Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
ASSETS	Note	**2006**	2005
Non-current assets			
Land use rights	6	**8,098,580**	2,677,801
Properties held for development		**1,960,679**	1,879,149
Property, plant and equipment	7	**1,311,101**	90,409
Investment properties	8	**926,153**	293,000
Intangible assets	9	**50,620**	17,940
Interest in jointly controlled entity	11	**—**	372,510
Deferred income tax assets	22	**201,187**	50,811
Available-for-sale financial assets	12	**144,762**	85,369
Trade and other receivables	13	**181,530**	308,173
		12,874,612	5,775,162
Current assets			
Properties under development	14	**5,877,845**	5,237,612
Completed properties held for sale		**1,788,546**	988,403
Land use rights	6	**2,579,891**	2,173,985
Trade and other receivables	13	**1,023,225**	504,560
Tax prepayments	21	**438,302**	403,968
Restricted cash	16	**602,412**	614,249
Cash and cash equivalents	15	**1,415,926**	1,578,857
		13,726,147	11,501,634
Total assets		**26,600,759**	17,276,796
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**805,592**	763,292
Other reserves	18	**4,092,217**	2,465,610
Retained earnings			
– Proposed final dividend	30	**644,473**	503,773
– Others		**2,704,370**	1,536,064
		8,246,652	5,268,739
Minority interest		**280,848**	40,173
Total equity		**8,527,500**	5,308,912

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
LIABILITIES	Note	**2006**	2005
Non-current liabilities			
Long-term bank loans	20	**4,508,000**	1,770,000
Long-term payables		**—**	86,214
Deferred income tax liabilities	22	**479,258**	397,719
		4,987,258	2,253,933
Current liabilities			
Accruals and other payables	19	**4,405,072**	3,506,464
Deposits received on sale of properties		**4,250,725**	4,089,236
Current income tax liabilities		**1,022,470**	613,251
Short-term bank loans	20	**1,914,734**	835,000
Current portion of long-term bank loans	20	**1,493,000**	670,000
		13,086,001	9,713,951
Total liabilities		**18,073,259**	11,967,884
Total equity and liabilities		**26,600,759**	17,276,796
Net current assets		**640,146**	1,787,683
Total assets less current liabilities		**13,514,758**	7,562,845

Li Sze Lim	**Zhang Li**
Director	Director

The notes on pages 81 to 145 are an integral part of these consolidated financial statements.

Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

ASSETS	Note	As at 31 December 2006	2005
Non-current assets			
Land use rights	6	**1,079,911**	781,940
Properties held for development		**417,768**	529,731
Property, plant and equipment	7	**43,303**	42,903
Investment properties	8	**189,295**	—
Intangible assets	9	**1,413**	1,573
Investments in subsidiaries	10	**5,469,150**	3,776,629
Interest in jointly controlled entity	11	**—**	4,000
Deferred income tax assets	22	**50,191**	1,350
Available-for-sale financial assets	12	**144,762**	85,369
Trade and other receivables	13	**39,468**	29,125
		7,435,261	5,252,620
Current assets			
Properties under development	14	**1,118,951**	1,381,458
Completed properties held for sale		**639,263**	427,192
Land use rights	6	**442,191**	584,160
Trade and other receivables	13	**4,518,194**	572,949
Tax prepayments	21	**99,047**	73,464
Restricted cash	16	**387,748**	323,792
Cash and cash equivalents	15	**513,716**	697,773
		7,719,110	4,060,788
Total assets		**15,154,371**	9,313,408
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**805,592**	763,292
Other reserves	18	**4,092,217**	2,465,610
Retained earnings			
– Proposed final dividend	30	**644,473**	503,773
– Others		**283,764**	337,213
Total equity		**5,826,046**	4,069,888

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
LIABILITIES	Note	**2006**	2005
Non-current liabilities			
Long-term bank loans	20	**1,958,000**	1,370,000
Deferred income tax liabilities	22	**96,273**	6,133
		2,054,273	1,376,133
Current liabilities			
Accruals and other payables	19	**4,463,349**	2,133,098
Deposits received on sale of properties		**1,081,325**	777,880
Current income tax liabilities		**331,378**	86,409
Short-term bank loans	20	**500,000**	600,000
Current portion of long-term bank loans	20	**898,000**	270,000
		7,274,052	3,867,387
Total liabilities		**9,328,325**	5,243,520
Total equity and liabilities		**15,154,371**	9,313,408
Net current assets		**445,058**	193,401
Total assets less current liabilities		**7,880,319**	5,446,021

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 81 to 145 are an integral part of these financial statements.

Consolidated Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	2006	2005
		Year ended 31 December	
Turnover	5	**10,186,765**	5,855,764
Cost of sales		**(6,940,418)**	(4,316,978)
Gross profit		**3,246,347**	1,538,786
Other gains	23	**381,969**	195,261
Selling and administrative expenses		**(430,620)**	(360,486)
Other operating expenses		**(15,636)**	(22,266)
Operating profit		**3,182,060**	1,351,295
Finance costs	26	**(49,741)**	(39,467)
Share of profits of jointly controlled entity		**—**	309,073
Profit before income tax		**3,132,319**	1,620,901
Income tax expense	27	**(987,235)**	(355,217)
Profit for the year		**2,145,084**	1,265,684
Attributable to:			
Equity holders of the Company		**2,135,016**	1,263,778
Minority interest		**10,068**	1,906
		2,145,084	1,265,684
			Restated
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share)	29	**0.6899**	0.4870
Dividends	30	**966,710**	503,773
Dividends per share (expressed in RMB Yuan per share)		**0.3000**	0.1650

The notes on pages 81 to 145 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2005		551,777	267,542	1,288,810	2,108,129	53,535	2,161,664
Fair value loss, net of tax:							
– available-for-sale financial assets		—	(2,744)	—	(2,744)	—	(2,744)
Issuance of H shares		211,515	—	—	211,515	—	211,515
Share premium		—	2,068,061	—	2,068,061	—	2,068,061
Transfer from retained earnings		—	132,751	(132,751)	—	—	—
Acquisition of subsidiaries		—	—	—	—	1,887	1,887
Capital contributions from minority shareholders		—	—	—	—	10,315	10,315
Reduction of minority interest resulting from disposal of a subsidiary		—	—	—	—	(5,440)	(5,440)
Reduction of minority interest resulting from acquisition of additional interests in subsidiaries		—	—	—	—	(22,030)	(22,030)
Profit for the year		—	—	1,263,778	1,263,778	1,906	1,265,684
Dividend relating to 2004		—	—	(380,000)	(380,000)	—	(380,000)
Balance at 31 December 2005		763,292	2,465,610	2,039,837	5,268,739	40,173	5,308,912
Balance at 1 January 2006		763,292	2,465,610	2,039,837	5,268,739	40,173	5,308,912
Fair value gain, net of tax:							
– available-for-sale financial assets		—	58,043	—	58,043	—	58,043
Issuance of H shares	17	42,300	—	—	42,300	—	42,300
Share premium	17	—	1,568,564	—	1,568,564	—	1,568,564
Acquisition of a subsidiary		—	—	—	—	230,107	230,107
Profit for the year		—	—	2,135,016	2,135,016	10,068	2,145,084
Dividend relating to 2005 and 2006 interim	30	—	—	(826,010)	(826,010)	—	(826,010)
Capital contributions from minority shareholder		—	—	—	—	500	500
Balance at 31 December 2006		805,592	4,092,217	3,348,843	8,246,652	280,848	8,527,500

The notes on pages 81 to 145 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2006	2005
Cash flows from operating activities			
Cash used in operations	31	**(2,286,844)**	(455,775)
Interest paid	26	**(323,214)**	(189,707)
PRC income tax paid		**(842,579)**	(99,404)
Net cash used in operating activities		**(3,452,637)**	(744,886)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	35	**(1,564,425)**	(256,000)
Acquisition of additional interests in subsidiaries		**—**	(4,000)
Disposal of a subsidiary, net of cash disposed		**—**	3,595
Purchase of property, plant and equipment	7	**(580,638)**	(32,779)
Proceeds from sale of property, plant and equipment	31	**7,042**	11,460
Purchase of intangible assets	9	**—**	(1,600)
Decrease in long-term loan receivable		**—**	150,000
Interest received	23	**39,287**	20,200
Net cash used in investing activities		**(2,098,734)**	(109,124)
Cash flows from financing activities			
Proceeds from issuance of H shares	17	**1,610,864**	2,279,576
Proceeds from borrowings		**6,300,734**	2,085,000
Repayments of borrowings		**(1,660,000)**	(2,234,000)
Movement in balances with shareholders	36	**(37,648)**	7,187
Contributions from minority shareholders		**500**	10,315
Dividends paid to Company's shareholders	30	**(826,010)**	(380,000)
Net cash generated from financing activities		**5,388,440**	1,768,078
Net (decrease)/increase in cash and cash equivalents		**(162,931)**	914,068
Cash and cash equivalents at beginning of year	15	**1,578,857**	664,789
Cash and cash equivalents at end of the year	15	**1,415,926**	1,578,857

The notes on pages 81 to 145 are an integral part of these 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 the 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 share of the Company were listed on The Main Board of Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July 2005. As detailed in Note 17, the Company has subdivided the shares and underwrited various placements.

These consolidated financial statements are presented in thousands of units of RMB Yuan (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2007.

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 both 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, financial assets, financial liabilities and investment properties, which are carried at fair values.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Standards and amendments effective in 2006 and relevant for the Group's operations

Amendment to HKAS 39 and HKFRS 4, "Financial guarantee contracts" (the "Amendments"), effective for annual periods beginning on or after 1 January 2006. In prior years, financial guarantees issued by the Group or the Company were only disclosed as contingent liabilities and no provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon. Upon the adoption of the Amendments, financial guarantees are accounted for as financial liabilities under HKAS 39 "Financial Instruments: Recognition and Measurement" and measured initially at fair value and subsequently stated at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount of the provision, if any, that should be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The directors considered that the fair value of the financial guarantee contracts at date of inceptions was minimal.

(b) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 Amendment – New Investment in a Foreign Operation;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment – First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6(Amendment) - Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendents and interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HK(IFRIC)-Int 8, Scope of HKFRS 2 effective for annual periods beginning on or after 1 May 2006. HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements; and

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment effective for annual periods beginning on or after 1 November 2006. HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements; and

- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures, effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 for annual period beginning on 1 January 2007; and

- HKFRS 8, Operating Segments, effective for annual periods beginning on or after 1 January 2009. HKFRS 8 supersedes HKAS 14, under which segments were identified and reported on risk and return analysis. Items were reported on the accounting policies used for external reporting. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting. The Group will apply HKFRS 8 from 1 January 2009, but it is expected to have no material impact on the presentation of the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies effective from 1 March 2006. HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations; and

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives effective for annual periods beginning on or after 1 June 2006. HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations; and

- HK(IFRIC) - Int 12, Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008. It applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements. As none of Group's entities have participated in service concession arragements, HK(IFRIC) -Int 12 is not relevant to the Group's operations.

2. Summary of significant accounting policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of 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.

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(Note 2.8). 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.

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(Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties 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.

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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 Yuan, 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 financial assets such as equities classified as available for sale are included in the available-for-sale 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

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

– 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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains - net, in the income statements.

2. Summary of significant accounting policies (continued)

2.6 Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortization of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to investment properties.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.7 Investment properties

Property that is held for long-term 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 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.

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 as part of other gains/(losses)-net.

2. Summary of significant accounting policies (continued)

2.7 Investment properties (continued)

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.

2.8 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.9 Impairment of investments in subsidiaries and non-financial assets

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

2. Summary of significant accounting policies (continued)

2.10 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 13).

(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.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets 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. 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.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

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

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, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.11 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 incurred in selling the property. On commencement of construction, properties held for development are transferred to properties under development. On completion, the properties are transferred to completed properties held for sale.

2.12 Completed properties held for sale

Completed properties held for sale are 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)

2.13 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and administration expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and administration expenses in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

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. Summary of significant accounting policies (continued)

2.17 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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or 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.

2.18 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. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2. Summary of significant accounting policies (continued)

2.19 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 probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised 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)

2.20 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 the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Dividend income

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

2.21 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortized over the lease periods. The amortization during the period of construction of the properties is capitalized as the cost of properties under development and assets under construction. The amortization during the period before the commencement and after the completion of construction of the properties is expensed in the consolidated income statement. The unamortized upfront payments are recognized as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties (Note 2.7).

2.22 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.

2. Summary of significant accounting policies (continued)

2.23 Financial guarantee contracts

Financial guarantee contacts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

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.

The geographical diversification of the Group's business reduce the risk.

(b) 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 and cash equivalents, 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 their repayments to the banks. Detailed disclosure of these guarantees was made in Note 32.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

(d) 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 bank borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. At the year end, no borrowings were at fixed rates.

The Group closely monitors interest trend and its impact on the Group's interest rate risk exposure. The Group currently has not any interest rate swaps arrangements but will consider hedging interest rate risk should the need arise.

3.2 Fair value estimation

The fair value of financial assets and financial liabilities that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods (i.e. market prices for similar financial assets and financial liabilities and estimated discounted cash flows) and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of 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 that is 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.

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.

4. Critical accounting estimates and judgements (continued)

(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.

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

The fair value of the Group's available-for-sale financial assets 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.

(All amounts in RMB Yuan thousands unless otherwise stated)

4. Critical accounting estimates and judgements (continued)

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

Properties, plant and equipment 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. These calculation and valuations require the use of judgement and estimates.

5. Turnover and segment information

The Group is principally engaged in the property development and property investment. The Group operates in the PRC and the sales of properties are mainly in Guangzhou, Beijing and Tianjin. Turnover represents sales of properties and rental income.

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

	Year ended 31 December	
Turnover	**2006**	2005
Sale of properties	**10,108,107**	5,812,379
Rental income	**78,658**	43,385
	10,186,765	5,855,764

	Year ended 31 December	
Turnover by geographical location	**2006**	2005
Guangzhou	**5,164,123**	2,717,467
Beijing	**4,185,987**	3,138,297
Tianjin	**836,655**	—
	10,186,765	5,855,764

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

(All amounts in RMB Yuan thousands unless otherwise stated)

5. Turnover and segment information (continued)

	As at 31 December	
Total assets	**2006**	2005
Guangzhou	**12,854,421**	7,948,802
Beijing	**8,328,132**	6,906,458
Tianjin	**3,103,796**	1,308,615
Chongqing	**1,423,394**	130,318
Xian	**765,609**	602,116
Others	**125,407**	7,977
	26,600,759	16,904,286
Jointly controlled entity	**—**	372,510
	26,600,759	17,276,796

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

	Year ended 31 December	
Capital expenditure	**2006**	2005
Guangzhou	**700,643**	675,060
Beijing	**15,458**	171,857
Tianjin	**33,301**	400
Chongqing	**3,924**	—
Others	**3,126**	1,209
	756,452	848,526

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

(All amounts in RMB Yuan thousands unless otherwise stated)

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			
	2006		2005	
	Non-current	Current	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	8,098,580	2,579,891	2,677,801	2,173,985

	Group			
	2006		2005	
	Non-current	Current	Non-current	Current
Opening	2,677,801	2,173,985	1,498,079	1,302,657
Additions	5,067,069	83,923	1,657,016	411,430
Acquisition of subsidiaries (Note 35)	1,598,380	13,519	468,950	—
Transfer to current portion	(1,231,337)	1,231,337	(932,723)	932,723
Transfer to cost of sales	—	(860,156)	—	(442,733)
Amortisation of prepaid operating lease payments	(13,333)	(62,717)	(13,521)	(30,092)
	8,098,580	2,579,891	2,677,801	2,173,985

(All amounts in RMB Yuan thousands unless otherwise stated)

6. Land use rights (continued)

	Company			
	2006		2005	
	Non-current	Current	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	**1,079,911**	**442,191**	781,940	584,160

	Company			
	2006		2005	
	Non-current	Current	Non-current	Current
Opening	**781,940**	**584,160**	377,036	419,078
Additions	**503,473**	**33,780**	582,348	180,101
Transfer to current portion	**(202,325)**	**202,325**	(171,697)	171,697
Transfer to cost of sales	**—**	**(363,191)**	—	(175,137)
Amortisation of prepaid operating lease payments	**(3,177)**	**(14,883)**	(5,747)	(11,579)
	1,079,911	**442,191**	781,940	584,160

The Group had made payments for land use rights of RMB 4,537,560,000 as at 31 December 2006 (2005: RMB 1,309,386,000), 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 553,964,000 as at 31 December 2006 (2005: RMB 338,996,000), for which the Company was in the process of applying for formal land use rights certificates.

The Group's amortisation of prepaid operating lease payments during 2006 includes RMB22,990,000 (2005: RMB17,688,000) charged in the income statement and RMB53,060,000 (2005: RMB25,925,000) capitalized in the property, plant and equipment and properties under development.

The Company's amortisation of prepaid operating lease payments during 2006 includes RMB6,359,000 (2005: RMB7,580,000) charged in the income statement and RMB11,701,000 (2005: RMB9,746,000) capitalized in the properties under development.

(All amounts in RMB Yuan thousands unless otherwise stated)

7. Property, plant and equipment

	Group				
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
At 1 January 2005					
Cost	48,266	27,002	34,020	2,474	111,762
Accumulated depreciation and impairment	(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	—	(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 and 31)	(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
Year ended 31 December 2006					
Opening net book amount	28,991	21,027	33,305	7,086	90,409
Additions	38	13,280	16,467	550,853	580,638
Disposals (Note 31)	—	(77)	—	(7,086)	(7,163)
Depreciation (Note 24 and 31)	(1,051)	(7,585)	(9,289)	—	(17,925)
Acquisition of a subsidiary (Note 35)	—	76	310	—	386
Transfer from properties under development	—	—	—	664,756	664,756
Closing net book amount	27,978	26,721	40,793	1,215,609	1,311,101
At 31 December 2006					
Cost	33,304	44,311	65,701	1,215,609	1,358,925
Accumulated depreciation	(5,326)	(17,590)	(24,908)	—	(47,824)
Net book amount	27,978	26,721	40,793	1,215,609	1,311,101

Bank borrowings are secured on buildings and assets under construction for the value of RMB719,229,000 (2005: Nil) for the Group (Note 20).

(All amounts in RMB Yuan thousands unless otherwise stated)

7. Property, plant and equipment (continued)

	Company				
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
At 1 January 2005					
Cost	43,153	10,852	18,796	—	72,801
Accumulated depreciation and impairment	(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
Year ended 31 December 2006					
Opening net book amount	24,034	4,922	13,947	—	42,903
Additions	—	1,693	5,181	—	6,874
Depreciation	(888)	(1,665)	(3,921)	—	(6,474)
Closing net book amount	23,146	4,950	15,207	—	43,303
At 31 December 2006					
Cost	28,152	10,841	27,894	—	66,887
Accumulated depreciation	(5,006)	(5,891)	(12,687)	—	(23,584)
Net book amount	23,146	4,950	15,207	—	43,303

Bank borrowings are secured on buildings for the value of RMB 22,182,000 (2005: Nil) for the Company (Note 20).

(All amounts in RMB Yuan thousands unless otherwise stated)

7. Property, plant and equipment (continued)

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

	Group		Company	
	2006	2005	**2006**	2005
Selling and administrative expenses	**16,758**	12,552	**6,474**	6,200
Other operating expenses	**1,167**	883	**—**	—
	17,925	13,435	**6,474**	6,200

8. Investment properties

	Group		Company	
	2006	2005	**2006**	2005
Beginning of the year	**293,000**	—	**—**	—
Acquisition of a subsidiary (Note 35)	**259,576**	—	**—**	—
Transferred from completed properties held for sale	**142,974**	149,391	**83,871**	—
Fair value gains (including in other gains) (Note 23 and 31)	**230,603**	143,609	**105,424**	—
End of the year	**926,153**	293,000	**189,295**	—

The investment properties were revalued on 31 December 2006 by independent, professionally qualified valuers, Guangdong Hengxin Valuation and Land Evaluation Consulting Limited. Valuations were based on discounted cash flow projections.

Gross rental income from the Group's investment properties during the year amounted to RMB 50,676,000 (2005: RMB 16,528,000).

The period of leases whereby the Group leases out its investment properties under operating leases is more than one year.

The Group's interests in investment properties at their carrying amount are analysed as follows:

	Group		Company	
	2006	2005	**2006**	2005
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	**54,519**	7,683	**17,220**	—

(All amounts in RMB Yuan thousands unless otherwise stated)

9. Intangible assets

	Group			Company
	Goodwill	Software	Total	Software
At 1 January 2005				
Cost	11,463	—	11,463	—
Accumulated amortisation and impairment	(2,983)	—	(2,983)	—
Net book amount	8,480	—	8,480	—
Year ended 31 December 2005				
Opening net book amount	8,480	—	8,480	—
Additions	—	1,600	1,600	1,600
Acquisition of subsidiaries	7,887	—	7,887	—
Amortisation charge	—	(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
Year ended 31 December 2006				
Opening net book amount	16,367	1,573	17,940	1,573
Acquisition of subsidiaries (Note 35)	32,840	—	32,840	—
Amortisation charge	—	(160)	(160)	(160)
Closing net book amount	49,207	1,413	50,620	1,413
At 31 December 2006				
Cost	52,190	1,600	53,790	1,600
Accumulated amortisation and impairment	(2,983)	(187)	(3,170)	(187)
Net book amount	49,207	1,413	50,620	1,413

Amortisation of RMB160,000 (2005: RMB27,000) is included in the selling and administrative expenses in the income statement.

(All amounts in RMB Yuan thousands unless otherwise stated)

10. Investments in subsidiaries

	Company	
	2006	2005
Investments, at cost:		
Unlisted shares	**5,469,150**	3,776,629

The following is a list of the principal subsidiaries at 31 December 2006:

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Principal activities and place of operations
				Direct	Indirect	
Subsidiaries – incorporated in the PRC:						
廣州東園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
廣州市金鼎房地產發展有限公司 ("Jinding Properties")	31 August 1994	Limited liability company	RMB8,000,000	90%	10%	Property development 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
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	25%	Development and investment of office buildings in the PRC
廣州富力恒盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	25%	Development and investment of hotel buildings in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. Investments in subsidiaries (continued)

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 operations
Subsidiaries – incorporated in the PRC:						
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	25%	Development and investment of hotel buildings 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
廣州富力超盛房地產開發有限公司	8 December 2005	Limited liability company	RMB100,000,000	100%	—	Property development in the PRC
中山富力城房地產開發有限公司	23 January 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州中嘉房地產開發有限公司	13 March 2006	Limited liability company	RMB10,000,000	90%	5%	Property development in the PRC
廣州市花都富力房地產開發有限公司	30 June 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

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 operations
				Direct	Indirect	
Subsidiaries – incorporated in the PRC:						
廣州永富房地產開發有限公司	19 December 2006	Limited liability company	RMB100,000,000	95%	5%	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
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
廣州恒富擔保有限公司	24 October 2003	Limited liability company	RMB60,000,000	—	100%	Finance and consultancy in the PRC
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
富力地產集團有限公司	8 July 1994	Limited liability company	RMB120,000,000	90%	10%	Investment holdings in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. Investments in subsidiaries (continued)

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 operations
Subsidiaries – incorporated in the PRC:						
深圳奔望實業發展有限公司	20 May 1997	Limited liability company	RMB6,000,000	—	100%	Investment holding in the PRC
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	Provision of interior design service in the PRC
廣州富力百貨商貿有限公司	24 August 2006	Limited liability company	RMB10,000,000	90%	10%	Retail business in the PRC
北京富力城房地產開發有限公司	24 April 2002	Limited liability company	RMB1,394,781,578	95.98%	4.02%	Property development in the PRC
富力 (北京) 地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	Property development in the PRC
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
北京地源達房地產開發有限公司	7 February 2002	Sino-foreign joint venture with limited liability	USD5,000,000	—	100%	Property development in the PRC
北京鴻高置業發展有限公司 ("Beijing Honggao")	8 June 1999	Limited liability company	RMB60,000,000	—	100%	Property development in the PRC
北京龍熙順景房地產開發有限公司 ("Longxi Shunjing")	20 August 2001	Limited liability company	RMB29,000,000	—	75%	Property development 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

(All amounts in RMB Yuan thousands unless otherwise stated)

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 operations
				Direct	Indirect	
Subsidiaries – incorporated 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
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
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	Property development in the PRC
天津鴻富房地產開發有限公司 ("Tianjin Prominence")	30 June 2006	Limited liability company	RMB300,000,000	—	60%	Property development in the PRC
西安富力房地產開發有限公司	26 September 2005	Limited liability company	RMB502,507,000	80.1%	19.9%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

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 operations
				Direct	Indirect	
Subsidiaries – incorporated in the PRC:						
西安保德信房地產開發有限公司	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	8 August 2005	Limited liability company	RMB55,000,000	—	100%	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
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB10,000,000	100%	—	Property development in the PRC
湖南富力房地產開發有限公司	12 July 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
Subsidiaries – incorporated in Hong Kong:						
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	—	Investment holding in Hong Kong
Project Charter Enterprises Limited	30 May 1997	Limited liability company	HKD 100,000	—	100%	Investment holding in Hong Kong
Easycross International Limited	30 June 1992	Limited liability company	HKD 10,000	—	100%	Investment holding in Hong Kong

(All amounts in RMB Yuan thousands unless otherwise stated)

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 operations
				Direct	Indirect	
Subsidiaries – incorporated in British Virgin Islands (BVI):						
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	—	100%	Investment holding in BVI
Ease Glory International Limited	8 March 2005	Limited liability company	USD2	—	100%	Investment holding in BVI
Smart Keen International Limited	6 November 2003	Limited liability company	USD2	—	100%	Investment holding in BVI
East Global Enterprises Limited	8 August 2003	Limited liability company	USD2	—	100%	Investment holding in BVI
Link City Limited	6 November 2003	Limited liability company	USD2	—	100%	Investment holding in BVI
Silver Mac Energy Investment Ltd.	9 March 2006	Limited liability company	USD50,000	—	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	—	100%	Investment holding in BVI
Peace Extend Investments Limited	21 March 2006	Limited liability company	USD1	—	100%	Investment holding in BVI
Perfect City Investments Limited	3 April 2006	Limited liability company	USD1	—	100%	Investment holding in BVI
Maxview Investments Limited	3 April 2006	Limited liability company	USD1	—	100%	Investment holding in BVI
Value Success Investments Limited	1 September 2006	Limited liability company	USD1	—	100%	Investment holding in BVI

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Interest in jointly controlled entity

As of 31 December 2005, the Group has a 50% interest in a jointly controlled entity, Jinding Properties, a company established in the PRC which engages in property development business. The Group's 50% share of the results of the jointly controlled entity was accounted for in the consolidated income statement in 2005 under equity accounting method.

On 1 January 2006, the Group 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 RMB 390,000,000. Following the completion of acquisition, Jinding Properties became a wholly owned subsidiary of the Group in 2006, details of which are set out in Note 35(i).

	Group	
	2006	2005
Beginning of the year	**372,510**	63,437
Share of the results (Note 31)		
– Profit before income tax	—	340,107
– Share of income tax expense	—	(31,034)
	—	309,073
Acquisition of additional interest in Jinding Properties (Not 35(i))	**(372,510)**	—
End of the year	—	372,510

	Company	
	2006	2005
Interest in jointly controlled entity	—	4,000

12. Available-for-sale financial assets

	Group and Company	
	2006	2005
Beginning of the year	**85,369**	89,463
Transfer of gross gains/(losses) from changes in fair value to equity	**59,393**	(4,094)
End of the year	**144,762**	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.

The fair values of unlisted securities are based on average "Market to Book Multiple" of a basket of companies operating in the same industry.

(All amounts in RMB Yuan thousands unless otherwise stated)

13. Trade and other receivables

	Group		Company	
	2006	2005	**2006**	2005
Trade receivables (Note a)	**313,026**	213,511	**203,498**	85,440
Deposits, prepayments and other receivables (net of provision)	**915,222**	616,449	**620,725**	147,319
Due from subsidiaries	**—**	—	**3,740,771**	377,001
Due from a related party (Note 36(viii))	**2,000**	1,025	**2,000**	—
Less: provision for impairment of other receivables	**(25,493)**	(18,252)	**(9,332)**	(7,686)
	1,204,755	812,733	**4,557,662**	602,074
Less: non-current portion	**(181,530)**	(308,173)	**(39,468)**	(29,125)
Current portion	**1,023,225**	504,560	**4,518,194**	572,949

All receivable balances were denominated in Renminbi.

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

Movements on the provision for impairment of other receivables are as follows:

	Group		Company	
	2006	2005	**2006**	2005
Beginning of the year	**18,252**	16,415	**7,686**	7,686
Provision for doubtful debts (Note 24 and 31)	**7,241**	3,837	**1,646**	—
Receivables written off during the year as uncollectible	**—**	(2,000)	**—**	—
End of the year	**25,493**	18,252	**9,332**	7,686

(All amounts in RMB Yuan thousands unless otherwise stated)

13. Trade and other receivables (continued)

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

	Group		Company	
	2006	2005	**2006**	2005
Trade receivables	**309,626**	211,374	**201,468**	83,730
Deposits, prepayments and other receivables	**881,617**	591,870	**609,931**	138,836
Due from subsidiaries	**—**	—	**3,740,771**	377,001
Due from a related party	**2,000**	1,025	**2,000**	—
	1,193,243	804,269	**4,554,170**	599,567

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.84% (2005: 5.58%).

(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 90 days as specified in the sales and purchase agreements. Purchasers of certain office units are required to settle the outstanding balances within 12 months as specified in the sales and purchase agreements. The ageing analysis of trade receivables at 31 December 2006 is as follows:

	Group		Company	
	2006	2005	**2006**	2005
0 to 90 days	**242,198**	70,632	**172,667**	61,740
91 to 180 days	**3,558**	13,981	**440**	1,494
181 to 365 days	**18,885**	100,258	**5,876**	1,090
1 year to 2 years	**34,382**	15,215	**11,513**	8,472
Over 2 years	**14,003**	13,425	**13,002**	12,644
	313,026	213,511	**203,498**	85,440

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

(All amounts in RMB Yuan thousands unless otherwise stated)

14. Properties under development

	Group		Company	
	2006	2005	**2006**	2005
Development costs	**5,686,756**	5,142,403	**1,053,980**	1,330,250
Finance costs capitalised	**191,089**	95,209	**64,971**	51,208
	5,877,845	5,237,612	**1,118,951**	1,381,458

15. Cash and cash equivalents

	Group		Company	
	2006	2005	**2006**	2005
Cash at bank and in hand	**1,415,926**	1,204,169	**513,716**	323,085
Short-term bank deposits	**—**	374,688	**—**	374,688
	1,415,926	1,578,857	**513,716**	697,773

As of 31 December 2005, the effective interest rate on short-term bank deposits was 3.9%; these deposits have an average maturity of 75 days. As of 31 December 2006, there was no such deposit.

	Group		Company	
	2006	2005	**2006**	2005
Denominated in:				
– RMB	**1,003,705**	1,167,671	**158,507**	303,765
– US Dollar	**38,550**	17,178	**—**	—
– Hong Kong Dollar (“HKD”)	**373,671**	394,008	**355,209**	394,008
	1,415,926	1,578,857	**513,716**	697,773

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.

(All amounts in RMB Yuan thousands unless otherwise stated)

16. Restricted cash

	Group		Company	
	2006	2005	**2006**	2005
Guarantee deposits for construction of pre-sold properties (Note (a))	**171,865**	192,314	**116,878**	157,692
Guarantee deposits for resettlement costs (Note (b))	**176,311**	173,177	**155,313**	164,840
Guarantee deposits for construction payable (Note (c))	**20,835**	31,037	**280**	277
Guarantee deposits for a subsidiary's borrowings (Note (d))	**114,450**	—	**114,450**	—
Guarantee deposits for mortgage loans provided to customers (Note (e))	**118,951**	217,721	**827**	983
	602,412	614,249	**387,748**	323,792

Note:

(a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings which are subject to demolition for development. The deposits can only be used for such resettlement costs according to the payment schedule. Such guarantee deposits will only be released after completion of the related pre-sold properties.

(c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payable as deposits for potential default of payment. Such guarantee deposits will only be released after settlement of the construction payables.

(d) According to the relevant loan contracts, the Group is required to place at a designated bank account certain amount as deposits for securing the borrowings provided to a subsidiary in Hong Kong. Such guarantee deposits will only be released after full repayment of the borrowings with maturity within one year.

(e) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

The Directors of the Group are in the view that the restricted cash listed above will be released within one year.

17. Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 1 January 2005				
– domestic shares	551,777	551,777	—	551,777
– net proceeds from issuance of H shares	211,515	211,515	2,068,061	2,279,576
At 31 December 2005	763,292	763,292	2,068,061	2,831,353
– subdivided domestic shares	1,655,331	—	—	—
– subdivided H shares	634,544	—	—	—
– net proceeds from subdivided H shares placed	169,200	42,300	1,568,564	1,610,864
At 31 December 2006	3,222,367	805,592	3,636,625	4,442,217

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 at HK$10.8 per H share 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 at HK$10.8 per H share 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 capital of the Company increased to RMB763,291,836, divided into 763,291,836 shares of RMB1 each, comprising 551,777,236 domestic shares and 211,514,600 H shares.

On 28 September 2006, every domestic share and H share of RMB1 each were split into 4 subdivided domestic shares and 4 subdivided H shares of RMB 0.25 each respectively.

Subsequent to the completion of subdivision, the registered, issued and fully paid capital of the Company were RMB763,291,836, divided into 3,053,167,344 shares of RMB0.25 each, comprising 2,207,108,944 subdivided domestic shares and 846,058,400 subdivided H shares.

On 3 October 2006, the registered, issued and fully paid capital of the Company were all increased to RMB805,591,836 by the issuance of an additional 169,200,000 new subdivided H shares of RMB0.25 each at HK$9.55 per subdivided H share to the independent professional and institutional investors upon the placing.

(All amounts in RMB Yuan thousands unless otherwise stated)

17. Share capital (continued)

The net proceeds to the Company from the placing amounted to approximately RMB1,611 million.

Subsequent to the completion of the placing, the registered, issued and fully paid capital of the Company increased to RMB805,591,836, divided into 3,222,367,344 shares of RMB0.25 each, comprising 2,207,108,944 subdivided domestic shares and 1,015,258,400 subdivided H shares.

18. 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 2005	—	—	—	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
Balance at 1 January 2006	2,068,061	—	(2,744)	266,862	133,431	2,465,610
Share premium	1,598,444	—	—	—	—	1,598,444
Share issuance costs	—	(29,880)	—	—	—	(29,880)
Set off share issuance costs against share premium	(29,880)	29,880	—	—	—	—
Fair value gain of available-for-sale financial assets, net of tax	—	—	58,043	—	—	58,043
Balance at 31 December 2006	3,636,625	—	55,299	266,862	133,431	4,092,217

(All amounts in RMB Yuan thousands unless otherwise stated)

18. 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 2005	—	—	—	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
Balance at 1 January 2006	2,068,061	—	(2,744)	266,862	133,431	2,465,610
Share premium	1,598,444	—	—	—	—	1,598,444
Share issuance costs	—	(29,880)	—	—	—	(29,880)
Set off share issuance costs against share premium	(29,880)	29,880	—	—	—	—
Fair value gain of available-for-sale financial assets, net of tax	—	—	58,043	—	—	58,043
Balance at 31 December 2006	3,636,625	—	55,299	266,862	133,431	4,092,217

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 profits 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. According to the Company Law of the PRC effective beginning on or after 1 January 2006, the Group's respective subsidiaries are no longer required to set aside 5% statutory public benefit fund.

(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.

(All amounts in RMB Yuan thousands unless otherwise stated)

18. Other reserves (continued)

(iv) Dividends will be distributed out of the Group's distributable reserves, which represent the lower amount as determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") and HKFRS. As at 31 December 2006, the Company's distributable reserves under PRC GAAP and HKFRS were approximately RMB 928 million, being the smaller of the distributable reserves as determined under the PRC GAAP and HKFRS.

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

19. Accruals and other payables

	Group		Company	
	2006	2005	**2006**	2005
Amounts due to subsidiaries (Note a)	**—**	—	**2,975,090**	848,856
Amount due to a jointly controlled entity (Note a)	**—**	465,348	**—**	141,648
Amounts due to related parties (Note a) (Note 36(viii))	**2,747**	—	**—**	—
Amounts due to shareholders (Note 36(viii))	**—**	37,648	**—**	9,276
Construction payables (Note b)	**2,508,657**	1,931,797	**783,247**	725,485
Other payables and accrued charges	**1,893,668**	1,071,671	**705,012**	407,833
	4,405,072	3,506,464	**4,463,349**	2,133,098

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.

(All amounts in RMB Yuan thousands unless otherwise stated)

20. Bank loans

	Group		Company	
	2006	2005	**2006**	2005
Short-term bank loans				
– Secured	**159,734**	—	**—**	—
– Unsecured	**1,755,000**	835,000	**500,000**	600,000
	1,914,734	835,000	**500,000**	600,000
Long-term bank loans				
– Secured	**1,164,000**	—	**1,078,000**	—
– Unsecured	**4,837,000**	2,440,000	**1,778,000**	1,640,000
	6,001,000	2,440,000	**2,856,000**	1,640,000
Less: Current portion of long-term bank loans	**(1,493,000)**	(670,000)	**(898,000)**	(270,000)
	4,508,000	1,770,000	**1,958,000**	1,370,000

Bank loans totaling RMB 1,323,734,000 as of 31 December 2006 were secured by time deposits, property, plant and equipment, properties under development and completed properties held for sale of the Group with total carrying values of RMB 1,263,306,000 as at 31 December 2006 (2005: Nil).

The majority of unsecured borrowings of RMB 6,392,000,000 are supported by guarantees. Details are as follows:

	Group		Company	
	2006	2005	**2006**	2005
Guarantors				
The Company	**3,934,000**	1,035,000	**—**	—
Subsidiaries	**2,278,000**	1,870,000	**2,078,000**	1,870,000
A third party together with Li Sze Lim and Zhang Li	**30,000**	70,000	**—**	70,000
The Company, a subsidiary together with Li Sze Lim and Zhang Li	**150,000**	—	**—**	—
A third party	**—**	300,000	**—**	300,000
	6,392,000	3,275,000	**2,078,000**	2,240,000

(All amounts in RMB Yuan thousands unless otherwise stated)

20. Bank loans (continued)

The maturity of bank loans is as follows:

	Group		Company	
	2006	2005	2006	2005
Within one year	3,407,734	1,505,000	1,398,000	870,000
Between one and two years	2,554,000	1,310,000	780,000	910,000
Between two and five years	1,468,000	460,000	1,178,000	460,000
Over five years	486,000	—	—	—
Total bank loans	7,915,734	3,275,000	3,356,000	2,240,000

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
RMB	7,815,349	3,275,000	3,356,000	2,240,000
HKD	100,385	—	—	—
	7,915,734	3,275,000	3,356,000	2,240,000

The interests are charged based on floating rates on outstanding principals and the effective interest rates at the balance sheet date are as follows:

	2006	2005
RMB bank borrowings – floating rates	5.80%	5.58%
HKD bank borrowings – floating rates	4.61%	—

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

	Carrying amounts		Fair values	
	2006	2005	2006	2005
Bank borrowings	4,508,000	1,770,000	4,508,000	1,770,000

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.84% (2005: 5.58%).

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

(All amounts in RMB Yuan thousands unless otherwise stated)

21. Tax prepayments

Tax prepayments amounts are as follows:

	Group		Company	
	2006	2005	**2006**	2005
Enterprise income tax prepayments	**206,460**	193,696	**51,741**	38,504
Land appreciation tax prepayments	**27,483**	9,087	**7,081**	4,023
Business tax prepayments	**202,885**	200,327	**39,418**	30,302
Other tax prepayments	**1,474**	858	**807**	635
	438,302	403,968	**99,047**	73,464

22. Deferred income tax

There were no offsetting of deferred income tax assets and liabilities in 2005 and 2006.

	Group		Company	
	2006	2005	**2006**	2005
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**27,052**	20,422	**—**	1,350
– Deferred tax assets to be recovered within 12 months	**174,135**	30,389	**50,191**	—
	201,187	50,811	**50,191**	1,350
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	**(276,062)**	(156,398)	**(15,364)**	—
– Deferred tax liabilities to be recovered within 12 months	**(203,196)**	(241,321)	**(80,909)**	(6,133)
	(479,258)	(397,719)	**(96,273)**	(6,133)

(All amounts in RMB Yuan thousands unless otherwise stated)

22. Deferred income tax (continued)

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

	Group		Company	
	2006	2005	**2006**	2005
Beginning of the year	**(346,908)**	(376,386)	**(4,783)**	(2,256)
Acquisition of subsidiaries (Note 35)	**(180,284)**	(10,802)	**—**	—
Disposal of a subsidiary	**—**	(1,715)	**—**	—
Tax charged directly to equity	**(1,350)**	1,350	**(1,350)**	1,350
Recognised in the income statement (Note 27)	**250,471**	40,645	**(39,949)**	(3,877)
End of the year	**(278,071)**	(346,908)	**(46,082)**	(4,783)

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

Deferred tax liabilities:

	Group			
	Timing difference in sales recognition	**Fair value/ revaluation gain**	**Others**	**Total**
At 1 January 2005	9,266	377,102	—	386,368
Acquisition of subsidiaries	—	14,554	—	14,554
Recognised in the income statement	13,259	(23,758)	7,296	(3,203)
At 31 December 2005	22,525	367,898	7,296	397,719
Acquisition of subsidiaries	—	180,181	103	180,284
Recognised in the income statement	(49,941)	(59,223)	10,419	(98,745)
At 31 December 2006	(27,416)	488,856	17,818	479,258

(All amounts in RMB Yuan thousands unless otherwise stated)

22. Deferred income tax (continued)

	Company			
	Timing difference in sales recognition	Fair value/ gain revaluation	Others	Total
At 1 January 2005	2,256	—	—	2,256
Recognised in the income statement	7,506	—	(3,629)	3,877
At 31 December 2005	9,762	—	(3,629)	6,133
Recognised in the income statement	50,283	34,790	5,067	90,140
At 31 December 2006	60,045	34,790	1,438	96,273

Deferred tax assets:

	Group			
	Accruals	Tax losses	Others	Total
At 1 January 2005	—	9,982	—	9,982
Acquisition of subsidiaries	—	—	3,752	3,752
Disposal of a subsidiary	—	—	(1,715)	(1,715)
Tax directly charged to equity	—	—	1,350	1,350
Recognised in the income statement	—	37,442	—	37,442
At 31 December 2005	—	47,424	3,387	50,811
Tax directly charged to equity	—	—	(1,350)	(1,350)
Recognised in the income statement	168,258	(16,532)	—	151,726
At 31 December 2006	168,258	30,892	2,037	201,187

	Company			
	Accruals	Tax losses	Others	Total
At 1 January 2005	—	—	—	—
Tax directly charged to equity	—	—	1,350	1,350
At 31 December 2005	—	—	1,350	1,350
Tax directly charged to equity	—	—	(1,350)	(1,350)
Recognised in the income statement	50,191	—	—	50,191
At 31 December 2006	50,191	—	—	50,191

(All amounts in RMB Yuan thousands unless otherwise stated)

23. Other gains

	2006	2005
Interest income (Note 31)	39,287	20,200
Negative goodwill recognised (Note 31 and 35)	105,504	21,934
Gain on disposal of a subsidiary (Note 31)	—	8,011
Fair value gains on investment properties (Note 8 and 31)	230,603	143,609
Others	6,575	1,507
	381,969	195,261

24. Operating profit

Income or expenses included in cost of sales, selling and administrative expenses and other operating expenses are analysed as follows:

	2006	2005
Charging:		
Depreciation(Note 7 and 31)	17,925	13,435
Amortisation of software (Note 9 and 31)	160	27
Loss on sale of property, plant and equipment (Note 31)	121	2,966
Auditors' remuneration	3,560	3,129
Operating lease payments	15,455	11,337
Provision for doubtful debts(Note 13 and 31)	7,241	3,837
Receivables written off (Note 13)	—	(2,000)
Reversal of impairment of property, plant and equipment (included in other operating expenses) (Note 31)	—	(1,936)
Advertising cost	115,590	102,448
Land appreciation tax	426,574	64,800

(All amounts in RMB Yuan thousands unless otherwise stated)

25. Employee benefit expense

	2006	2005
Wages and salaries	**168,211**	136,608
Retirement scheme contributions	**7,447**	5,404
Medical insurance	**3,147**	2,100
	178,805	144,112

(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 7% to 11% on the average basic salary as specified by the respective provinces where the Company and its subsidiaries are located.

(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 certain 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.

(All amounts in RMB Yuan thousands unless otherwise stated)

25. Employee benefit expense (continued)

(d) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Salary	Other benefits (i)	Total
Executive Directors			
Mr. Li Sze Lim	2,600	338	2,938
Mr. Zhang Li	2,600	336	2,936
Mr. Lu Jing	1,668	274	1,942
Mr. Zhou Yaonan	1,700	236	1,936
Non-executive Directors			
Ms. Zhang Lin	301	—	301
Ms. Helen Li	301	—	301
Independent non-executive Directors			
Mr. Huang Kaiwen	240	—	240
Mr. Dai Feng	240	—	240
Mr. Ming Joseph Lai	241	—	241

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

Name of Director	Salary	Other benefits (i)	Total
Executive Directors			
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
Non-executive Directors			
Ms. Zhang Lin	145	—	145
Ms. Helen Li (ii)	145	—	145
Independent non-executive Directors			
Mr. Huang Kaiwen (ii)	180	—	180
Mr. Dai Feng (ii)	180	—	180
Mr. Ming Joseph Lai (ii)	116	—	116

(All amounts in RMB Yuan thousands unless otherwise stated)

25. Employee benefit expense (continued)

(e) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: one) individual during the year are as follows:

	2006	2005
Basic salaries, housing allowances and other allowances and benefits in kind	3,536	2,341

The emoluments of the individual fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
RMB2,000,001 to RMB2,500,000	—	1
RMB3,500,001 to RMB4,000,000	1	—

Notes:

(i) Other benefits mainly include welfare and transportation expenses.

(ii) Appointed on 31 May 2005.

(iii) No directors of the Company waived or agreed to waive any remuneration during the year ended 31 December 2006 (2005: Nil).

(iv) During the year, no emolument was paid by the Group to any of the above Directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

26. Finance costs

	2006	2005
Interest on bank loans	323,214	189,707
Less: Amount capitalised in property, plant and equipment and properties under development	(273,473)	(150,240)
	49,741	39,467

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 5.74% per annum for the year ended 31 December 2006 (2005: 5.45%).

(All amounts in RMB Yuan thousands unless otherwise stated)

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 (2005: 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 2005, the applicable income tax rate for the profits generated from the property development projects with advance received prior to 2005 by the Company and certain of its subsidiaries was 2.97% based on the turnover throughout the period; the applicable income tax rate for the profits generated from the Jinding Properties was 3.3% based on turnover throughout the year; the applicable income tax rate for the profits generated from companies other than the above property development companies and profits from property development projects with advance received after 1 January 2005 was 33% based on taxable profit.

For the year ended 31 December 2006, the applicable income tax rate for the profits generated from the property development projects with advance received prior to 2006 by Jinding Properties was 3.3% based on the turnover throughout the period; the applicable income tax rate for the profits generated from companies other than the above subsidiary was 33% based on taxable profits.

	2006	2005
Current income tax		
– PRC enterprise income tax	**1,237,706**	395,862
Deferred income tax (Note 22)	**(250,471)**	(40,645)
	987,235	355,217

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:

	2006	2005
Profit before income tax	**3,132,319**	1,620,901
Less: Share of results of jointly controlled entity, net of tax (Note 11)	**—**	(309,073)
	3,132,319	1,311,828
Calculated at a tax rate of 33%	**1,033,665**	432,903
Effect of different income tax regime of certain companies	**(41,163)**	(83,654)
Income not subject to taxation	**(34,816)**	(8,032)
Expenses not deductible for taxation purposes	**22,070**	14,000
Others	**7,479**	—
Tax charge (Note 31)	**987,235**	355,217

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 913,261,000 (2005: RMB 427,531,000).

29. Basic and diluted earnings per share

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 17).

	2006	2005 Restated
Profit attributable to equity holders of the Company	**2,135,016**	1,263,778
Weighted average number of ordinary shares in issue (thousands)	**3,094,538**	2,594,884
Earnings per share (RMB per share)	**0.6899**	0.4870

The weighted average number of ordinary shares for the purpose of earnings per share for the year ended 31 December 2005 have been adjusted for the Company's share subdivision in September 2006, details of which are set out in Note 17.

Diluted earnings per share is not presented as the Group has no dilutive potential shares in both 2006 and 2005.

30. Dividends

	2006	2005
Interim dividend paid of RMB 0.40 (2005: Nil) per ordinary share (on a pre-split basis)	**322,237**	—
Proposed final dividend of RMB0.20 (2005: RMB0.66) per ordinary share (on a post-split basis)	**644,473**	503,773
	966,710	503,773

A 2005 final dividend of RMB0.66 per ordinary share (on a pre-split basis), totaling RMB 503,773,000 was paid in May 2006.

An interim dividend in respect of six months ended 30 June 2006 of RMB0.40 per ordinary share (on a pre-split basis), amounting to a total dividend of RMB322,237,000 was paid in November 2006.

2006 final dividend of RMB0.20 (2005: RMB0.66) per ordinary share (on a post-split basis), amounting to a total dividend of RMB644,473,000 is to be proposed at the Annual General Meeting on 29 May 2007 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2007. These financial statements do not reflect this dividend payable.

(All amounts in RMB Yuan thousands unless otherwise stated)

31. Cash generated from operations

	2006	2005
Profit for the year	**2,145,084**	1,265,684
Adjustments for:		
– Tax (Note 27)	**987,235**	355,217
– Interest income (Note 23)	**(39,287)**	(20,200)
– Interest expense (Note 26)	**49,741**	39,467
– Depreciation (Note 7 and 24)	**17,925**	13,435
– Amortisation of software (Note 9 and 24)	**160**	27
– Reversal of impairment of property, plant and equipment (Note 24)	**—**	(1,936)
– Loss on sale of property, plant and equipment (Note 24)	**121**	2,966
– Provision for doubtful debts (Note 24)	**7,241**	3,837
– Negative goodwill recognised (Note 23)	**(105,504)**	(21,934)
– Gain on disposal of a subsidiary (Note 23)	**—**	(8,011)
– Fair value gains on investment properties (Note 8 and 23)	**(230,603)**	(143,609)
– Share of results of jointly controlled entity (Note 11)	**—**	(309,073)
– Amortisation of land use rights	**22,990**	17,688
Operating profit before changes in working capital	**2,855,103**	1,193,558
Changes in working capital:		
– Land use rights, properties held for/under development and completed properties held for sale	**(5,627,454)**	(2,352,439)
– Trade receivables	**(99,515)**	(142,580)
– Other receivables, deposits and prepayments	**164,015**	(560,369)
– Restricted cash	**11,837**	(235,330)
– Deposits received on sale of properties	**125,579**	1,106,515
– Accruals and other payables	**269,908**	576,963
– Business tax prepayments	**(2,558)**	(46,725)
– Business tax payable	**16,241**	4,632
Net cash used in operations	**(2,286,844)**	(455,775)

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

	2006	2005
Net book amount (Note 7)	**7,163**	14,426
Loss on sale of property, plant and equipment (Note 24)	**(121)**	(2,966)
Proceeds from sale of property, plant and equipment	**7,042**	11,460

(All amounts in RMB Yuan thousands unless otherwise stated)

31. Cash generated from operations (continued)

Non-cash transactions

The Group sold and leased back certain property units amounting to RMB45 million for the year ended 31 December 2006. The lease periods ranging from two to four years (2005: Nil).

32. Financial guarantee contracts

The face value of the financial guarantees issued by the Group and the Company as at 31 December 2006 are analysed as below:

	Group		Company	
	As at 31 December		As at 31 December	
	2006	2005	**2006**	2005
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note a)	**4,585,405**	4,778,089	**1,827,629**	2,037,951
Guarantees given to banks for bank loans of (Note b)				
– a third party	**355,000**	380,000	**355,000**	380,000
– subsidiaries	**—**	—	**4,093,687**	1,035,000
	4,940,405	5,158,089	**6,276,316**	3,452,951

Note:

(a) 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.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "ownership certificate" for the mortgagees. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) It represents guarantees provided to a third party and the subsidiaries of the Group to obtain bank loans. The directors considered that the fair value of these contracts at the date of inception was minimal and understood the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

(All amounts in RMB Yuan thousands unless otherwise stated)

33. Commitments

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

	As at 31 December	
	2006	2005
Authorised but not contracted for	**6,780,748**	10,254,710
Contracted but not provided for	**7,663,836**	6,358,340
	14,444,584	16,613,050

(b) Lease commitments for operating leases

At 31 December 2006, the Group had future aggregate minimum lease expense under non-cancellable operating leases as follows:

Land and buildings

	As at 31 December	
	2006	2005
Not later than one year	**17,131**	12,119
Later than one year and not later than five years	**6,630**	2,232
Over five years	**1,612**	1,704
	25,373	16,055

(c) Other commitments:

During the year ended 31 December 2006, the Group entered into certain purchase agreements to acquire equity interests in a number of PRC companies for the purposes of acquiring land use rights located in various major cities in the PRC. Payment obligations of the Group were established when the other contracting parties have fulfilled their respective contractual obligations as specified in the contracts. The total commitments as of 31 December 2006 were as follows:

	As at 31 December	
	2006	2005
Contracted but not provided for	**1,249,322**	1,040,000

(All amounts in RMB Yuan thousands unless otherwise stated)

34. Future minimum rental payments receivable

At 31 December 2006, the Group had future aggregate minimum lease rental payments receivable under non-cancellable operating leases as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2006	2005	**2006**	2005
Not later than one year	**74,179**	55,352	**20,699**	26,258
Later than one year and not later than five years	**268,857**	155,666	**37,336**	35,366
Over five years	**413,812**	425,058	**13,448**	13,024
	756,848	636,076	**71,483**	74,648

(All amounts in RMB Yuan thousands unless otherwise stated)

35. Business combinations

(i) On 1 January 2006, the Group 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. Following the completion of acquisition, Jinding Properties became a wholly owned subsidiary of the Group in 2006.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid	300,000
– accrued consideration to be paid on schedule	90,000
Total purchase consideration	390,000
Transferred from interest in jointly controlled entity	372,510
– fair value of net identifiable assets acquired (see below)	868,014
Fair value of the net assets acquired over cost of acquisition	(105,504)

The assets and liabilities as of 1 January 2006 arising from the acquisition were as follows:

	Acquiree's carrying amount	**Fair value**
Cash and cash equivalents	49,955	49,955
Trade and other receivables	492,689	492,689
Investment properties	174,331	259,576
Land use rights	13,519	13,519
Property, plant and equipment	386	386
Properties under development	127,150	288,911
Completed properties held for sale	3,638	3,638
Tax prepayments	2,850	2,850
Deferred income tax liabilities	(103)	(81,615)
Deposits received on sale of properties	(35,910)	(35,910)
Accruals and other payables	(124,891)	(124,891)
Current income tax liabilities	(1,094)	(1,094)
Net identifiable assets acquired	702,520	868,014
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		300,000
– cash and cash equivalents in subsidiary acquired		(49,955)
Cash outflow on acquisition		250,045

(All amounts in RMB Yuan thousands unless otherwise stated)

35. Business combinations (continued)

(ii) On 10 April 2006, the Group acquired the entire equity interest in Beijing Honggao for an aggregate consideration of RMB780,000,000. This company is principally engaged in property development business in the PRC.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid	570,000
– accrued consideration to be paid on schedule	210,000
Total purchase consideration	780,000
– fair value of net identifiable assets acquired (see below)	780,000
Cost of acquisition over fair value of the net assets acquired	—

The assets and liabilities as of 10 April 2006 arising from the acquisition were as follows:

	Acquiree's carrying amount	**Fair value**
Land use rights	780,000	780,000
Net identifiable assets acquired	780,000	780,000
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		570,000
– cash and cash equivalents in subsidiary acquired		—
Cash outflow on acquisition		570,000

(All amounts in RMB Yuan thousands unless otherwise stated)

35. Business combinations (continued)

(iii) Pursuant to a share transfer agreement dated 19 July 2006, the Group would acquire the entire equity interest in Tianjin Prominence, at a total consideration of RMB 630,000,000. Tianjin Prominence is principally engaged in property development business. On 17 October 2006, the Group acquired 60% equity interest in Tianjin Prominence according to the payment schedule. Following the transfer, Tianjin Prominence became a subsidiary of the Group in 2006.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid for 60% interest	366,000
– accrued consideration to be paid on schedule	12,000
Total purchase consideration	378,000
– fair value of net identifiable assets acquired (see below)	345,160
Cost of acquisition over fair value of the net assets acquired	32,840

The assets and liabilities as of 17 October 2006 arising from the acquisition were as follows:

	Acquiree's carrying amount	**Fair value**
Cash and cash equivalents	10,000	10,000
Land use rights	290,000	290,000
Property held for development	—	363,316
Deferred income tax liabilities	—	(88,049)
Net identifiable assets	300,000	575,267
Share of interest		60%
Net identifiable assets acquired		345,160
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		366,000
– cash and cash equivalents in subsidiary acquired		(10,000)
Cash outflow on acquisition		356,000

(All amounts in RMB Yuan thousands unless otherwise stated)

35. Business combinations (continued)

(iv) Pursuant to a share transfer agreement dated 13 January 2006, the Group acquired 75% equity interest in Longxi Shunjing, at a total consideration of RMB 528,380,000 principally for the entire interest in certain property development porjects. Following the transfer, Longxi Shunjing became a subsidiary of the Group in 2006.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid	388,380
– accrued consideration to be paid on schedule	140,000
Total purchase consideration	528,380
– fair value of net identifiable assets acquired (see below)	528,380
Cost of acquisition over fair value of the net assets acquired	—

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

	Acquiree's carrying amount	**Fair value**
Land use rights	506,630	528,380
Property held for development	—	10,620
Deferred income tax liabilities	—	(10,620)
Net identifiable assets acquired	506,630	528,380
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		388,380
– cash and cash equivalents in subsidiary acquired		—
Cash outflow on acquisition		388,380

(All amounts in RMB Yuan thousands unless otherwise stated)

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 48.4386% and 48.4386% of the Company's shares, respectively. The remaining 3.1228% of the shares were held by three other individuals. Subsequent to the listing of the shares of the Company on 14 July 2005, the exercise of the over-allotment option on 8 August 2005 and the placement on 3 October 2006, the interests held by Li Sze Lim and Zhang Li became 33.32% and 33.22% respectively.

Services provided are based on the price lists in force and terms that would be available to third parties. 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) Provision of restaurant services

	2006	2005
Guangzhou Fuligong Restaurant Co., Ltd.	**8,918**	7,268

iii) Lease of properties

	2006	2005
Beijing Fushengli Investment Consulting Co., Ltd.	**8,970**	7,475

iv) Drinking water system charges

	2006	2005
Guangzhou Canton-Rich Environmental Inc.	**5,143**	5,032

v) Key management compensation

	2006	2005
Salaries and welfare benefits	**13,288**	8,814

vi) Appointment as lease agent

	2006	2005
Beijing Fushengli Investment Consulting Co.,Ltd.	**1,630**	91

(All amounts in RMB Yuan thousands unless otherwise stated)

36. Significant related-party transactions (continued)

vii) Appointment as property management

	2006	2005
Beijing Fushengli Investment Consulting Co.,Ltd.	**852**	270

viii) Balances with related parties

As at 31 December 2006, the Group had the following significant non-trade balances with related parties:

	2006	2005
Due from:		
Guangzhou Yifu Properties Co., Ltd.	**2,000**	—
Beijing Fushengli Investment Consulting Co., Ltd.	**—**	1,025
	2,000	1,025
Due to:		
Beijing Fushengli Investment Consulting Co., Ltd.	**2,747**	—
Li Sze Lim and Zhang Li	**—**	37,648
	2,747	37,648

The balances with related parties are interest free, unsecured and have no fixed repayment terms.

	Maximum amount outstanding for the year	
	2006	2005
Due to:		
Li Sze Lim and Zhang Li	**37,648**	48,461

37. Events after the balance sheet date

(i) Pursuant to an agreement entered into between the Group and three third parties in January 2007, the Group will acquire the entire equity interest in Shenyang Yilong Housing Development Co., Ltd. at a total consideration of RMB 161,500,000. Shenyang Yilong is a property development company.

(ii) Pursuant to the new PRC corporate income tax law passed by the Tenth National People's Congress on 16 March 2007, the new corporate income tax rates for almost all enterprises established in the PRC shall be subject to a unified rate of 25% and will be effective from 1 January 2008. The impact of such change of corporate income tax rate on the Group's consolidated financial statements will depend on detailed pronouncements that are subsequently issued. The Group will evaluate the impact of the new PRC corporate income tax law upon the issuance of detailed pronouncements.