning of the year	678,261	671,364
Recognized in the income statement	(5,788)	(2,529)
Acquisition of a subsidiary	21,170	—
Disposal of a subsidiary	—	9,426
At end of the year	693,643	678,261

The movement in deferred income tax assets and liabilities during the years ended 31 December 2009 and 2008, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of expenses	Recognition of financial guarantee liabilities	Unrealized gain	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	51,443	12,033	67,733	131,209
Credited/(charged) to income statements	12,114	(1,957)	(5,424)	4,733
Disposal of a subsidiary	(9,426)	—	—	(9,426)
At 31 December 2008	54,131	10,076	62,309	126,516
Credited to income statements	88,258	5,783	93,777	187,818
At 31 December 2009	142,389	15,859	156,086	314,334

Deferred income tax liabilities

	Depreciation difference	Investment properties revaluation	Property revaluation	Deemed disposal	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	(10,033)	(238,654)	(519,690)	(22,536)	(11,660)	(802,573)
Credited/(charged) to income statement	(14,820)	(5,819)	—	12,365	6,070	(2,204)
At 31 December 2008	(24,853)	(244,473)	(519,690)	(10,171)	(5,590)	(804,777)
Credited/(charged) to income statement	(21,515)	(177,156)	6,000	10,171	470	(182,030)
Acquisition of subsidiaries	—	—	(21,170)	—	—	(21,170)
At 31 December 2009	(46,368)	(421,629)	(534,860)	—	(5,120)	(1,007,977)

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future profits is probable. The Group did not recognize tax losses amounting to RMB189,765,000 and RMB102,366,000 as at 31 December 2009 and 2008 respectively that can be carried forward against future taxable income. These tax losses are going to be expired within five years.

Deferred income tax liabilities of RMB87,764,000 (2008:RMB58,921,000) have not been recognised for the withholding tax that would be payable on the undistributed earnings of certain subsidiaries. Such amounts are permanently reinvested. Undistributed earnings totalled RMB1,294,875,000 at 31 December 2009 (2008:RMB859,184,000).

31 Trade and other payables

(a) Group

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Trade payables	2,541,430	1,918,825
Accrued expenses	659,869	1,734,125
Other payables	1,129,788	1,195,754
Other tax	134,389	121,150
Provision for financial guarantee liabilities	60,627	40,304
	4,526,103	5,010,158

The carrying amounts of trade payables and other payables approximate their fair values.

Ageing analysis of the trade payables are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Less than 6 months	1,975,186	1,453,214
6 months to 12 months	315,809	196,983
1 year to 2 years	241,241	258,018
2 years to 3 years	7,655	7,099
Over 3 years	1,539	3,511
	2,541,430	1,918,825

The provision for financial guarantee liabilities given to purchasers of the Group's properties as set out in Note 41 are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	40,304	65,677
Addition	111,975	20,766
Reversal	(91,652)	(46,139)
At end of the year	60,627	40,304

(b) Company

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Other payables	44,144	357,523
	44,144	357,523

32 Other income

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Dividend income from available-for-sale financial assets	2,746	11,316
Interest income	167,609	180,197
Others	40,238	23,366
	210,593	214,879

33 Other (losses)/gains — net

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
(Loss)/gain on disposal of available-for-sale financial assets	(9,454)	951
Gain on disposal of subsidiaries	3,585	28,827
Gain on early redemption of convertible bonds	—	77,816
Gain on redemption of convertible bonds	1,458	—
Gain on acquisition of additional interests in subsidiaries from minority shareholders	—	35,384
Negative goodwill from acquisition of a subsidiary (Note 43(a))	10,867	2,999
Loss on disposal of property, plant and equipment	(88)	(319)
Exchange losses	(14,662)	(18,430)
	(8,294)	127,228

34 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing costs and administrative expenses, as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	813,168	325,232
— Capitalized interest	232,737	73,049
— Construction related cost	4,144,112	2,486,157
Cost of upfitting services rendered	155,686	239,456
Direct investment property expenses (Note 9)	70,301	31,991
Employee benefit expense (Note 35)	312,479	326,184
Consultancy fee	72,451	35,346
Auditor's remuneration	7,100	6,280
Depreciation (Note 7)	18,816	18,354
Amortization of land use rights	883	5,286
Advertising and marketing	284,722	212,204
Business taxes and other levies	490,936	359,886
Net impairment for trade and other receivables (Note 20)	367	(399)
Office expenditure	47,697	59,491
Properties maintenance expenses	67,554	40,900
Energy expenses	32,060	31,300
Others	53,366	87,671
	6,804,435	4,338,388

35 Employee benefits expense

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Salaries, wages and bonuses	317,170	216,981
Retirement benefits contribution	21,768	16,783
Share options granted to directors and employees	83,426	110,814
Other allowances and benefits	55,787	47,809
	478,151	392,387
Less: capitalized in properties under development	(165,672)	(66,203)
	312,479	326,184

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' basic salary for the years ended 31 December 2009 and 2008.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD20,000).

(a) Directors' emoluments

The remunerations of every director for the years are set out below:

	Year ended 31 December									
	2009					2008				
	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Total	Fees	Salary and bonus	Employer's contribution to retirement benefit scheme	Other long-term welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Li Jianhong	—	—	—	—	—	—	—	—	—	—
Mr. Luo Dongjiang	—	—	—	—	—	—	—	—	—	—
Mr. Liang Yanfeng	—	—	—	—	—	—	—	—	—	—
Mr. Li Ming	—	3,760	1,658	2,408	7,826	—	2,915	1,640	1,675	6,230
Mr. Chen Runfu	—	2,840	143	—	2,983	—	2,092	92	52	2,236
Mr. Yin Yingneng	176	—	—	—	176	121	—	—	—	121
Mr. Tsang Hing Lun	176	—	—	—	176	182	—	—	—	182
Mr. Gu Yunchang	176	—	—	—	176	182	—	—	—	182
Mr. Han Xiaojing	176	—	—	—	176	182	—	—	—	182
Mr. Zhao Kang	176	—	—	—	176	182	—	—	—	182
	880	6,600	1,801	2,408	11,689	849	5,007	1,732	1,727	9,315

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Basic salaries and allowance	4,974	2,220
Bonuses	4,980	2,987
Retirement scheme contributions	295	178
Other long-term welfare	—	104
	10,249	5,489

The emoluments fell within the following bands:

	Year ended 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
RMB 1,400,000 to RMB 2,000,000	—	2
RMB 2,000,000 to RMB 2,500,000	—	1
RMB 2,500,000 to RMB 4,000,000	2	—
RMB 4,000,000 to RMB 4,500,000	1	—
	3	3

(c) During the years ended 31 December 2009 and 2008, no emoluments was paid by the companies now comprising the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

36 Finance costs

	Year ended 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Interest expense:		
— Bank borrowings	871,368	1,009,403
— Other borrowings	85,080	—
— Dividend on preference shares	—	3,882
— Convertible bonds	32,889	59,881
Less: interest capitalized at a capitalization rate of 5.35% (2008: 7.69%) per annum	(680,584)	(911,988)
	308,753	161,178

37 Income tax expense

Vast majority of the group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the years ended 31 December 2009 and 2008. Other companies are mainly subjected to Hong Kong income tax.

The amount of income tax expense charged to the income statement represents:

	Year ended 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Current income tax:		
— PRC enterprise income tax	687,105	521,440
— PRC land appreciation tax	248,084	420,397
Deferred tax (Note 30)	(5,788)	(2,529)
	929,401	939,308

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2009	**2008**
	RMB'000	**RMB'000**
Profit before income tax	2,567,745	2,383,894
Add: Share of loss of a jointly controlled entity (Note 12)	35,315	54
Share of losses of associates (Note 13)	18,334	2,430
	2,621,394	2,386,378
Tax calculated at a tax rate of 25%	655,349	596,595
Effect of higher tax rate for the appreciation of land in the PRC	186,063	315,298
Income not subject to tax	(17,979)	(56,185)
Expenses not deductible for tax purposes	76,491	59,412
Tax losses not recognized	44,168	38,196
Utilization of previously unrecognized tax losses	(14,691)	(14,008)
Tax expense	929,401	939,308

38 earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2009	**2008**
Profit attributable to equity holders of the Company (RMB'000)	1,582,077	1,387,896
Weighted average number of ordinary shares in issue (thousands)	4,690,952	4,473,127
Basic earnings per share (RMB per share)	0.337	0.310

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: share options and convertible bonds. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market Share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The dilutive effect of the convertible debt is not considered, as the average market price of the Company's shares is lower than the conversion price. All the convertible bonds (Note 28) matured in 2009 and had been redeemed by the Company.

	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	1,582,077	1,387,896
Weighted average number of ordinary shares in issue (thousands)	4,690,952	4,473,127
Adjustments for:		
— Share options (thousands)	15,954	1,512
Weighted average number of ordinary shares for diluted earnings per share (thousands)	4,706,906	4,474,639
Diluted earnings per share (RMB per share)	0.336	0.310

39 Dividends

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Final dividend paid for previous years	288,308	502,907
Interim dividend paid	165,513	117,984
Final dividend proposed (a)	248,154	288,373

(a) On 22 March 2010, the Company proposed a final dividend of RMB248,154,000.

40 Cash used in operations

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit for the year	1,638,344	1,444,586
Adjustments for:		
— Tax expense (Note 37)	929,401	939,308
— Depreciation (Note 7)	18,816	18,354
— Amortization of land use rights (Note 34)	883	5,286
— Impairment for goodwill (Note 10)	71,967	22,227
— Net impairment for trade and other receivables (Note 34)	367	(399)
— Loss on sale of property, plant and equipment (Note 33)	88	319
— Interest expense (Note 36)	308,753	161,178
— Interest income (Note 32)	(167,609)	(180,197)
— Share of loss of a jointly controlled entity (Note 12)	35,315	54
— Share of loss of associates (Note 13)	18,334	2,430
— Valuation gain on investment properties (Note 9)	(708,625)	—
— Valuation gains on derivative financial statements (Note 29)	—	(56,457)
— Losses/(gain) on disposal of available-for-sale financial assets (Note 33)	9,454	(951)
— Gain on acquisition of additional interests in subsidiaries from minority interests (Note 33)	—	(35,384)
— Gain on acquisition of a subsidiary (Note 33)	(10,867)	(2,999)
— Gain on disposal of subsidiaries (Note 33)	(3,585)	(28,827)
— Investment income from available-for-sale financial assets	(2,746)	(19,937)
— Exchange losses	11,371	46,718
— Employee share option	52,392	110,814
— Gain on redemption of convertible bonds (Note 33)	(1,458)	(77,816)
	2,200,595	2,348,307
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	(538,880)	(2,520,980)
— Inventories, at cost	(19,286)	(18,043)
— Trade and other receivables	(410,330)	(121,567)
— Land under development	944,211	1,186,206
— Deposits for land use rights	(3,216,587)	1,513,212
— Trade and other payables	(199,346)	434,079
— Dividend payable	—	(24,757)
— Derivative financial instruments	(1,451)	(108,300)
— Prepayments	28,508	58,686
— Advanced proceeds received from customers	5,745,336	718,741
— Properties under development	(2,797,633)	(4,646,570)
— Restricted cash	(86,436)	69,626
Cash generated from/(used in) operations	1,648,701	(1,111,360)

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Net book amount (Note 7)	9,472	8,938
Losses on disposal of property, plant and equipment (Note 33)	(88)	(319)
Proceeds from disposal of property, plant and equipment	9,384	8,619

41 Financial guarantees — group

The Group had the following financial guarantees as at the end of the years ended 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	1,812,083	1,543,580

As at 31 December 2009 and 2008, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

42 Commitments — Group

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Land use rights	344,850	4,911,988
Property under development	6,843,910	5,491,665
Contracted but not provided for	7,188,760	10,403,653

(b) Operating lease rental receivables

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Within 1 year	177,016	144,942
Between 1 to 5 years	309,206	230,220
After 5 years	273,981	255,201
	760,203	630,363

43 Business combinations — Group

(a) On 2 January 2009, the Group acquired a 100% equity interest in Dalian Tsanghao Real Estate Company Limited, a real estate company established on 26 June 2007, at a consideration of RMB197,672,000.

	2009
	RMB'000
Purchase consideration	197,672
Fair value of the subsidiary acquired - shown as below	(208,539)
Negative goodwill	(10,867)

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	RMB'000	RMB'000
Property, plant and equipment	19,173	19,173
Properties under development	326,000	241,318
Trade and other receivables and prepayments	415,867	415,867
Cash and cash equivalents	10,373	10,373
Borrowings	(130,000)	(130,000)
Trade and other payables	(411,353)	(411,353)
Current income tax liabilities	(351)	(351)
Deferred income tax liabilities	(21,170)	—
Fair value of Company's net assets acquired	208,539	145,027
Purchase consideration settled in cash		(84,448)
Cash and cash equivalents in the subsidiary acquired		10,373
Cash outflow on acquisition		(74,075)

(b) On 2 November 2009, the Group acquired a 100% equity interest in Huangshan Dongfanghong Film Investment Company Limited, a real estate company established on 13 February 2004, at a consideration of RMB36,300,000.

	2009
	RMB'000
Purchase consideration	36,300
Fair value of the subsidiary acquired — shown as below	(36,300)
Goodwill	—

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	RMB'000	RMB'000
Property, plant and equipment	241	241
Properties under development	94,443	93,871
Trade and other receivables and prepayments	2,767	2,767
Cash and cash equivalents	40	40
Trade and other payables	(59,408)	(59,408)
Current income tax liabilities	(1,783)	(1,783)
Fair value of Company's net assets acquired	36,300	35,728
Purchase consideration settled in cash		(36,300)
Cash and cash equivalents in the subsidiary acquired		40
Cash outflow on acquisition		(36,260)

44 Related party transactions

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2009 and 2008:

(a) Sales of properties and services

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Provision of properties:		
— A jointly controlled entity of China Ocean Shipping (Group) Company Limited ("COSCO Group")	109,683	—
	109,683	—
Provision of services:		
— COSCO Group	11,104	8,687
— A jointly controlled entity	7,230	26,550
— A jointly controlled entity of COSCO Group	1,052	—
	19,386	35,237
	129,069	35,237

(b) Key management compensation

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Salaries and other short-term employee benefits	32,969	16,425
Post-employment benefits	3,035	2,176
Other long-term welfare	2,408	2,210
Share-based payments	17,403	18,390
	55,815	39,201

(c) ***Year-end balances arising from sales of properties and services***

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Receivables from related parties:		
— COSCO Group	—	9,332
— A jointly controlled entity	324	—
— A jointly controlled entity of COSCO Group	10,968	—
	11,292	9,332

(d) ***Interest income***

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Interest received:		
— A jointly controlled entity	15,973	25,065
— An associate	17,042	15,141
	33,015	40,206

(e) ***Loans to related parties***

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
A jointly controlled entity:		
At 1 January	267,190	545,400
Loans advanced during year	745,170	1,111,290
Loans advanced as investment (Note 12)	532,000	—
Loans repayments received	(1,012,360)	(1,389,500)
Interest charged	15,973	25,065
Interest received	(15,973)	(25,065)
At 31 December	532,000	267,190
An associate:		
At 1 January	268,478	5,000
Loans advanced during year	886,274	268,478
Loans repayments received	(846,982)	(5,000)
Interest charged	17,042	15,141
Interest received	(17,042)	(15,141)
At 31 December	307,770	268,478

45 Event after balance sheet date

(a) On 25 November 2009, the Group entered into an agreement to acquire 55% ownership in Chongqing Golf Club Co. Ltd. for a total consideration of RMB152,000,000, which are going to be settled in cash. Such acquisition was completed on 5 January 2010.

(b) On 25 January 2010, the Group entered into an agreement to acquire 70% ownership in Sanya South Olympic Garden Company Limited for a total consideration of RMB500,000,000, which are going to be settled in cash. Such acquisition was completed on 2 February 2010.

(c) On 25 February 2010, the Group successfully bid for one piece of land located within the Gan Jing Zi District of Dalian, PRC, with a consideration of RMB1,140,780,000. This land occupies a total site area of 88,900 sq.m.. This land is planned for residential and commercial use.

(d) On 12 March 2010, the Group successfully bid for two pieces of land located within the Shinan District and Fushan New District of Qingdao, PRC, respectively with a consideration of RMB1,560,000,000 and RMB810,000,000. These lands occupy a total area of 42,463 sq.m and 46,883 sq.m. respectively. These lands are planned for residential and commercial use.

(e) On 15 March 2010, the Group successfully bid for one piece of land located within the Wangjing area of Beijing, PRC, with a consideration of RMB4,080,000,000. This land occupies a total area of 83,507 sq.m.. This land is planned for residential and commercial use.

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