众安房产
ZHONG AN REAL ESTATE
(Stock code: 672)

Interim Report 2009

ZHONG AN REAL ESTATE LIMITED
眾安房產有限公司
(incorporated in the Cayman Islands with limited liability)

Contents

Board of Directors

Executive Directors
Mr. Shi Kancheng (alias Shi Zhongan)
(Chairman and Chief Executive Officer)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang

Independent Non-executive Directors
Professor Pei Ker Wei
Professor Wang Shu Guang
Dr. Loke Yu

Company Secretary and Qualified Accountant

Mr. Lam Yau Yiu

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

No. 996, Xiaoshao Road
Xiaoshan District
Hangzhou
Zhejiang Province
The PRC

Principal Place of Business in Hong Kong

Unit 2509, 25/F
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Company's Website

www.zafc.com

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China
Bank of Communications
China Construction Bank Corporation, Hong Kong Branch
Hang Seng Bank Limited

Legal Advisers as to Hong Kong Laws

Chiu & Partners

Auditors

Ernst & Young

Financial Highlights

	Unaudited For the six months ended 30 June		
	2009	2008	Percentage of decrease
Revenue (RMB'000)	**330,640**	1,288,872	74.3
Profit attributable to equity holders of the Company (RMB'000)	**72,647**	302,758	76.0
Basic earnings per share (RMB)	**0.04**	0.15	73.3
Interim dividend per share (RMB)	**0.02**	Nil	N/A

The board (the "Board") of directors (the "Directors") of Zhong An Real Estate Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the comparative amounts for the corresponding period. The unaudited condensed consolidated interim information and the interim report have been reviewed by the audit committee of the Company.

Green Harbour, Phase 1A

The unaudited consolidated revenue of the Group was RMB330,640,000 for the six months ended 30 June 2009, a decrease of 74.3% from the corresponding period in 2008. The unaudited profit attributable to equity holders of the Company was RMB72,647,000 for the six months ended 30 June 2009, a decrease of 76.0% from the corresponding period in 2008. The unaudited earnings per share was RMB0.04 for the six months ended 30 June 2009, a decrease of 73.3% from the corresponding period in 2008.

The Board recommends the payment of interim dividend of RMB0.02 per ordinary share for the six months ended 30 June 2009.

The Hangzhou residential property market had recovered strongly in the first half of the year. Compared with the end of 2008, the average sales price increased to RMB11,200 per sq. m. with a 4% increment and the sales volume increased to about 4,740,000 sq. m., a 223% increment. The total area of approved pre-sale for residential units reached 2,970,000 sq. m. for the six months ended 30 June 2009. As at 30 June 2009, the total area of unsold residential units was about 3,110,000 sq. m.. As the home buyers had regained the confidence in the property market and there is an expected inflation, the sales price will be expected to increase so as the volume.

During the period under review, the average sales price of residential property in Anhui Province increased to RMB4,220 per sq. m., a 5.5% increment compared with that of the second half of 2008. The area sold was about 4,570,000 sq. m. with a 161% increment as compared with that of second half of 2008. As at 30 June 2009, the area of the approved pre-sale residential units reached 2,716,500 sq. m. and the area of unsold residential units was 773,900 sq. m..

Business Review

The Group has adopted a stable operation strategy. The scale of the construction had been reduced so as to tackle the financial crisis in 2008. Hence, the saleable GFA in 2009 is affected. The Group has increased the scale of construction within the first quarter so as to lay down the foundation for future stable development.

Since the second quarter, Hangzhou property market has recovered substantially. Hence, the Group had achieved a great return in the pre-sale. Up to 31 August 2009, the GFA for pre-sale by the Group reached 122,156 sq.m.. The pre-sale proceeds reached RMB1,046,000,000 which is more than 95% of the full year target. Most of the pre-sale projects will be completed and delivered by this year.

Sales and earnings

The area of property sold and delivered by the Group for the six months ended 30 June 2009 was 46,366 sq. m. (corresponding period in 2008: 161,142 sq. m.), a decrease of 71.2%. The gross profit for the six months ended 30 June 2009 was RMB118,410,000, a decrease of 74.3% from RMB459,875,000 for the corresponding period in 2008. The reason for the decrease was that the main contribution to the area of property sold and delivered was from the Green Harbour, Phase 1A which contributed 30,873 sq. m. and was smaller than that of same period last year, New White Horse Apartment which delivered units in a total of 154,178 sq. m.. The remaining units of other completed projects contributed the rest.

The average sales price per sq. m. achieved by the Group for the six months ended 30 June 2009 was RMB6,527, a decrease of 20.5% from the average sales price per sq. m. of RMB8,210 for the corresponding period in 2008. The primary reason was that the majority of sales came from Anhui Province, which has a low average selling price than that of Hangzhou.

The average cost per sq. m. was RMB4,367 for the six months ended 30 June 2009, a decrease of 14.2% from RMB5,092 for the corresponding period in 2008.

The unaudited profit attributable to the equity holders of the Company was RMB72,647,000 for the six months ended 30 June 2009 (corresponding period in 2008: RMB302,758,000), a decrease of 76.0% from the corresponding period in 2008. The decrease was mainly due to the decrease in sales. Of which the unaudited increase in fair value of investment property for the six months ended 30 June 2009 was RMB63,232,000 (RMB42,681,000 net of relevant enterprise income tax and minority interests), whereas the same was RMB151,977,000 for the corresponding period in 2008 (RMB102,584,475 net of relevant enterprise income tax and minority interests). The increase in fair value of investment property for the six months ended 30 June 2009 was derived from the valuation of serviced apartments of Highlong Plaza.

Area for pre-sale

Up to 30 June 2009, the GFA for pre-sale by the Group was approximately 91,222 sq. m.. Set out below are the details on the area for pre-sale from the projects:

City	Project	Interest	Contract GFA (sq.m.)
Hangzhou	New White Horse Apartment	90.00%	2,770
Hangzhou	White Horse Noble Mansion	99.70%	69,952
Hefei	Green Habour	84.15%	9,466
Huaibei	Vancouver City	95.00%	7,927
Hangzhou	Other completed projects		1,107
Total			91,222

White Horse Noble Mansion

Up to 30 June 2009, the GFA for booked by the Group was approximately 46,366 sq. m.. Set out below are the details on the booked area for pre-sale from these projects:

City	Project	Interest	Booked GFA (sq.m.)
Hangzhou	New White Horse Apartment	90.00%	4,962
Hefei	Green Habour	84.15%	30,873
Huaibei	Vancouver City	95.00%	6,293
Hangzhou	Other completed projects		4,238
Total			46,366

Land reserve

As of 30 June 2009, the total GFA of the Group's land bank in Zhejiang Province and Anhui Province was 3,094,941 sq. m. and 2,230,586 sq. m., which was 5,325,527 sq. m. in total. This sizable land bank is sufficient for development by the Group in the coming four to five years.

Details of land bank as of 30 June 2009:

	Type of property	Total GFA (sq.m.)	GFA available for sale/leasing (sq.m.)	Percentage of interest in the project attributable to the Group
A piece of land for Huijun White Horse Noble Mansion, Phase B, Xihu District, Hangzhou, Zhejiang Province	Residential/retail spaces	168,657	109,107	99.7%
A piece of land at Landscape Bay, Ning Wei Town, Hangzhou, Zhejiang Province	Residential/retail spaces	324,339	248,230	92.6%
A piece of land at Huifeng Plaza, Hangzhou, Zhejiang Province	Residential	69,545	28,991	90.0%
A piece of land reserved for 名企廣場 (Corporate Square*) at Wenyan, Xiaoshan District, Hangzhou, Zhejiang Province	Residential/retail spaces/offices	245,000	202,000	94.5%
A piece of land reserved for International Office Centre, Phase A, Hangzhou, Zhejiang Province	Residential/offices/hotels	843,400	694,300	100.0%
A piece of land reserved for Phase B & C, International Office Centre, Hangzhou, Zhejiang Province	Residential/offices/hotels/retail spaces	1,444,000	1,018,400	100.0%
Sub-total for land bank in Hangzhou, Zhejiang Province		**3,094,941**	**2,301,028**	

	Type of property	Total GFA (sq.m.)	GFA available for sale/leasing (sq.m.)	Percentage of interest in the project attributable to the Group
Vancouver City, Phase 3A – 3D, Huaibei, Anhui Province	Residential/retail spaces	534,036	491,300	95.0%
Vancouver City, Phase 4 – 6, Huaibei, Anhui Province	Residential/retail spaces/hotels	921,050	890,000	95.0%
Green Harbour, Phase 1B & C, Hefei, Anhui Province	Residential	92,000	84,000	84.2%
Green Harbour, Phase 2, Hefei, Anhui Province	Residential/retail spaces	128,200	87,300	84.2%
Green Harbour, Phase 3 – 6, Hefei, Anhui Province	Residential/retail spaces/hotels	555,300	542,500	84.2%
Sub-total for land bank in Anhui Province		**2,230,586**	**2,095,100**	
Total land bank		**5,325,527**	**4,396,128**	

* *for identification only.*

Human resources and remuneration policy

As at 30 June 2009, the Group employed 1,004 staff (30 June 2008: 960 staff). For the six months ended 30 June 2009, the unaudited staff cost of the Group was approximately RMB20,941,000 (corresponding period of 2008: approximately RMB22,218,00).

The staff cost includes basic salary and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan, etc. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered the grant of annual bonus according to certain performance conditions and appraisal results. The Group also provides a series of benefits to its employees, including housing allowances, medical insurances and transportation allowances. Commission is only provided to the sales staff of the Company. The Group reviews the remuneration package for its staff once a year. The Group also studies its remuneration packages relative to the similar position as offered by its peers, so as to maintain the competitiveness of the Company in the human resources market.

Dividend policy

The Board shall determine the dividend policy of the Company in future according to the financial condition in general, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

In addition, the Group's future dividend payments to its shareholders will also depend upon the availability of dividends received from its subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from its subsidiary companies may also be restricted if they incur losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that the Group or its subsidiaries may enter into in the future.

Capital structure

As at 30 June 2009, the Group had aggregate cash and cash equivalents of RMB1,728,469,000 (31 December 2008: RMB1,652,098,000).

The current ratio as at 30 June 2009 was 2.8 (31 December 2008: 2.5).

As at 30 June 2009, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB61,920,000 and RMB676,125,000 respectively (31 December 2008: approximately RMB142,117,000 and RMB521,789,000 respectively).

The unaudited consolidated interest expenses for the six months ended 30 June 2009 amounted to RMB10,783,000 (corresponding period in 2008: RMB6,676,000) in total. In addition, for the six months ended 30 June 2009, interests with an unaudited amount of RMB9,906,000 (corresponding period in 2008: RMB31,040,000) were capitalized. Interest cover (including amount of interests capitalized) was 3.5 times (corresponding period in 2008: 12.2 times).

As at 30 June 2009, the ratio of total liabilities to total assets of the Group was 36.4% (31 December 2008: 36.1%).

As at 30 June 2009, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 18.6% (31 December 2008: 16.9%). The ratio of bank loans and other borrowings to total assets was 11.5% (31 December 2008: 10.5%). The increase was due to the RMB200,000,000 bank loans granted in the period.

In conclusion, the financial position of the Group is sound.

Capital commitments

As at 30 June 2009, the capital commitments of the Group were RMB828,475,000 (31 December 2008: RMB568,744,000), which were mainly the capital commitments for land acquisition costs and construction costs. It is expected that the Group will finance such commitments from its own funds and/or bank loans.

Guarantees and contingent liabilities

As at 30 June 2009, the contingent liabilities of the Group was approximately RMB24,023,000 (31 December 2008: RMB116,295,000), which was mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

Pledge of assets

As at 30 June 2009, investment properties of the Group with net book value of approximately RMB1,058,164,000 (31 December 2008: approximately RMB1,134,900,000), properties under development of approximately RMB327,000,000 (31 December 2008: approximately RMB153,798,000) and properties under the category of property and equipment of approximately RMB153,506,000 (31 December 2008: RMB 163,872,000) were pledged to secure the banking facilities of the Group.

As at 30 June 2009, bank deposits amounting to RMB25,844,000 (31 December 2008: approximately RMB16,343,000) were pledged to certain banks in respect of the construction safety and the mortgage facilities granted by the banks to the purchasers of the Group's properties.

Foreign exchange risk

In the balance of bank deposits (including restricted bank balances) for the Group as at 30 June 2009, Renminbi, US dollars, HK dollars and Euro dollars accounted for 97.3%, 1.1%, 1.5% and 0.1% respectively (31 December 2008: accounted for 92.7%, 1.0%, 6% and 0.3% respectively).

As the sales, purchase and bank borrowings of the Group in the first half of 2009 and the corresponding period in 2008 were made mainly in Renminbi, the foreign exchange risk exposed by the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in the first half of 2009 and the corresponding period in 2008.

Interest rate risks

The interest rates for the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new loans and existing loans. The Group currently does not use derivative instruments to hedge its interest rate risks.

Subsequent events

There was no matter that cause material impact on the Group between the balance sheet date (i.e. 30 June 2009) and the date of this interim report.

Prospects and outlook

The Group will remain cautiously optimistic about the PRC real estate market. We will continue to adopt the low cost acquisition strategy by avoiding public auctions. We will also accelerate the pace for existing projects in order to achieve (1) quick asset turn and (2) higher profits.

With abundant low cost land bank on hand and immediate opportunities for additional acquisitions in our key focused area, we will further enhance the Group's competitive position in the market.

Condensed Consolidated Income Statement

	Notes	Unaudited For the six months ended 30 June 2009 RMB'000	2008 RMB'000
Revenue	4	**330,640**	1,288,872
Cost of sales		**(212,230)**	(828,997)
Gross profit		**118,410**	459,875
Other income	4	**16,082**	56,480
Selling and distribution costs		**(16,558)**	(25,031)
Administrative expenses		**(37,171)**	(32,004)
Other expenses		**(13,762)**	(52,480)
Increase in fair value of investment properties		**63,232**	151,977
Finance costs		**(10,784)**	(6,676)
Profit before tax	5	**119,449**	559,941
Income tax	6	**(35,585)**	(226,102)
Profit for the year		**83,864**	333,839
Attributable to:			
Equity holders of the Company		**72,647**	302,758
Minority interests		**11,217**	31,081
		83,864	333,839
Earnings per share attributable to ordinary equity holders of the Company (RMB)			
Basic	7	**0.04**	0.15
Dividends			
Interim	8	**38,853**	–

The accompanying notes on pages 19 to 37 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Notes	Unaudited For the six months ended 30 June 2009 RMB'000	2008 RMB'000
Profit for the period		**83,864**	333,839
Other comprehensive income			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		**77**	(72,613)
Total comprehensive income for the period		**83,941**	261,226
Total comprehensive income attributable to:			
Equity holders of the Company		**72,724**	230,145
Minority interests		**11,217**	31,081
		83,941	261,226

The accompanying notes on pages 19 to 37 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
NON-CURRENT ASSETS			
Property and equipment	9	**195,532**	200,739
Investment properties		**1,314,400**	1,146,500
Properties under development	10	**972,391**	1,034,200
Goodwill		**5,314**	15,292
Available-for-sale investments		**3,300**	3,300
Deferred tax assets		**18,344**	20,188
Total non-current assets		**2,509,281**	2,420,219
CURRENT ASSETS			
Completed properties held for sale		**407,833**	219,171
Properties under development	10	**1,005,970**	1,326,318
Inventories		**9,401**	3,549
Trade receivables	11	**13,198**	10,857
Prepayments, deposits and other receivables		**727,727**	677,808
Pledged deposits	12	**25,844**	16,343
Cash and cash equivalents	12	**1,728,469**	1,652,098
Total current assets		**3,918,442**	3,906,144
CURRENT LIABILITIES			
Trade payables	13	**305,041**	485,222
Other payables and accruals		**290,824**	287,585
Advances from customers		**560,683**	368,986
Interest-bearing bank and other borrowings	14	**61,920**	142,117
Tax payable		**202,709**	251,139
Total current liabilities		**1,421,177**	1,535,049
NET CURRENT ASSETS		**2,497,265**	2,371,095
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,006,546**	4,791,314
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**676,125**	521,789
Deferred tax liabilities		**242,881**	227,073
Total non-current liabilities		**919,006**	748,862
NET ASSETS		**4,087,540**	4,042,452

The accompanying notes on pages 19 to 37 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	**185,339**	185,339
Reserves		**3,780,411**	3,746,540
		3,965,750	3,931,879
Minority interests		**121,790**	110,573
Total equity		**4,087,540**	4,042,452

The accompanying notes on pages 19 to 37 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

	Unaudited										
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory reserve fund RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	190,808	3,094,116	39,318	9,766	61,648	6,104	(26,804)	479,337	3,854,293	81,681	3,935,974
Profit for the period	–	–	–	–	–	–	–	302,758	302,758	31,081	333,839
Exchange difference arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	–	(72,613)	–	(72,613)	–	(72,613)
Total comprehensive income for the period	190,808	3,094,116	39,318	9,766	61,648	6,104	(99,417)	782,095	4,084,438	112,762	4,197,200
Increase in effective interest of non-wholly owned subsidiaries	–	–	–	11,921	–	–	–	–	11,921	(11,921)	–
Shares repurchased and cancelled	(1,738)	(62,211)	–	–	–	–	–	–	(63,949)	–	(63,949)
At 30 June 2008	189,070	3,031,905	39,318	21,687	61,648	6,104	(99,417)	782,095	4,032,410	100,841	4,133,251
At 1 January 2009	185,339	2,976,821	39,318	9,451	107,936	7,841	(80,125)	685,298	3,931,879	110,573	4,042,452
Profit for the period	–	–	–	–	–	–	–	72,647	72,647	11,217	83,864
Exchange difference arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	–	77	–	77	–	77
Total comprehensive income for the period	185,339	2,976,821	39,318	9,451	107,936	7,841	(80,048)	757,945	4,004,603	121,790	4,126,393
2008 final dividend paid	–	–	–	–	–	–	–	(38,853)	–	–	(38,853)
At 30 June 2009	185,339	2,976,821*	39,318*	9,451*	107,936*	7,841*	(80,048)*	719,902*	4,004,603	121,790	4,087,540

* These reserve accounts comprise the consolidated reserves of RMB3,780,411,000 (2008: RMB3,843,340,000) in the condensed consolidated statement of financial position.

The accompanying notes on pages 19 to 37 form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

	Unaudited For the six months ended 30 June 2009 RMB'000	2008 RMB'000
Cash generated from operating activities	**126,005**	240,825
Net cash inflow from operating activities	**52,932**	165,084
Net cash outflow from investing activities	**(11,924)**	(372,109)
Net cash inflow/(outflow) from financing activities	**35,286**	(442,159)
Net increase/(decrease) in cash and cash equivalents	**76,294**	(649,184)
Cash and cash equivalents at 1 January	**1,652,098**	3,038,517
Effect of foreign exchange rate changes, net	**77**	(72,613)
Cash and cash equivalents at 30 June	**1,728,469**	2,316,720
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,728,469**	2,316,720

The accompanying notes on pages 19 to 37 form an integral part of the condensed consolidated financial statements.

1. Corporate information

The Company is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the six months ended 30 June 2009 are all located in Zhejiang and Anhui Provinces, the People's Republic of China (the "PRC"). There were no significant changes in the nature of the Group's principal activities during the period under review.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007. Whole Good Management Limited is wholly owned by Mr. Shi Kancheng (alias Shi Zhongan) ("Mr. Shi"), Chairman and Chief Executive Officer of the Company.

This unaudited condensed consolidated interim financial information was approved by the Board for issued on 7 September 2009.

2. Basis of presentation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements of the Group for the year ended 31 December 2008, as described in those annual financial statements.

2. Basis of presentation and accounting policies (continued)

The following new standards and amendments to standards are adopted for the first time for the financial year beginning 1 January 2009:

– *IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The IFRS 1 Amendment allows a first-time adopter of IFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of IAS 27 Amendment has no impact on the consolidated financial statements. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

– *IFRS 2 Share-based Payment – Vesting Conditions and Cancellations*

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

– *IFRS 7 Financial Instruments: Disclosures*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and the liquidity risk disclosures are not significantly impacted by the amendments.

– *IFRS 8 Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

2. Basis of presentation and accounting policies (continued)

– *IAS 1 Revised Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

– *IAS 23 Borrowing Costs (Revised)*

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard did not have any impact on the financial position or performance of the Group.

– *IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

– *IFRIC-Int 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement*

These amendments to IFRIC-Int 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

– *IFRIC-Int 13 Customer Loyalty Programmes*

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. As the Group currently has no applicable customer loyalty award credits, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

2. Basis of presentation and accounting policies (continued)

– *IFRIC-Int 15 Agreements for the Construction of Real Estate*

IFRIC-Int 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with IAS 18 Revenue. The adoption of this amendments did not have any impact on the financial position or performance of the Group.

– *IFRIC-Int 16 Hedges of a Net Investment in a Foreign Operation*

The interpretation is to be applied prospectively. IFRIC-Int 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any impact on the Group.

Improvements to IFRSs

In May 2008 the International Accounting Standards Board ("IASB") issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group adopted such accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

IAS 16 Property, Plant and Equipment: Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: Requires government loans granted in the future with no or at a below-market rate of interest to be recognized and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement and the benefit of the reduced interest to be accounted for as a government grant.

2. Basis of presentation and accounting policies (continued)

Improvements to IFRSs (continued)

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

Impact of issued but not yet effective international financial reporting standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these interim condensed consolidated financial statements.

2. Basis of presentation and accounting policies (continued)

Impact of issued but not yet effective international financial reporting standards (continued)

IFRS 2 Amendment	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions [2]
IFRS 3 (Revised)	Business Combinations[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
IFRIC-Int 17	Distribution of Non-cash Assets to Owners[1]
IFRIC-Int 18	Transfers of Assets from Customers[1]

Apart from the above, IASB has also issued Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarify wording. The Group expects to adopt the amendments to IFRSs from 1 January 2010. There are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010

* Improvements to IFRSs contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC-Int 9 and IFRIC-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of IFRS 3 (Revised), IAS 27 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Segment information

The Group's turnover and profit for the six months ended 30 June 2008 and 30 June 2009 were mainly derived from the property development business. The principal assets employed by the Group and the Group's property development projects are both located in the PRC. Accordingly, no analysis by business and geographical segments is presented.

4. Revenue and other income

Revenue, which is also the Group's turnover, represents revenue from the sale of properties, leasing, hotel operation and management fee income during the period under review, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue and other income is as follows:

	Unaudited For the six months ended 30 June 2009 RMB'000	2008 RMB'000
Revenue		
Sale of properties	**302,607**	1,323,005
Leasing income	**19,265**	11,164
Management fee income	**3,360**	2,763
Revenue from hotel operations	**23,589**	22,126
Others	**46**	144
Less: Business tax and surcharges	**(18,227)**	(70,330)
	330,640	1,288,872
Other income		
Interest income	**13,979**	26,247
Government grants	**–**	2,300
Gain on foreign exchange differences	**10**	27,904
Others	**2,093**	29
	16,082	56,480

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Cost of properties sold	**202,466**	820,481
Depreciation	**5,685**	5,655
Minimum lease payments under operating leases		
– Office premises	**1,926**	979
Auditors' remuneration	**258**	357
Staff costs including directors' remuneration:		
– Salaries and other staff costs	**19,314**	20,860
– Retirement benefits scheme contributions	**1,627**	1,358
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**183**	823
Goodwill impairment	**9,978**	41,343
Changes in fair value of investment properties	**(63,232)**	(151,977)

6. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period under review.

Provision for the PRC income tax has been provided at the applicable income tax rate of 25% on the assessable profits of the Group's subsidiaries in Mainland China.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the "LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of the state-owned prepaid land lease payments, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

6. Income tax (continued)

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	Unaudited For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current tax:		
PRC corporate income tax	**19,986**	98,870
PRC land appreciation tax	**1,635**	101,971
Deferred tax:		
Relating to origination and reversal of temporary differences	**13,964**	25,261
Total tax charge	**35,585**	226,102

7. Earnings per share attributable to the equity holders of the Company

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2009 attributable to ordinary equity holders of the Company of RMB72,647,000 (corresponding period in 2008: RMB302,758,000) and the ordinary shares of 1,942,672,000 (corresponding period in 2008: 1,993,051,005) in issue during the six months ended 30 June 2009.

Diluted earnings per share amount has not been presented as there were no diluting events during the period under review.

8. Dividends

	Unaudited For the six months ended 30 June 2009 RMB'000	 2008 RMB'000
Dividends on ordinary shares declared and paid during the six month period 2008 final dividend per ordinary share: RMB0.02 (2007: Nil)	**38,853**	–
2009 interim dividend proposed per ordinary share: RMB0.02 (2008: Nil)	**38,853**	–

Notes:

(a) At a meeting held on 31 March 2009, the Directors proposed a final dividend of RMB0.02 per ordinary share for the year ended 31 December 2008, which was paid on 29 May 2009 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2009.

(b) At a meeting held on 7 September 2009, the Company's directors declared an interim dividend of RMB0.02 per ordinary share. This proposed dividend, based on the number of shares outstanding at the date of the meeting, is not reflected as a dividend payable in this interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

9. Property and equipment

	Unaudited					
	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009						
Cost	186,014	1,417	21,187	20,908	503	230,029
Accumulated depreciation	(12,378)	(719)	(6,540)	(9,653)	–	(29,290)
Net carrying amount	173,636	698	14,647	11,255	503	200,739
At 1 January 2009, net of accumulated depreciation	173,636	698	14,647	11,255	503	200,739
Additions	1,946	–	475	126	400	2,947
Transfer to investment property	(1,946)	–	–	–	–	(1,946)
Disposal	–	–	(20)	–	(503)	(523)
Depreciation provided during the period	(4,394)	(33)	(186)	(1,072)	–	(5,685)
At 30 June 2009, net of accumulated depreciation	169,242	665	14,916	10,309	400	195,532
At 30 June 2009:						
Cost	186,014	1,417	21,642	21,034	400	230,507
Accumulated depreciation	(16,772)	(752)	(6,726)	(10,725)	–	(34,975)
Net carrying amount	169,242	665	14,916	10,309	400	195,532

9. Property and equipment (continued)

	Unaudited					
	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2008:						
Cost	12,590	1,408	20,010	16,281	210	50,499
Accumulated depreciation	(3,212)	(656)	(2,799)	(6,681)	–	(13,348)
Net carrying amount	9,378	752	17,211	9,600	210	37,151
At 1 January 2008, net of accumulated depreciation	9,378	752	17,211	9,600	210	37,151
Additions	–	319	653	3,889	544	5,405
Transfer from properties under development	165,282	–	–	–	–	165,282
Depreciation provided during the year	(2,541)	(71)	(1,652)	(1,391)	–	(5,655)
At 30 June 2008, net of accumulated depreciation	172,119	1,000	16,212	12,098	754	202,183
At 30 June 2008:						
Cost	177,872	1,727	20,663	20,170	754	221,186
Accumulated depreciation	(5,753)	(727)	(4,451)	(8,072)	–	(19,003)
Net carrying amount	172,119	1,000	16,212	12,098	754	202,183

All property and equipment were carried at cost.

10. Properties under development

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
At the beginning of year/ period	**2,360,518**	2,431,365
Additions	**111,692**	761,397
Acquisition of a subsidiary (note 16)	**–**	351,106
Amortisation of land use rights recognised as expenses	**–**	(11,296)
Transfer to investment properties	**(102,721)**	(11,416)
Transfer to completed properties held for sale	**(391,128)**	(988,915)
Transfer to property and equipment	**–**	(171,723)
At the period/year end	**1,978,361**	2,360,518
Current assets	**1,005,970**	1,326,318
Non-current assets	**972,391**	1,034,200
	1,978,361	2,360,518

The Group's properties under development were located in Mainland China.

11. Trade receivables

The Group's trading terms with its customers are mainly lease receivables on credit. The credit period is generally one month, extending up to three months for major customers. All balances of the trade receivables as at the period end are neither past due nor impaired.

12. Cash and cash equivalents

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Cash and bank balances	**1,639,313**	1,652,098
Time deposits	**115,000**	16,343
	1,754,313	1,668,441
Less: Pledged deposits	**(25,844)**	(16,343)
Cash and cash equivalents	**1,728,469**	1,652,098

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

As at 30 June 2009, the deposits of RMB25,844,000 were pledged to banks as guarantees to construction safety and mortgage facilities granted to purchasers of the Group's properties (2008: RMB16,343,000).

13. Trade payables

An ageing analysis of the trade payables as at the balance sheet date, based on the payment due date, is as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Within six months	**217,765**	472,654
Over six months but within one year	**74,834**	2,803
Over one year	**12,442**	9,765
	305,041	485,222

The above balances are unsecured and interest-free. The fair values of the trade payables at 30 June 2009 and 31 December 2008 approximate to their corresponding carrying amounts.

14. Interest-bearing bank and other borrowings

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Current:		
Bank loans – secured	**61,920**	142,117
Non-current:		
Bank loans – secured	**676,125**	521,789
Repayable:		
Within one year or on demand	**61,920**	142,117
Over one year but within two years	**61,625**	62,753
Over two years but within five years	**349,000**	217,330
Over five years	**265,500**	241,706
	738,045	663,906
Current liabilities	**61,920**	142,117
Non-current liabilities	**676,125**	521,789

As at 30 June 2009, all bank borrowings bore interest at floating rates.

The Group's bank borrowings bore interest at rates ranging from 5.40% to 6.53 % (2008: 5.31% to 8.61%) per annum.

14. Interest-bearing bank and other borrowings (continued)

Movement in interest-bearing bank and other borrowings are as follows:

	Unaudited For the six months ended 30 June 2009 RMB'000	2008 RMB'000
At 1 January	**663,906**	1,292,913
Addition	**200,000**	14,100
Repayment	**(125,861)**	(392,310)
Effect of foreign exchange rate changes	**–**	(13,966)
	738,045	900,737

The Group's bank loans are secured by:

(i) the Group's investment properties with an aggregate carrying amount of approximately RMB1,058,164,000 (2008: RMB1,134,900,0000) were pledged for bank loans;

(ii) the Group's properties under development amounting to approximately RMB327,000,000 (2008: 153,798,000) were pledged for bank loans;

(iii) the Group's properties under the category of property and equipment amounting to approximately RMB153,506,000 (2008: RMB163,872,000) were pledged for bank borrowings; and

The fair values of the interest-bearing bank loans and other borrowings at 30 June 2009 and 31 December 2008 approximate to their corresponding carrying amounts.

15. Share capital

Shares

	Unaudited 30 June 2009 '000	Audited 31 December 2008 '000
Authorised:		
4,000,000,000 ordinary shares of HK$0.10 each	**HK$400,000**	HK$400,000
Issued and fully paid:		
1,942,672,000 ordinary shares of HK$0.10 each	**RMB185,339**	RMB185,339

During the six months ended 30 June 2009, the Company has repurchased nil (corresponding period in 2008: 19,244,000) ordinary shares on the Stock Exchange and nil (corresponding period in 2008: 18,217,000) ordinary shares were cancelled on or before 30 June 2009.

16. Acquisition of a subsidiary

In January 2008, the Group acquired a 100% equity interest of Hangzhou Zheng Jiang Real Estate Development Co., Ltd. ("Zheng Jiang") from an independent third party at a total cash consideration of RMB361,106,000. Before the acquisition, Zheng Jiang had no business activities. The sole purpose of the acquisition was to acquire a piece of vacant land owned by Zheng Jiang.

The fair values of the identifiable assets and liabilities of Zheng Jiang as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Note	**Fair value recognised on acquisition** RMB'000	**Previous carrying amount** RMB'000
Net assets acquired:			
Properties under development	10	351,106	120,000
Cash and cash equivalents		10,000	10,000
		361,106	130,000
Satisfied by:			
Prepayments, deposits and other receivables		163,600	
Cash		197,506	
		361,106	

16. Acquisition of a subsidiary (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	As at the acquisition date RMB'000
Cash consideration paid	(197,506)
Cash and cash equivalents acquired	10,000
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(187,506)

The Group did not acquire a subsidiary during the period under review.

17. Related party transactions

In addition to the transactions and balances detailed elsewhere in this interim report, the Group had the following transactions with related parties during the period under review:

Compensation of key management personnel of the Group which comprises Directors was RMB2,196,617 for the six months ended 30 June 2009 (corresponding period in 2008: RMB2,121,007).

18. Capital commitments

The Group had the following commitments for property development expenditure at the balance sheet date:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Contracted, but not provided for:		
Properties under development	828,475	568,744

19. Contingent liabilities

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	**24,023**	116,295

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the period under review in respect of the guarantee provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

20. Post balance sheet events

There are no events to cause material impact on the Group from the balance sheet date to the date of this interim report.

Director's interests and short positions in securities

As at 30 June 2009, the interests and short positions of a Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Number of shares held and nature of interest in the Company:

Name of Director	Capacity	Number and class of securities held	Approximate percentage of interest	Long/Short Position
Mr. Shi Kancheng	Interest of controlled corporation (Note)	1,357,000,000 shares of HK$0.1 each in the capital of the Company	69.85%	Long

Note: These shares are held by Whole Good Management Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Shi Kancheng.

Save as disclosed above, as at 30 June 2009, none of the directors and chief executives of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

At no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company, its holdings companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

Substantial shareholders

At 30 June 2009, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Number and class of securities held	Percentage of the Company's issued share capital	Long/Short Position
Whole Good Management Limited (Note)	1,357,000,000 shares of HK$0.1 each in the capital of the Company	69.85%	Long
Atlantis Investment Management Limited	100,000,000 shares of HK$0.1 each in the capital of the Company	5.15%	Long

Note: The share capital of Whole Good Management Limited is solely and beneficially owned by Mr. Shi Kancheng.

Save as disclosed above, as at 30 June 2009, no person, other than a Director and chief executive of the Company, had registered an interests or short positions in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Share Option Scheme

The Share Option Scheme has became effective on 15 May 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

There is no share option of the Company granted as at 30 June 2009.

Model code for securities transactions by directors of listed issuers

During the period under review, the Company has adopted a code of conduct regarding Directors of the Company's securities transactions on terms no less exacting than the required standard set out in to the Model Code.

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model code and its code of conduct regarding Directors' securities transactions during the period under review.

Change of Directors

Mr. Heng Kwoo Seng had resigned as an independent non-executive Director, the chairman of the audit committee of the Company ("Audit Committee") and a member of the remuneration committee of the Company with effect from 30 June 2009. Dr. Loke Yu has been appointed as an independent non-executive Director, chairman of the Audit Committee and a member of the remuneration committee of the Company with effect from 30 June 2009.

Audit committee and independent non-executive directors

The Company has set up an Audit Committee and the terms of reference adopted complied with the requirement of the Listing Rules. The chairman of the Audit Committee is Dr. Loke Yu. The other members are Professor Pei Ker Wei and Professor Wang Shu Guang. The Audit Committee comprises all of the three independent non-executive Directors of the Company.

Purchase, sales or redemption of listed securities of the company

During the period under review, neither the Company (corresponding period in 2008: 19,244,000 ordinary shares), nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with the code on corporate governance practices

The Company and the Board have applied the principles in the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange by adopting the code provisions of the Code.

During the six months ended 30 June 2009, the Board has adopted and complied with the code provisions of the Code in so far they are applicable with the exception of the deviation from the code provision A.2.1 (i.e. the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Shi).

The Board believes that the roles of both the Chairman and the Chief Executive Officer of the Company being performed by the same person provides the Company with consistent leadership and enables the Company to carry out the planning and implementation of business plans and decisions efficiently.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.