NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Guangzhou R&F Properties Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 31 August 1994 as a company with limited liability under the Company Law of the PRC and became a joint stock limited company on 16 November 2001 by converting its registered capital and reserves as at 31 July 2001 into 551,777,236 shares of Renminbi ("RMB") 1 each.

The Company is a limited liability company incorporated in PRC. The address of its registered office is 19 Jiaochang Road East Guangzhou 510055, China. It is primarily engaged in the development and sales of properties in the PRC.

The shares of the Company were listed on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July 2005. Details of the movement in the share capital are disclosed in Note 16.

These consolidated financial statements are presented in thousands of units of RMB Yuan ('000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2006.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Guangzhou R&F Properties Co., Ltd. have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 4.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 3	Business Combinations

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 31, 33 and HKAS-Ints 15 and 21 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests and other disclosures.

— HKASs 2, 7, 8, 10, 16, 23, 27, 31, 33 and HKAS-Ints 15 and 21 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

(i) HKAS 17: Leases

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment, properties held for development, properties under development and completed properties held for sale to operating leases. The up-front prepayments made for land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(ii) HKFRS 3, HKAS 36 and HKAS 38: Business Combinations, Impairment of Assets & Intangible Assets

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

— Amortised on a straight line basis over a period of 5 years; and

— Assessed for an indication of impairment at each balance sheet date.

Until 31 December 2004, the excess of fair values of the identified assets and liabilities acquired over acquisition cost was classified as "negative goodwill". Negative goodwill was presented in the same balance sheet classification as goodwill. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the remaining weighted average useful life of those assets of not more than 5 years; negative goodwill in excess of the fair values of those non-monetary assets was recognised in the income statement immediately.

In accordance with the provisions of HKFRS 3:

— The Group ceased amortisation of goodwill from 1 January 2005;

— Accumulated amortisation as at 31 December 2004 was eliminated with a corresponding decrease in the cost of goodwill;

— From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The excess of fair values of the identified assets and liabilities acquired over acquisition cost is recognised as income immediately. Negative goodwill of RMB 105,527,000 previously recognised has been derecognised through retained earnings as at 1 January 2005.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) HKAS 32 and HKAS 39: Financial Instruments: Disclosures and Presentation & Financial Instruments: Recognition and Measurement

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification and measurement of loans and receivables and available-for-sale financial assets.

(iv) HKAS 40: Investment Property

The adoption of revised HKAS 40 has resulted in changes in fair values recorded in the income statement as part of other gains.

(v) HKAS-Int 21: Income Taxes – Recovery of Revalued Non-Depreciated Assets

The adoption of revised HKAS-Int 21 has resulted in measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. Other than HKFRS 3, HKAS 39 and HKAS 40 which require prospective application, all other standards adopted by the Group require retrospective application.

— HKAS 39 require prospective application that it does not permit recognition, decognition and measurement of financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to other investments for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, if any, are determined and recognised at 1 January 2005;

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- — Revised HKAS 40 require prospective application since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1 January 2005, including the reclassification of any amount held in revaluation surplus for investment property. The Group did not have any investment properties in 2004.
- — HKFRS 3 is applied prospectively after the adoption date.

The effect of adopting these new accounting standards on the opening balance sheet as at 1 January 2005 and the key components of income statement for the year ended 31 December 2005 are summarised as follows:

The adoption of HKAS 17 resulted in:

	2005	2004
Increase in non-current assets - land use rights	2,677,801	1,498,079
Increase in current assets - land use rights	2,173,985	1,302,657
Decrease in properties held for development	(2,693,212)	(1,500,463)
Decrease in properties under development	(2,036,541)	(1,228,633)
Decrease in completed properties held for sale	(146,870)	(78,789)
Increase in cost of sales	17,688	7,149
Decrease in retained earnings	(24,837)	(7,149)
Decrease in basic earnings per share	(0.0273)	(0.0130)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The adoption of HKFRS 3 and HKAS 38 resulted in:

	2005	2004
Increase in intangible assets	108,058	105,527
Increase in other gains	2,531	92,104
Increase in retained earnings	108,058	105,527
Increase in basic earnings per share	0.0039	0.1669

The adoption of HKAS 39 resulted in:

	2005
Increase in available-for-sale financial assets	85,369
Decrease in long-term investment	(85,369)
Decrease in other operating expenses	(4,094)
Decrease in other reserves	(2,744)
Increase in income tax expense	1,350
Increase in retained earnings	2,744
Increase in basic earnings per share	0.0042

The adoption of HKAS 40 resulted in:

	2005
Increase in other gains	143,609
Increase in income tax expense	47,391
Decrease in other reserves	(96,218)
Increase in retained earnings	96,218
Increase in basic earnings per share	0.1483

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

No early adoption of the following new standards or interpretations that have been issued but are not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 3	Emission Rights
HKFRS-Int 4	Determining whether an Arrangement contains A Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all 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.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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 recognised directly in the income statement (see Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) *Joint ventures*

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the Group's share of the results of jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity, in accordance with the joint venture contracts, and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entity are stated at cost less provision for impairment losses. The results of jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in 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 dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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.

2.5 Property, plant and equipment

Buildings comprise mainly office premises. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as 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. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

– Buildings	20-30 years
– Furniture, fixtures and equipment	5 years
– Motor vehicles	6 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 2.8).

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases.

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 accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. 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.

2. Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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 income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

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 complete, 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 difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2. Summary of significant accounting policies (continued)

2.7 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entity is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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.

2.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.9 Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investment in unlisted securities, other than investments in subsidiaries and interest in jointly controlled entity as long-term investment.

Long-term investments are equity investments held for strategic purposes and are stated at cost less any provision for impairment losses.

2. Summary of significant accounting policies (continued)

2.9 Investments (continued)

The carrying amounts of individual investments are reviewed by the directors at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

From 1 January 2005 onwards:

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

2. Summary of significant accounting policies (continued)

2.9 Investments (continued)

(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 management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2. Summary of significant accounting policies (continued)

2.9 Investments (continued)

(b) Available-for-sale financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investments below its cost is considered in determining whether the investments 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 the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.10 Properties held for/under development

Properties held for/under development are stated at the lower of cost and net realisable value and comprises development expenditure, professional fees and interest capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be included in selling the property. On completion, the properties are transferred to completed properties held for sale.

2.11 Completed properties held for sale

Completed properties held for sale is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

2. Summary of significant accounting policies (continued)

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

2. Summary of significant accounting policies (continued)

2.15 Borrowings (continued)

Borrowing costs that 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 are capitalised as part of the cost of that asset. Borrowing costs cease to be capitalised when substantially all the activities necessary to prepare the asset for its intended use or sale are completed.

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entity, 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.

2.17 Employee benefits

The Group contributes on a monthly basis to various defined contribution schemes in accordance with rules and regulations set by the relevant municipal and provincial governments in the PRC. The Group's contributions to these retirement schemes are expensed as incurred. The assets of these schemes are held separately from those of the Group in independently administered funds.

2. Summary of significant accounting policies (continued)

2.18 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.19 Revenue recognition

Revenue comprises the fair value for the sale of properties, net of discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of properties

Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and ready for delivery to the purchasers pursuant to the sale agreements. Deposits and installments received on properties sold prior to their completion are included in current liabilities.

(b) Rental income

Operating lease rental income is recognised on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost–recovery basis as conditions warrant.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20 Operating Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

The Group's assets are predominantly in the form of land use rights, properties held for development, properties under development and completed properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

(b) Price risk

The Group is exposed to price risk because certain investments held by the Group which are classified as available-for-sale financial assets and investment properties are carried at fair values and any change in fair values is recognised in the income statement. Investment properties are also exposed to market rental risk.

(c) Credit risk

The Group has no significant concentrations of credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, trade receivables, other receivables and prepayments.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees has been made in note 32.

(d) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its construction commitments.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) 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. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. At the year end, none of borrowings were at fixed rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less any estimated credit adjustments for financial assets with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgments used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Current taxation and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

4. Critical accounting estimates and judgements (continued)

(b) Land appreciation taxes (continued)

The Group is subject to land appreciation taxes in the PRC which has been included in cost of sales of the Group. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and deferred income tax provisions in the period in which such determination is made.

(c) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the 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.

4. Critical accounting estimates and judgements (continued)

(c) Estimate of fair value of investment properties (continued)

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(d) Useful lives of properties, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for its properties, plant and equipment. The estimate is based on the expected lifespan of the assets. It could change significantly as result of technical innovations in response to industry cycles. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Estimate of fair value of available-for-sale financial assets

The fair value of the Group's investment is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The calculation and valuations require the use of judgement and estimates.

4. Critical accounting estimates and judgements (continued)

(f) Estimated impairment of properties, plant and equipment, investment properties and land use rights

Properties, plant and equipment, investment properties and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of properties, plant and equipment and land use rights have been determined based on value-in-use calculations; while that of investment properties has been determined with reference to independent valuations. These calculation and valuations require the use of judgement and estimates.

5. Turnover and segment information

No business segment analysis is presented as the Group's revenues and results for the year were mainly derived from property development.

The Group operates in the PRC and the sales of properties are mainly in Guangzhou and Beijing. Turnover represents sales of properties.

	Year ended 31 December	
Turnover	2005	2004
Guangzhou	2,690,610	1,914,526
Beijing	3,121,769	2,345,870
	5,812,379	4,260,396

Segment turnover is presented based on the places where the properties are located.

5. Turnover and segment information (continued)

Total assets	As at 31 December 2005	2004
Guangzhou	7,948,802	6,239,512
Beijing	6,906,458	5,169,175
Tianjin	1,308,615	—
Xian	602,116	—
Others	138,295	671,142
	16,904,286	12,079,829
Jointly controlled entity	372,510	63,437
	17,276,796	12,143,266

Segment assets are presented based on where the assets are located.

Capital expenditure	Year ended 31 December 2005	2004
Guangzhou	1,434,826	734,458
Beijing	454,503	766,170
Tianjin	361,677	475,790
Xian	470,160	—
Others	7,887	1,925
	2,729,053	1,978,343

Capital expenditure is allocated based on where the assets are located.

6. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group			
	2005		2004	
	Non-current	Current	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	2,677,801	2,173,985	1,500,463	1,313,701

	Group			
	2005		2004	
	Non-current	Current	Non-current	Current
Opening	1,500,463	1,313,701	514,794	606,368
Opening adjustment for the adoption of HKAS 17	(2,384)	(11,044)	—	—
Opening net book amount, as restated	1,498,079	1,302,657	514,794	606,368
Additions	1,657,016	411,430	1,790,978	184,501
Acquisition of subsidiaries (Note 35)	468,950	—	27,650	54,460
Transfer to current portion	(932,723)	932,723	(832,959)	832,959
Transfer to cost of sales	—	(442,733)	—	(364,587)
Amortisation of prepaid operating lease payments	(13,521)	(30,092)	—	—
	2,677,801	2,173,985	1,500,463	1,313,701

6. Land use rights (continued)

	Company			
	2005		2004	
	Non-current	Current	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	781,940	584,160	379,069	426,217

	Company			
	2005		2004	
	Non-current	Current	Non-current	Current
Opening	379,069	426,217	281,040	169,502
Opening adjustment for the adoption of HKAS 17	(2,033)	(7,139)	—	—
Opening net book amount, as restated	377,036	419,078	281,040	169,502
Additions	582,348	180,101	370,607	94,832
Transfer to current portion	(171,697)	171,697	(272,578)	272,578
Transfer to cost of sales	—	(175,137)	—	(110,695)
Amortisation of prepaid operating lease payments	(5,747)	(11,579)	—	—
	781,940	584,160	379,069	426,217

The Group had made payments for land use rights of RMB 1,309,386,000 as at 31 December 2005 (2004: RMB2,139,524,000), for which the Group was in the process of applying for formal land use rights certificates.

The Company had made payments for land use rights of RMB 338,996,000 as at 31 December 2005 (2004: RMB607,487,000), for which the Company was in the process of applying for formal land use rights certificates.

7. Property, plant and equipment

	Group				
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2004					
Cost	43,153	15,793	25,491	3,401	87,838
Accumulated depreciation	(5,060)	(7,226)	(3,709)	—	(15,995)
Net book amount	38,093	8,567	21,782	3,401	71,843
Year ended 31 December 2004					
Opening net book amount	38,093	8,567	21,782	3,401	71,843
Additions	213	9,416	8,372	3,973	21,974
Transfer	4,900	—	—	(4,900)	—
Acquisition of subsidiaries	—	1,793	157	—	1,950
Depreciation (Note 24)	(1,743)	(3,623)	(5,370)	—	(10,736)
Closing net book amount	41,463	16,153	24,941	2,474	85,031
At 31 December 2004					
Cost	48,266	27,002	34,020	2,474	111,762
Accumulated depreciation	(6,803)	(10,849)	(9,079)	—	(26,731)
Net book amount	41,463	16,153	24,941	2,474	85,031
Year ended 31 December 2005					
Opening net book amount	41,463	16,153	24,941	2,474	85,031
Disposal of a subsidiary (Note 35)	—	(1,419)	(57)	—	(1,476)
Additions	—	12,976	15,191	4,612	32,779
Disposals (Note 31)	(11,438)	(2,988)	—	—	(14,426)
Depreciation (Note 24)	(1,034)	(5,631)	(6,770)	—	(13,435)
Reversal of impairment loss for disposal of assets	—	1,936	—	—	1,936
Closing net book amount	28,991	21,027	33,305	7,086	90,409
At 31 December 2005					
Cost	33,266	31,032	48,924	7,086	120,308
Accumulated depreciation	(4,275)	(10,005)	(15,619)	—	(29,899)
Net book amount	28,991	21,027	33,305	7,086	90,409

7. Property, plant and equipment (continued)

	Company				
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
At 1 January 2004					
Cost	43,153	8,731	14,501	—	66,385
Accumulated depreciation	(5,060)	(6,346)	(2,105)	—	(13,511)
Net book amount	38,093	2,385	12,396	—	52,874
Year ended 31 December 2004					
Opening net book amount	38,093	2,385	12,396	—	52,874
Additions	—	2,121	4,295	—	6,416
Depreciation	(1,743)	(1,237)	(3,165)	—	(6,145)
Closing net book amount	36,350	3,269	13,526	—	53,145
At 31 December 2004					
Cost	43,153	10,852	18,796	—	72,801
Accumulated depreciation	(6,803)	(7,583)	(5,270)	—	(19,656)
Net book amount	36,350	3,269	13,526	—	53,145
Year ended 31 December 2005					
Opening net book amount	36,350	3,269	13,526	—	53,145
Additions	—	3,411	3,917	—	7,328
Disposals	(11,438)	(1,868)	—	—	(13,306)
Depreciation	(878)	(1,826)	(3,496)	—	(6,200)
Reversal of impairment loss for disposal of assets	—	1,936	—	—	1,936
Closing net book amount	24,034	4,922	13,947	—	42,903
At 31 December 2005					
Cost	28,152	9,148	22,713	—	60,013
Accumulated depreciation	(4,118)	(4,226)	(8,766)	—	(17,110)
Net book amount	24,034	4,922	13,947	—	42,903

7. Property, plant and equipment (continued)

Depreciation was expensed in the following category in the income statement:

	Group		Company	
	2005	2004	2005	2004
Selling and administrative expenses	12,552	9,879	6,200	6,145
Other operating expenses	883	857	—	—
	13,435	10,736	6,200	6,145

8. Investment properties

	Group	
	2005	2004
Beginning of the year	—	—
Additions	149,391	—
Fair value gains (including in other gains) (Note 23 and 31)	143,609	—
End of the year	293,000	—

The investment properties were revalued at 31 December 2005 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their net book values are analysed as follows:

	Group	
	2005	2004
Outside Hong Kong in the PRC, held on:		
Leases of between 40 to 70 years	293,000	—

9. Intangible assets

	Group				Company
	Goodwill	Negative goodwill	Software	Total	Software
At 1 January 2004					
Cost	6,371	(42,508)	—	(36,137)	—
Accumulated amortisation and impairment	(1,210)	29,085	—	27,875	—
Net book amount	5,161	(13,423)	—	(8,262)	—
Year ended 31 December 2004					
Opening net book amount	5,161	(13,423)	—	(8,262)	—
Additions	5,092	(108,262)	—	(103,170)	—
Amortisation expense (Note 24 and 31)	(1,773)	16,160	—	14,387	—
Closing net book amount	8,480	(105,525)	—	(97,045)	—
At 31 December 2004					
Cost	11,463	(150,770)	—	(139,307)	—
Accumulated amortisation and impairment	(2,983)	45,245	—	42,262	—
Net book amount	8,480	(105,525)	—	(97,045)	—
Year ended 31 December 2005					
Opening net book amount, as previously reported as intangible assets	8,480	(105,525)	—	(97,045)	—
Opening adjustment for the adoption of HKFRS 3	—	105,525	—	105,525	—
Opening net book amount, as restated	8,480	—	—	8,480	—
Additions	—	—	1,600	1,600	1,600
Acquisition of subsidiaries (Note 35)	7,887	—	—	7,887	—
Amortisation expense (Note 31)	—	—	(27)	(27)	(27)
Closing net book amount	16,367	—	1,573	17,940	1,573
At 31 December 2005					
Cost	19,350	—	1,600	20,950	1,600
Accumulated amortisation and impairment	(2,983)	—	(27)	(3,010)	(27)
Net book amount	16,367	—	1,573	17,940	1,573

Amortisation of RMB27,000 (2004: Nil) is included in the selling and administrative expenses in the income statement.

10. Investments in subsidiaries

	Company 2005	Company 2004
Investments, at cost:		
Unlisted shares	3,776,629	1,927,332

The following is a list of the principal subsidiaries at 31 December 2005:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operation
Subsidiaries – incorporated in the PRC:						
R&F Properties Group Co., Ltd.	8 July 1994	Limited liability company	RMB120,000,000	90%	10%	Investment holdings in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	Property leasing in the PRC
廣州東圓房地產開發有限公司	29 October 1997	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州吉浩源房地產開發有限公司	3 March 2000	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州富力廣告公司	14 August 2002	Limited liability company	RMB1,010,000	90%	10%	Advertising agency in the PRC
北京富力城房地產開發有限公司 ("Beijing R&F Properties")	24 April 2002	Limited liability company	RMB1,394,781,578	96%	4%	Property development in the PRC
富力(北京)地產開發有限公司 ("R&F (Beijing) Properties")	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	Property development in the PRC

10. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Principal activities and place of operation
				Direct	Indirect	
北京天越門窗製造有限公司	8 August 2003	Limited liability company	RMB2,000,000	—	100%	Manufacture of aluminium frame and sales of construction and decoration materials in the PRC
北京富力天創廣告有限公司	24 October 2002	Limited liability company	RMB1,000,000	—	100%	Advertising agency in the PRC
北京恒富物業管理有限公司	12 December 2002	Limited liability company	RMB5,000,000	—	100%	Property management for self-developed properties in the PRC
北京京城市政工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	—	100%	Construction sub-contracting in the PRC
北京富力歐美園林綠化工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	—	100%	Gardening and virescence construction in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB3,080,000	90%	10%	Residential architecture design in the PRC
廣州天富建設工程監理有限公司	29 December 2001	Limited liability company	RMB3,010,000	—	100%	Construction supervision and consultancy in the PRC
廣州天富房地產開發有限公司	8 July 2002	Sino-foreign joint venture with limited liability	USD21,000,000	85%	—	Property development in the PRC

10. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Principal activities and place of operation
				Direct	Indirect	
深圳鼎力創業投資有限公司	4 August 2003	Limited liability company	RMB100,000,000	90%	10%	Investment holdings in the PRC
廣州恒富擔保有限公司	24 October 2003	Limited liability company	RMB60,000,000	—	100%	Finance and consultancy in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	Property management in the PRC
廣州富有恒盛置業發展有限公司 ("Hengsheng Properties")	9 January 2004	Sino-foreign joint venture with limited liability	USD975,086	100%	—	Development and investment of hotel buildings in the PRC
廣州富力興盛置業發展有限公司 ("Xingsheng Properties")	9 January 2004	Sino-foreign joint venture with limited liability	USD975,086	100%	—	Development and investment of office buildings in the PRC
廣州富力鼎盛置業發展有限公司 ("Dingsheng Properties")	9 January 2004	Sino-foreign joint venture with limited liability	USD975,086	100%	—	Development and investment of hotel buildings in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
北京富力會康體俱樂部有限公司	15 October 2004	Limited liability company	RMB3,000,000	—	100%	Operation of a recreational club in the PRC

10. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Principal activities and place of operation
				Direct	Indirect	
北京華恩房地產開發有限公司	5 September 2000	Limited liability company	RMB30,000,000	52%	48%	Property development in the PRC
深圳奔望實業發展有限公司 ("Shenzhen Ben Wang")	20 May 1997	Limited liability company	RMB6,000,000	—	100%	Investment holding in the PRC
北京地源達房地產開發有限公司 ("Beijing Diyuanda Properties")	7 February 2002	Sino-foreign joint venture with limited liability	USD5,000,000	30%	70%	Property development in the PRC
西安富力房地產開發有限公司	26 September 2005	Limited liability company	RMB200,000,000	50%	50%	Property development in the PRC
西安保德信房地產開發有限公司 ("Xian Baodexin Properties")	8 August 2005	Limited liability company	RMB65,000,000	—	100%	Property development in the PRC
西安濱湖花園房地產開發有限公司 ("Xian Binhu Properties")	8 August 2005	Limited liability company	RMB55,000,000	—	100%	Property development in the PRC
廣州富力億盛房地產開發有限公司	31 August 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力嘉盛房地產開發有限公司	29 September 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力創盛房地產開發有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力智盛房地產開發有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC

10. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Principal activities and place of operation
				Direct	Indirect	
廣州富力超盛房地產開發有限公司	8 December 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
重慶富力城房地產開發有限公司	30 December 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC

11. Interest in jointly controlled entity

The Group has a 50% interest in a jointly controlled entity, Guangzhou Jinding Property Development Co., Ltd. ("Jinding Properties"), a company incorporated in the PRC which engages in property development business. The following amounts represent the Group's 50% share of the results of the jointly controlled entity and are included in the consolidated income statement by equity accounting method:

	Group
	2005
Beginning of the year	63,437
Share of the results (Note 31)	
- Profit before income tax	340,107
- Share of income tax expense	(31,034)
	309,073
End of the year	372,510

	Company	
	2005	2004
Interest in jointly controlled entity	4,000	4,000

12. Available-for-sale financial assets

	Group and Company
	2005
Beginning of the year	89,463
Losses from changes in fair value charged to equity	(4,094)
End of the year	85,369

Available-for-sale financial assets represent the Company's 19.58% equity interest in Guangzhou Securities Co., Ltd., a company established in the PRC principally engaged in securities trading.

13. Trade and other receivables

	Group		Company	
	2005	2004	2005	2004
Trade receivables (Note a)	213,511	70,931	85,440	38,683
Deposits, prepayments and other receivables	598,197	166,682	139,633	95,961
Due from subsidiaries	—	—	377,001	1,284,354
Due from shareholders	—	18,000	—	—
Due from a jointly controlled entity	—	32,922	—	32,922
Due from a related party	1,025	4,120	—	—
	812,733	292,655	602,074	1,451,920
Less: non-current portion	(308,173)	(47,876)	(29,125)	(29,144)
Current portion	504,560	244,779	572,949	1,422,776

All receivable balances were denominated in Renminbi.

All non-current receivables are due within five years from the balance sheet date.

13. Trade and other receivables (continued)

(a) Receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 60 days as specified in the sales and purchase agreements. Purchasers of certain office units are required to settle the outstanding balances within 40 months as specified in the sales and purchase agreements. The ageing analysis of trade receivables at 31 December 2005 is as follows:

	Group		Company	
	2005	2004	2005	2004
0 to 90 days	70,632	18,176	61,740	4,458
91 to 180 days	13,981	9,229	1,494	3,914
181 to 365 days	100,258	22,438	1,090	10,837
1 year to 2 years	15,215	12,787	8,472	11,191
Over 2 years	13,425	8,301	12,644	8,283
	213,511	70,931	85,440	38,683

The fair values of trade and other receivables are as follows:

	Group		Company	
	2005	2004	2005	2004
Trade receivables	211,374	69,506	83,730	37,338
Deposits, prepayments and other receivables	591,870	162,370	138,836	95,382
Due from subsidiaries	—	—	377,001	1,284,354
Due form shareholders	—	18,000	—	—
Due from a jointly controlled entity	—	32,922	—	32,922
Dur from a related party	1,025	4,120	—	—
	804,269	286,918	599,567	1,449,996

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.58% (2004: 5.58%).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, nationally dispersed.

14. Properties under development

	Group		Company	
	2005	2004	2005	2004
Development costs	5,142,403	4,113,087	1,330,250	945,368
Finance costs capitalised	95,209	30,549	51,208	5,799
	5,237,612	4,143,636	1,381,458	951,167

15. Cash and cash equivalents

As at 31 December 2005, almost all cash and cash equivalents were denominated in RMB and deposited with banks in the PRC, the conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

	Group		Company	
	2005	2004	2005	2004
Cash at bank and in hand	1,818,418	1,043,708	646,877	580,359
Short-term bank deposits	374,688	—	374,688	—
	2,193,106	1,043,708	1,021,565	580,359

The effective interest rate on short-term bank deposits was 3.9% (2004: Nil); these deposits have an average maturity of 75 days.

	Group		Company	
	2005	2004	2005	2004
Denominated in:				
– RMB	1,781,920	1,037,597	627,557	580,359
– US Dollars	17,178	6,111	—	—
– HK Dollars	394,008	—	394,008	—
	2,193,106	1,043,708	1,021,565	580,359

16. Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 1 January 2004				
– domestic shares	551,777	—	—	551,777
At 31 December 2004				
– domestic shares	551,777	551,777	—	551,777
– net proceeds from H shares issued	211,515	211,515	2,068,061	2,279,576
At 31 December 2005	763,292	763,292	2,068,061	2,831,353

As of January 1, 2004, the registered, issued and fully paid capital of the Company were RMB551,777,236, comprising 551,777,236 domestic shares of par value of RMB1 per share.

On 14 July 2005, the registered, issued and fully paid capital of the Company were all increased to RMB735,703,036 by the issuance of an additional 183,925,800 new H shares of RMB1 each to the public upon the global offering.

On 8 August 2005, the registered, issued and fully paid capital of the Company were increased to RMB763,291,836 by the issuance of an additional 27,588,800 new H shares of RMB1 each to the public upon the exercise of the over-allotment option.

The net proceeds to the Company from the global offering and over-allotment amounted to approximately RMB2,280 million.

Subsequent to the completion of global offering and over-allotment, the registered, issued and fully paid share capital of the Company has been increased to RMB763,291,836, divided into 763,291,836 shares of RMB1 each, comprising 551,777,236 domestic shares and 211,515,000 H shares.

17. Other reserves

	Share premium	Share issuance costs	Available-for-sale financial assets	Statutory reserve fund	Statutory public benefit fund	Total
a) **Group**						
Balance at 1 January 2004, as previously reported	—	—	—	117,001	58,501	175,502
Transfer from retained earnings	—	—	—	61,360	30,680	92,040
Balance at 31 December 2004	—	—	—	178,361	89,181	267,542
Balance at 1 January 2005, as per above	—	—	—	178,361	89,181	267,542
Share premium	2,212,427	—	—	—	—	2,212,427
Share issuance costs	—	(144,366)	—	—	—	(144,366)
Set off share issuance costs against share premium	(144,366)	144,366	—	—	—	—
Fair value loss of available-for-sale financial assets, net of tax	—	—	(2,744)	—	—	(2,744)
Transfer from retained earnings	—	—	—	88,501	44,250	132,751
Balance at 31 December 2005	2,068,061	—	(2,744)	266,862	133,431	2,465,610

17. Other reserves (continued)

	Share premium	Share issuance costs	Available-for-sale financial assets	Statutory reserve fund	Statutory public benefit fund	Total
b) **Company**						
Balance at 1 January 2004,						
as previously reported	—	—	—	90,900	45,450	136,350
Transfer from retained earnings	—	—	—	57,773	28,887	86,660
Balance at 31 December 2004	—	—	—	148,673	74,337	223,010
Balance at 1 January 2005, as per above	—	—	—	148,673	74,337	223,010
Share premium	2,212,427	—	—	—	—	2,212,427
Share issuance costs	—	(144,366)	—	—	—	(144,366)
Set off share issuance costs						
against share premium	(144,366)	144,366	—	—	—	—
Fair value loss of available-for-sale						
financial assets, net of tax	—	—	(2,744)	—	—	(2,744)
Transfer from retained earnings	—	—	—	118,189	59,094	177,283
Balance at 31 December 2005	2,068,061	—	(2,744)	266,862	133,431	2,465,610

Note:

(i) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries shall set aside 10% of their net profit as reported in their statutory accounts for the statutory reserve fund until the balance of such fund has reached 50% of its registered capital.

(ii) According to the Articles of Association of the respective subsidiaries, a minimum of 5% statutory public benefit fund should also be set aside and be used for the collective benefits and facilities of the employees of the respective companies.

(iii) These funds form part of the shareholders' funds and are not distributable other than on liquidation. The transfer to these funds must be made before distribution of dividends to shareholders of the respective companies.

(iv) For dividend purposes, the amount which the Company, its subsidiaries and its jointly controlled entity can legally distribute is by way of a dividend by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with generally accepted accounting principles in the PRC. These profits differ from those reflected in this report, which are prepared in accordance with HKFRS.

(v) Share premium can be utilised for increasing paid-up capital as approved by the Directors.

18. Long-term loan receivable due within one year

Long-term loan receivable balance was an entrusted loan advanced to an independent third party and was guaranteed by a bank in the PRC. The amount was repaid in July 2005.

19. Accruals and other payables

	Group		Company	
	2005	2004	2005	2004
Amounts due to subsidiaries (Note a)	—	—	848,856	1,100,411
Amounts due to a jointly controlled entity (Note a)	465,348	—	141,648	—
Amounts due to related parties(Note a)	—	1,000	—	—
Amounts due to minority shareholders of subsidiaries	—	28,000	—	—
Amounts due to shareholders (Note 36 (vi))	37,648	—	9,276	—
Construction payables (b)	1,931,797	1,632,384	725,485	509,985
Other payables and accrued charges	1,071,671	1,293,203	407,833	403,502
	3,506,464	2,954,587	2,133,098	2,013,898

All payable and accrual balances were denominated in Renminbi.

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.

20. Bank loans

	Group		Company	
	2005	2004	2005	2004
Short-term bank loans – unsecured	835,000	1,000,000	600,000	500,000
Long-term bank loans				
- Secured	—	180,000	—	—
- Unsecured	2,440,000	2,244,000	1,640,000	1,804,000
	2,440,000	2,424,000	1,640,000	1,804,000
Less: Current portion of long-term bank loans	(670,000)	(1,214,000)	(270,000)	(894,000)
	1,770,000	1,210,000	1,370,000	910,000

Bank loans totaling RMB 180,000,000 were secured by a property held for sale of the Group with net book value of RMB 36,094,000 in 2004. The loan balance was repaid in 2005.

The unsecured borrowings are supported by guarantees. Details are as follows:

	Group		Company	
	2005	2004	2005	2004
Guarantors				
The Company	1,035,000	940,000	—	—
Subsidiaries	1,870,000	640,000	1,870,000	640,000
A third party together with Li Sze Lim and Zhang Li	70,000	220,000	70,000	220,000
Subsidiaries together with Li Sze Lim and Zhang Li	—	400,000	—	400,000
A third party	300,000	544,000	300,000	544,000
Subsidiaries together with a third party	—	500,000	—	500,000
	3,275,000	3,244,000	2,240,000	2,304,000

20. Bank loans (continued)

The maturity of bank loans is as follows:

	Group		Company	
	2005	2004	2005	2004
Within one year	1,505,000	2,214,000	870,000	1,394,000
Between one and two years	1,310,000	570,000	910,000	270,000
Between two and five years	460,000	640,000	460,000	640,000
Wholly repayable within five years	3,275,000	3,424,000	2,240,000	2,304,000

The carrying amounts of all borrowings are denominated in RMB and interests are charged based on floating rates on outstanding principals.

The effective interest rates at the balance sheet date were as follows:

	2005	2004
RMB bank borrowings – floating rates	5.58%	5.58%

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2005	2004	2005	2004
Bank borrowings	1,770,000	1,210,000	1,770,000	1,210,000

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.58% (2004: 5.58%).

The carrying amounts of short-term borrowings approximate their fair value.

21. Tax prepayment

Tax prepayment amounts are as follows:

	Group		Company	
	2005	2004	2005	2004
Enterprise income tax prepayment	193,696	29,847	38,504	23,475
Land appreciation tax prepayment	9,087	2,333	4,023	2,341
Business tax prepayment	200,327	153,602	30,302	39,256
Other tax prepayment	858	750	635	577
	403,968	186,532	73,464	65,649

22. Deferred income tax

There were no offsetting of deferred income tax assets and liabilities in 2004 and 2005.

	Group		Company	
	2005	2004	2005	2004
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	20,422	9,982	1,350	—
– Deferred tax assets to be recovered within 12 months	30,389	—	—	—
	50,811	9,982	1,350	—

22. Deferred income tax (continued)

	Group		Company	
	2005	2004	2005	2004
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	(156,398)	(84,196)	—	—
– Deferred tax liabilities to be recovered within 12 months	(241,321)	(302,172)	(6,133)	(2,256)
	(397,719)	(386,368)	(6,133)	(2,256)

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2005	2004	2005	2004
Beginning of the year	(376,386)	23,375	(2,256)	(4,237)
Acquisition of subsidiaries (Note 35)	(10,802)	(435,371)	—	—
Disposal of a subsidiary (Note 35)	(1,715)	—	—	—
Tax charged to equity	1,350	—	1,350	—
Taxation on fair value gains on investment properties (Note 27)	(47,391)	—	—	—
Recognised in the income statement (Note 27)	88,036	35,610	(3,877)	1,981
End of the year	(346,908)	(376,386)	(4,783)	(2,256)

22. Deferred income tax (continued)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax liabilities:

	Group	Company
At 1 January 2004	10,154	4,237
Acquisition of subsidiaries	435,371	—
Recognised in the income statement	(59,157)	(1,981)
At 31 December 2004	386,368	2,256
Acquisition of a subsidiary	14,554	—
Taxation on fair value gains on investment properties	47,391	—
Recognised in the income statement	(50,594)	3,877
At 31 December 2005	397,719	6,133

Deferred tax assets:

	Group	Company
At 1 January 2004	33,529	—
Recognised in the income statement	(23,547)	—
At 31 December 2004	9,982	—
Acquisition of a subsidiary	3,752	—
Disposal of a subsidiary (Note 35)	(1,715)	—
Tax charged to equity	1,350	1,350
Recognised in the income statement	37,442	—
At 31 December 2005	50,811	1,350

23. Other revenues and other gains

	2005	2004
Other revenues:		
Interest income (Note 31)	20,200	18,897
Rental income	43,385	20,950
Compensation received from government	—	8,220
Others	1,507	—
	65,092	48,067
Other gains:		
Negative goodwill recognised (Note 31 and 35)	21,934	—
Gain on disposal of a subsidiary (Note 31 and 35)	8,011	—
Fair value gains on investment properties (Note 8)	143,609	—
	173,554	—

24. Operating profit

Income or expenses included in cost of sales, other revenues, other gains, selling and administrative expenses and other operating (expenses)/income are analysed as follows:

	2005	2004
Crediting:		
Negative goodwill recognised (included in other gains)/		
Amortisation of negative goodwill		
(included in other operating expenses)	21,934	16,160
Charging:		
Amortisation of goodwill (included in other operating expenses)	—	1,773
Depreciation	13,435	10,736
Loss on sale of property, plant and equipment (Note 31)	2,966	—
Auditors' remuneration	3,129	543
Bad debts written off	—	2,500
Provision for doubtful debts	3,837	7,704
Impairment/(Reversal of impairment)		
(included in other operating expenses):		
- Long-term investment	—	1,247
- Property, plant and equipment	(1,936)	—
Advertising cost	102,448	71,856

25. Employee benefit expense

	2005	2004
Wages and salaries	117,708	36,256
Retirement scheme contributions	5,404	2,500
Medical insurance	2,100	598
Welfare and other expenses	18,900	8,717
	144,112	48,071

(a) Retirement schemes

The Company and its subsidiaries in the PRC participate in defined contribution retirement schemes organised by the respective local Labour and Social Security Bureau for its employees. The Company and its subsidiaries' contributions to the schemes are provided at rates ranging from 12% to 20% on the average basic salary as specified by the respective provinces where the Company and its subsidiaries are located.

(b) Medical insurance schemes

The Company and its subsidiaries in the PRC participate in defined contribution medical insurance schemes organised by the respective municipal governments. The Company and its subsidiaries' contributions to the schemes are provided at rates ranging from 8% to 10% on the average basic salary as specified by the respective provinces where the Company and its subsidiaries are located.

25. Employee benefit expense (continued)

(c) Housing funds

The Company and its subsidiaries in the PRC are obligated to make contributions to defined contribution schemes for the housing benefits of their employees. The Group's obligation for provision of housing benefit contributions is calculated at a rate of approximately 8% based on the average basic salary of the employees. The provision of housing benefit contributions has been included in welfare and other expenses.

The Group has no other obligations for the payments of retirement and other post retirement benefits of employees other than the payments disclosed above.

(d) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director		Salary	Other benefits (i)	Total
Director	Mr. Li Sze Lim	1,430	338	1,768
	Mr. Zhang Li	1,430	336	1,766
	Mr. Lu Jing	1,234	274	1,508
	Mr. Zhou Yaonan	1,195	236	1,431
	Ms. Zhang Lin (ii)	145	—	145
	Ms. Helen Li (iii)	145	—	145
	Mr. Huang Kaiwen (iii)	180	—	180
	Mr. Dai Feng (iii)	180	—	180
	Mr. Ming Joseph Lai (iii)	116	—	116

25. Employee benefit expense (continued)

(d) Directors' and senior management's emoluments (continued)

The remuneration of every Director for the year ended 31 December 2004 is set out below:

Name of Director		Salary	Other benefits (i)	Total
Director	Mr. Li Sze Lim	260	1,033	1,293
	Mr. Zhang Li	260	282	542
	Mr. Lu Jing	384	274	658
	Mr. Zhou Yaonan	330	236	566

Notes:

(i) Other benefits mainly include transportation expenses.

(ii) Appointed on 5 June 2004.

(iii) Appointed on 31 May 2005.

(iv) No directors of the Company waived or agreed to waive any remuneration during the year ended 31 December 2005 (2004: Nil).

(e) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2004: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2004: one) individuals during the year are as follows:

	2005	2004
Basic salaries, housing allowances and other allowances and benefits in kind	2,341	476
Bonuses	—	—
Compensation for loss of office:		
- contractual payments	—	—
	2,341	476

25. Employee benefit expense (continued)

(e) Five highest paid individuals (continued)

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2005	2004
Emoluments bands		
Nil to RMB 1,000,000	—	1
RMB 2,000,001 to RMB 2,500,000	1	—

26. Finance costs

	2005	2004
Interest on bank loans	189,707	170,971
Less: Amount capitalised in properties		
under development	(150,240)	(112,395)
	39,467	58,576

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 5.45% per annum for the year ended 31 December 2005 (2004: 5.17%).

27. Income tax expense

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2004: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2004, the applicable income tax rate for the Company and certain of its subsidiaries was 2.97% based on turnover throughout the year. Such tax treatment was regulated by the "Periodic Tax Payment Notification" issued by the local tax bureau in Guangzhou and this treatment was primarily applicable for projects commenced prior to 2005. The applicable income tax rate for the jointly controlled entity was 3.3% based on turnover throughout the year. The other companies of the Group were subject to the applicable income tax rate of 33% based on taxable profit.

For the year ended 31 December 2005, other than profits generated from the projects commenced prior to 2005 and the profit from jointly controlled entity which were subject to the aforementioned preferential tax rates applicable in 2004, the applicable income tax rate for the Group was 33% based on taxable profit.

	2005	2004
Current income tax		
- PRC enterprise income tax	395,862	201,271
Taxation on fair value gains on investment properties (Note 22)	47,391	—
Deferred income tax (Note 22)	(88,036)	(35,610)
Share of taxation attributable to:		
- Jointly controlled entity	—	6,729
	355,217	172,390

27. Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005	2004
Profit before income tax	1,620,901	713,407
Less: Share of results of jointly controlled entity, net of tax (Note 11)	(309,073)	—
	1,311,828	713,407
Calculated at a tax rate of 33%	432,903	235,424
Effect of different income tax regime of certain companies	(83,654)	(67,596)
Expenses not deductible for taxation purposes	14,000	9,310
Income not subject to tax	(8,032)	(4,748)
Tax expense (Note 31)	355,217	172,390

28. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 427,531,000 (2004: RMB 458,788,000).

29. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (Note 16).

	2005	2004
Profit attributable to equity holders of the Company	1,263,778	544,558
Weighted average number of ordinary shares in issue (thousands)	648,721	551,777
Earnings per share (RMB per share)	1.9481	0.9869

Diluted earnings per share is not presented as the Group has no dilutive potential shares in both 2005 and 2004.

30. Dividends

	2005	2004
Proposed final dividends of RMB0.66 (2004: RMB0.6887) per ordinary share	503,773	380,000

Pursuant to a board resolution on 15 May 2005, directors of the Company approved the 2004 annual profit appropriation plan on the payment of a final dividend of RMB380,000,000 to the holders of domestic shares, which has been reflected as an appropriation of retained earnings for the year ended 31 December 2005.

A dividend in respect of 2005 of RMB0.66 per share, amounting to a total dividend of RMB503,773,000 is to be proposed at the Annual General Meeting on 16 May 2006. These financial statements do not reflect this dividend payable.

31. Cash generated from operations

	2005	2004
Profit for the year	1,265,684	541,017
Adjustments for:		
Tax (Note 27)	355,217	172,390
Interest income (Note 23)	(20,200)	(18,897)
Interest expense (Note 26)	39,467	58,576
Depreciation (Note 24)	13,435	10,736
Amortisation of software (Note 9)	27	—
Reversal of impairment of property, plant and equipment (Note 24)	(1,936)	—
Impairment loss on long term investment (Note 24)	—	1,247
Loss on sale of property, plant and equipment (Note 24)	2,966	—
Provision for doubtful debts (Note 24)	3,837	7,704
Amortisation of negative goodwill/goodwill (Note 9, 23 and 24)	(21,934)	(14,387)
Gain on disposal of a subsidiary (Note 23 and 35)	(8,011)	—
Fair value gains on investment properties (Note 8)	(143,609)	—
Share of results of jointly controlled entity (Note 11)	(309,073)	(65,166)
Amortisation of land use rights	17,688	—
Operating profit before changes in working capital	1,193,558	693,220
Changes in working capital:		
Land use rights, properties held for/under development and completed properties held for sale	(2,352,439)	(2,551,118)
Trade receivables	(142,580)	15,886
Other receivables, deposits and prepayments	(560,369)	265,857
Deposits received on sale of properties	1,106,515	1,386,393
Accruals and other payables	576,963	597,500
Business tax prepayments	(46,725)	(81,496)
Business tax payable	4,632	36,410
Net cash (used in)/generated from operations	(220,445)	362,652

31. Cash generated from operations (continued)

In the cashflow statement, proceeds for sales of property, plant and equipment comprised:

	2005	2004
Net book amount (Note 7)	14,426	—
Loss on sale of property, plant and equipment (Note 24)	(2,966)	—
Proceeds from sale of property, plant and equipment	11,460	—

Non-cash transactions

The Group sold certain property units for settlements of construction cost payables amounting to RMB24 million for the year ended 31 December 2005 (2004: Nil).

32. Contingencies

	As at 31 December		As at 31 December	
	Group		Company	
	2005	2004	2005	2004
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	4,778,089	4,433,292	2,037,951	2,436,856
Guarantees given to banks for bank loans of				
- a third party	380,000	425,000	380,000	425,000
- subsidiaries	—	—	1,035,000	1,120,000
	5,158,089	4,858,292	3,452,951	3,981,856

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon (i) issuance of the real estate ownership certificate which will generally be available within an average period of 25 months upon the completion of guarantee registration; (ii) completion of mortgage registration and (iii) issuance of the real estate miscellaneous right certificate relating to the relevant property.

33. Commitments

(a) Capital commitments for properties under/held for development

	As at 31 December	
	2005	2004
Authorised but not contracted for	10,254,710	12,308,407
Contracted but not provided for	6,358,340	6,466,044
	16,613,050	18,774,451

(b) Lease commitments for operating leases

At 31 December 2005, the Group had future aggregate minimum lease expense under non-cancellable operating leases as follows:

Land and buildings

	As at 31 December	
	2005	2004
Not later than one year	12,119	2,035
Later than one year and not later than five years	2,232	805
Over five years	1,704	1,831
	16,055	4,671

33. Commitments (continued)

(c) Other commitments:

During the year ended 31 December 2005, the Group entered into certain sale and purchase agreements to acquire equity interests in a number of companies established in the PRC for the purposes of acquiring land use rights in different locations. Payment obligations of the Group were established when the other contracting parties fulfill different stages of contractual obligations as specified in the contracts. The total commitments as of 31 December 2005 were as follows:

	As at 31 December	
	2005	2004
Contracted but not provided for	1,040,000	—

34. Future minimum rental payments receivable

At 31 December 2005, the Group had future aggregate minimum lease rental payments receivable under non-cancellable operating leases as follows:

	As at 31 December		As at 31 December	
	Group		Company	
	2005	2004	2005	2004
Not later than one year	55,352	47,325	26,258	26,797
Later than one year and not later than five years	155,666	109,493	35,366	26,699
Over five years	425,058	340,263	13,024	3,506
	636,076	497,081	74,648	57,002

35. Business combinations

(i) On 23 March 2005, two subsidiaries of the Group acquired the entire equity interest in Shenzhen Ben Wang, for an aggregate consideration of RMB6,000,000. Shenzhen Ben Wang is an investment holding company, the principal subsidiary of which is Beijing Diyuanda Properties.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
Total purchase consideration	6,000
Fair value of net liabilities acquired – shown as below	(1,887)
Goodwill (Note 9)	7,887

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Properties held for development	51,030	51,030
Accruals and other payables	(51,030)	(51,030)
Minority interests	(1,887)	(1,887)
Net liabilities acquired	(1,887)	(1,887)
Purchase consideration settled in cash		6,000
Cash and cash equivalents in subsidiary disposed		—
Cash outflow on acquisition		6,000

35. Business combinations (continued)

(ii) On 3 August 2005, the Group sold 65% equity interest in Shenyang Yilong Housing Development Co. Ltd.("Shenyang Yilong"), for an aggregate consideration of RMB19,098,000. Shenyang Yilong is a property development company.

Details of net assets disposed are as follows:

Disposal consideration	19,098
Net assets disposed – shown as below	11,087
Gain on disposal of a subsidiary (Note 23 and 31)	8,011

Details of the disposed assets and liabilities are as follows:

Property, plant and equipment (Note 7)	1,476
Properties held for development	117,201
Deferred income tax assets (Note 22)	1,715
Trade and other receivables	5,558
Cash and cash equivalents	272
Accruals and other payables	(109,695)
Minority interests	(5,440)
Net assets disposed	11,087
Disposal consideration received in cash	3,867
Cash and cash equivalents in subsidiary disposed	(272)
Cash inflow on disposal	3,595

35. Business combinations (continued)

(iii) On 28 September 2005, the Group acquired the entire equity interest in Xian Baodexin Properties and Xian Binhu Properties for an aggregate consideration of RMB436,214,000. The two companies are both property development companies.

Details of net assets acquired and negative goodwill are as follows:

Purchase consideration:	
Total purchase consideration	436,214
Fair value of net assets acquired – shown as below	458,148
Negative goodwill (Note 23)	(21,934)

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Land use rights (Note 6)	468,950	436,214
Net deferred tax liabilities (Note 22)	(10,802)	—
Net assets acquired	458,148	436,214
Purchase consideration settled in cash		250,000
Cash and cash equivalents in subsidiary acquired		—
Cash outflow on acquisition		250,000

36. Significant related-party transactions

The Group was controlled by Li Sze Lim and Zhang Li (both are national of the PRC), who previously owned 48.44% and 48.44% of the Company's shares, respectively. The remaining 3.12% of the shares were held by three other individuals. Subsequent to the listing of the shares of the Company on 14 July 2005 and the exercise of the over-allotment option on 8 August 2005, the interests held by Li Sze Lim and Zhang Li became 35.02% and 35.02% respectively.

The following transactions were carried out with related parties:

i) Commitments and contingencies

Guarantees for the bank loans are given by Li Sze Lim and Zhang Li, details of which are set out in Note 20 above.

ii) Acquisition of economic benefits

On 27 June 2005, the Group entered into an agreement with Li Sze Lim and Zhang Li pursuant to which the Group agreed to procure the economic benefits deriving from 25% equity interests in Hengsheng Properties, Dingsheng Properties, Xingsheng Properties and 27% equity interests in Beijing Diyuanda Properties, respectively, from four companies held by Li Sze Lim and Zhang Li. The Group paid approximately RMB10,813,000 and will pay approximately RMB37,648,000 to Li Sze Lim and Zhang Li, which amount represents the investment made by Li Sze Lim and Zhang Li in these companies.

iii) Provision of restaurant services

	2005	2004
Guangzhou Fuligong Restaurant Co., Ltd	7,268	8,000

iv) Lease of properties

	2005	2004
Beijing Fushengli Investment Consulting Co., Ltd.	7,475	—

36. Significant related-party transactions (continued)

v) Key management compensation

	2005	2004
Salaries and welfare benefits	8,814	3,535

vi) Balances with related parties

As at 31 December 2005, the Group had the following significant non-trade balances with related parties:

	2005	2004
Due from:		
Beijing Fushengli Investment Consulting Co., Ltd.	1,025	—
Li Sze Lim and Zhang Li	—	18,000
Jinding Properties	—	32,922
Guangzhou Canton-rich Environmental Inc.	—	4,120
	1,025	55,042
Due to:		
Guangzhou Fuligong Restaurant Co. Ltd.	—	1,000
Shanghai Xinyu Watches Holdings Co. Ltd. (*)	—	20,000
Liangning Sanxiang Trading Co. Ltd. (*)	—	8,000
Li Sze Lim and Zhang Li	37,648	—
	37,648	29,000

(*) These companies are minority shareholders of the Group.

	Maximum amount outstanding for the year ended 31 December 2005
Due to:	
Li Sze Lim and Zhang Li	48,461

37. Events after the balance sheet date

(i) Pursuant to an agreement entered into between the Company and a third party on 14 December, 2005, the Company acquired the remaining 50% equity interest in Jinding Properties primarily for taking up the entire interest in a commercial property development project at a total consideration of RMB390,000,000. Control of the commercial property development project was transferred to the Company in January 2006. Following the completion of acquisition, Jinding Properties became a wholly owned subsidiary of the Group in 2006.

(ii) Pursuant to an agreement entered into between Beijing R&F Properties, R&F (Beijing) Properties and three third parties on 29 December 2005, the Group acquired the entire equity interest in Beijing Honggao Property Development Co., Ltd. for an aggregate consideration of RMB780,000,000. This company is principally engaged in property development business. The acquisition is in process and control of Beijing Honggao Property Development Co., Ltd had not been transferred to the Group as at 31 December 2005. Following the completion of acquisition, Beijing Honggao Property Development Co., Ltd. became a wholly owned subsidiary of the Group in 2006.

(iii) In accordance with an agreement dated 13 January 2006, R&F (Beijing) Properties acquired 75% equity interest in Beijing Longxishunjing Property Development Co., Ltd. primarily for taking up the entire interest in a property development project at a total consideration of RMB528,380,000. Following the completion of acquisition, Beijing Longxishunjing Property Development Co., Ltd. became a wholly owned subsidiary of the Group in 2006.