The following discussion and analysis of our financial condition and results of operations are based on and should be read in conjunction with our financial information for each of the three years ended December 31, 2006, 2007 and 2008 and for the six months ended June 30, 2009, including the notes thereto, as set forth in Appendix I — "Accountants' Report" and other financial information appearing elsewhere in this prospectus. Our financial information has been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

BASIS OF PRESENTATION

The consolidated statements of comprehensive income, statements of financial position, cash flow statements and statements of changes in equity and other financial and operational data of the Group and the companies now comprising the Group as a result of the Reorganization as of or for each of the years ended on December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009, to which the following discussion relates, have been prepared as if our Group's structure had been in existence since January 1, 2006, or since their respective dates of incorporation or establishment or acquisition, whichever is later. All significant intra-Group transactions and balances between the companies now comprising our Group have been eliminated. However, the financial and operational data and results of our Group presented in this prospectus does not purport to be indicative of what our Group's actual financial and operational data and results would have been if the Group in its current structure had been in existence since January 1, 2006.

OVERVIEW

We are a leading property developer and property related service provider in many of China's most economically vibrant regions targeting affluent middle- to upper-class individuals and families and small- to medium-sized enterprises. Our regions of focus are currently the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region. As of the Latest Practicable Date, we had a total of 29 projects at various stages of development (i.e. completed projects, projects under development and projects held for future development), including 11 projects located in the Chengdu-Chongqing Economic Zone, 14 projects located in the Pearl River Delta region, two projects located in the Yangtze River Delta region and two projects located in the Beijing-Tianjin metropolitan region.

As of the Latest Practicable Date, we had a total land bank of approximately 10,714,794 square meters, which consists of:

(i) an aggregate planned GFA of approximately 5,125,172 square meters of properties with land use rights obtained (consisting of an aggregate planned GFA of approximately 1,247,504 square meters of properties under development and an aggregate planned GFA of approximately 3,877,668 square meters of properties held for future development for which we have obtained land use rights); and

(ii) an aggregate planned GFA of approximately 5,589,622 square meters of properties for which we had not obtained the land use rights or property rights (consisting of an aggregate planned GFA of approximately 620,759 square meters of properties held for future development for which properties rights are yet to be acquired and an aggregate planned GFA of approximately 4,968,863 square meters for which we had entered into preliminary framework agreements with the local government authorities and relevant third parties). The preliminary framework agreements are legally binding but, before we are able to obtain the relevant land use right certificates, we are still required by the relevant PRC laws and regulations (i) in respect of our

Pixian and Yunnan projects, to successfully complete the public tender, auction or listing-for-sale process, enter into a land grant contract and pay relevant land grant premium; and (ii) in respect of our Beijing Tongzhou project, to enter into and perform our obligations under a formal share transfer agreement and duly complete registration procedures for such transfer of equity ownership with the relevant government authorities.

Of our total land bank, approximately 7,603,675 square meters, or 70.9%, were held in the Chengdu-Chongqing Economic Zone; approximately 1,185,355 square meters, or 11.1%, were held in the Pearl River Delta region; approximately 574,553 square meters, or 5.4%, were held in the Yangtze River Delta region; approximately 354,680 square meters, or 3.3%, were held in the Beijing-Tianjin metropolitan region; and approximately 996,531 square meters, or 9.3%, were held in other regions. As of the Latest Practicable Date, our portfolio of land bank consisted of 57.7% of boutique upscale residences, 29.5% of urban complexes and 12.8% of other properties in terms of GFA.

In addition to property development, we also provide property operation services and property agency services to both properties that are developed by us and by others, as well as hold certain properties as investments to provide us with recurring income. We have also, since 2008, begun providing hotel services and plan to increase such services in the future to operate the boutique hotels within several of our properties that are currently under development.

We finance the acquisition of land reserves from internal funds, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds and project loans from PRC banks. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. The following summarize our main financing methods for our projects:

- Internal funds. Our internal funds are primarily from shareholder contributions, which include the US$200.0 million raised in connection with the Pre-IPO Investment. As of the Latest Practicable Date, approximately 68.5% of the proceeds from the Pre-IPO Investment has been applied to increase our land banks in China. Our internal funds also include proceeds from pre-sale of properties, which are proceeds we receive when we enter into contracts to sell properties prior to their completion. We typically receive an initial payment of at least 20% to 30% of the purchase price at the execution of the pre-sale contracts and the balance typically within 30 days of the execution of the pre-sale contracts, by which time the customer is required to have obtained a bank mortgage. Proceeds from the pre-sale are typically used to repay borrowings as well as to fund the development of the project from that stage.

- Borrowings. As of September 30, 2009, we had total secured borrowings of RMB1,763.4 million. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to fund our projects by using a combination of sources, including internally generated cash flow, borrowings, and funds raised from the capital markets from time to time. In particular, as of June 30, 2009, the total contracted capital commitment of our projects amounted to RMB1,135.0 million. For details of the capital commitments we have made relating to our projects as of September 30, 2009, please refer to "— Indebtedness, Contingent Liabilities and Capital Expenditures — Commitments" in this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic Conditions and the Regulatory Environment in the PRC

Our results of operations are subject to political, economic, fiscal, legal and social developments in the PRC in general and in cities and regions in which we operate, such as in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region, as well as economic, fiscal, legal and social developments specifically affecting the real estate sector in the PRC and in cities and regions in which we operate, including:

- continued growth in the economy, population and rate of urbanization in the PRC and in the cities and regions in which we operate as such factors drive the demand for purchase or rental of real estate properties;
- the regulatory and fiscal environment of the PRC, specifically, the regulatory and fiscal environment affecting the property development industry, including tax policies, land grant and land use rights policies, pre-sale policies, policies on bank financing and interest rates and the availability of mortgage financing and other macro-economic policies; and
- the performance of the PRC's property market, in particular, the supply and demand for real estate properties and pricing trends in the medium to high-end property sector in the cities and regions in which we operate.

For example, changes in the economic conditions and the regulatory environment in the PRC in general or in cities and regions in which we operate may affect the selling price of our properties as well as the length in which our properties are on the market before they are pre-sold or sold. Selling prices that are lower than expected will adversely affect our gross profit without a corresponding decrease in costs as well as reduce cash flow generated from the sale of properties, which may increase our reliance on external financing and negatively impact our ability to finance the continuing growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flow generated from the sale of our properties for a particular period. On the other hand, higher selling price than expected and a shorter than expected selling period may increase our gross profit, reduce selling and distribution costs and increase cash flow to fund the continuing growth of our business. In 2004, due to concerns that investment in the PRC property market may become excessive, the PRC government introduced a series of measures to curb speculative investments in the property market, regulate real estate project lending and promote the development of more low- and mid-priced housing. These policies have included, among others, clarification of the measurement and enforcement of LAT, 40% minimum down payment for any purchase of second or subsequent residential property, the increase of the loan interest rate for such purchases to no less than 110% of the benchmark interest rate, the tightening of money supply and the lifting of bank lending rates. However, due to the financial crisis beginning in late 2008, the PRC government has introduced an offsetting stimulus package, which included the reduction of deed taxes for first-time purchasers of ordinary residential property of less than 90 square meters, the waiver of stamp duty fees for individuals who are purchasing or selling ordinary residential properties, and the waiver of LAT for individuals who are selling ordinary residential properties, among other benefits.

Costs of Labor, Construction Materials and Building Equipment

Our results of operations are affected by the costs of labor, construction materials such as steel and cement, and building equipment. As the result of the economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increase in recent years. Such costs are expected to continue to increase in the future as China's economy continues to grow and the property development industry in the PRC continues to remain healthy. In addition, the PRC Labor Contract Law (中華人民共和國勞動合同法) that came into effect on January 1, 2008 enhanced the protection for employees and increased employers' liability in many circumstances which may further increase our labor cost. If our construction costs continue to increase and we are unable to pass such increasing costs to our customers, our gross margin and our results of operations may be adversely affected.

We protect our company from construction material prices volatility during the life of a project by entering into contracts with our construction contractors pursuant to which the construction contractors are responsible for procuring most of the construction materials for our property development. Such construction contracts are typically fixed or capped unit price contracts where the unit price of the materials is fixed or capped and the total price payable depends on our quantity requirement. Similarly, labor wages are typically paid by the construction contractors under the terms of most of our construction contracts, and increasing costs of labor are born by the contractors as well. However, we are exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew our construction contracts during the life of a project, which may span over several years, or if we hire construction workers directly or purchase the construction materials directly from suppliers that may increase our cost of sales and decrease our gross margin. Furthermore, we typically pre-sell our properties prior to their completion and we will be unable to pass the increased costs on to our customers if construction costs increased subsequent to the time of such pre-sale. In addition, as we typically procure building equipment ourselves, such as elevators, interior decoration materials and air conditioning systems, directly from suppliers, we are directly exposed to the price volatility of building equipment.

Availability and Cost of Land in Appropriate Locations

Our continued growth will depend in large part on our ability to secure land in locations suitable for our projects at prices that are commercially acceptable. Land acquisition costs are one of the primary components of our cost of sales for property development, which is consisted of land premium and where necessary, the cost of demolition of existing buildings and relocation of residents. Although our business model enables us to develop a wide variety of land, the increasing demand for properties in China in recent years have resulted in an increase in land acquisition costs in general, which also has affected us. In addition, in order to increase the transparency of the system for granting state-owned land, the PRC government has introduced in July 2002 regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property or office space development through competitive processes, including public tenders, public auctions or listings at land exchanges administered by local governments. These competitive processes have significantly intensified competition among developers for available land and have increased our land acquisition costs. In order to participate in these competitive processes, we are required to pay a deposit upfront, which typically represents a substantial portion of the actual cost of the relevant land, which has accelerated the timing of our payment for land acquisition costs, which, in turn, has had a significant impact on our cash flow.

LAT

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the "appreciated value of the property," as such term is defined in the relevant tax laws. No LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the "total deductible items," as such term is defined in the relevant tax laws. Whether a property qualifies for the ordinary standard residential property exemption is determined by the local government taking into consideration the property's plot ratio, aggregate GFA and sale price. However, sales of luxury residences and commercial properties are generally subject to higher LAT rates as they typically have higher appreciation values, and thus are not eligible for such an exemption. As a result, depending on the type of properties that we develop, our LAT expenses will be affected, which will impact our results of operations. We incurred LAT expenses of RMB46.1 million, RMB2.6 million, RMB104.2 million and RMB102.4 million in 2006, 2007, 2008 and for the six months ended June 30, 2009, respectively. We believe we have accrued all LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant PRC tax laws, less amounts previously paid under the levy method applied by relevant PRC local tax authorities. However, the provision for LAT requires our management to use a significant amount of judgment and estimates with respect to, among other things, the anticipated proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the various deductible items. The relevant PRC local tax authorities may not agree with our estimates or the basis on which we calculate our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the relevant PRC local tax authorities in the future, our results of operations and cash flows will be materially and adversely affected.

Availability and Cost of Financing

Financing is an important source of funding for our property developments. As of December 31, 2006, 2007, 2008 and June 30, 2009, our outstanding borrowings amounted to RMB286.2 million, RMB367.9 million, RMB726.8 million and RMB1,799.3 million, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for financing our developments. The effective weighted average interest rate for our fixed rate borrowings were 6.61%, 7.42%, 8.96% and 4.37% as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively, and for our variable rate borrowings were 6.69%, 4.70%, 8.36% and 5.44% as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. In addition, we also had loans from shareholders outstanding as of June 30, 2009 in an aggregate principal amount of US$100.0 million (equivalent to approximately RMB683.2 million) bearing an interest rate of 12% per annum, which will be repaid upon the earlier of our Group's listing on the Stock Exchange or November 30, 2009. Our access to capital and finance costs are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalized rather than being expensed at the time it is incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. The amounts of capitalized finance costs under completed properties for sales were approximately RMB0.1 million, RMB29,000, RMB22.4 million and RMB91.5 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. The amounts of capitalized finance costs for properties for sales – under development were approximately RMB5.3 million, RMB8.3 million, RMB29.7 million and RMB21.7 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. Our capitalized finance costs included in our cost of sales in 2006, 2007, 2008 and for the six months ended June 30, 2009 was RMB1.7 million, RMB5.5 million, RMB13.5 million and RMB6.4 million, respectively. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

The Mix and Timing of Our Properties under Development and Revenue Source

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. Therefore, our results of operations and cash flows will vary depending on the type and GFA of properties that are developed and sold during the relevant period and when our projects under development are to be completed. Certain land use rights of properties under development are acquired at a lower cost, thus increasing our gross margin during the period in which such properties are completed and sold, while certain other projects have incurred a higher land acquisition costs, thereby lowering our overall gross margin when such projects are completed and sold. Selling prices of properties in larger scale projects may increase as the overall development approaches completion due to the attractiveness of a more established developments, thereby increasing the gross margin during the relevant period. Commercial properties and office spaces in general command higher selling prices than residential properties, and the proportion of commercial/office and residential properties sold may affect our revenue and profitability during the relevant period. In 2006, 2007, 2008 and for the six months ended June 30, 2009, the gross margin for our commercial/office properties was 87.3%, 54.3%, 61.1% and 63.3%, respectively, and the gross margin for our residential properties was 24.1%, 26.6%, 27.2% and 32.4%, respectively. In addition, significant time is required for a property development project to be completed and it may take many months or probably years before pre-sales can occur. Market demand fluctuates and revenue in a particular period can depend on our ability to determine the expected market demand at the expected launch time or completion of a particular project. Delays in construction, regulatory approval processes and other factors can adversely affect the timetable of our projects as well. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

We also receive commissions and fees from our property operation services, property agency services and hotel services and generate recurring income from the lease of investment properties. Revenue derived from these activities will depend on various factors, including market supply and demand conditions for real estate properties in the cities and regions in which we operate, the rental and occupancy rates of our investment properties and our reputation. Revenue generated from such source may also affect our gross margin depending on the percentage of such revenue as a percentage of our total revenue, which will vary from period to period depending on the progress of our property development activities and the GFA completed and sold during such period. In addition, our results of operations are also affected by change in the fair value of our investment properties. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they occur. Fluctuation in the real estate property market in the cities or regions in which our investment properties are located may thus result in significant changes to our results of operations that are due to factors beyond our control. Therefore, prospective investors should be aware that property values are subject to market fluctuations, and we cannot assure you that continued favorable fair value adjustments on investment properties will occur in the future. Also, gain in fair value of our investment properties do not generate cash inflow to our Group unless such investment properties are disposed of and the capital gains are realized. As we are currently focused on developing urban complexes and boutique upscale residences in urban and suburban areas which differ from our historical activities of developing more conventional properties, our results of operations in the future may differ significantly from those in the past. In addition, our urban complex developments will include several boutique hotels that we intend to hold as investments and we will continue to strengthen and expand our real estate services, which will also change the composition of our results of operations in the future.

Change in Fair Value of Our Investment Properties

Under HKFRS, we are required to reassess the fair value of our completed investment properties at every statements of financial position date for which we issue financial statements, and gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the fair value of our investment properties, which include investment properties that are under development, were RMB340.9 million, RMB459.0 million, RMB476.1 million and RMB502.2 million, respectively. In 2006, 2007, 2008, we experienced a gain on fair value changes of investment properties of RMB81.6 million, RMB86.9 million and RMB13.8 million, respectively, and for the six months ended June 30, 2009, we experienced a loss on fair value changes of investment properties of RMB10.0 million. The fair value of each of our investment properties is likely to continue to fluctuate from time to time in the future, and volatility of our results of operations may increase as a result of fair value gains or losses. Any decrease in the fair value of our investment properties would adversely affect our profitability. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold. Therefore, we may experience constraints on our liquidity even though our profitability increases.

Pre-sales

Proceeds from pre-sales of properties under development constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the pre-sale proceeds to develop the projects that are pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the relevant PRC laws and regulations, market demand and the number for our properties that are available for pre-sale. A restriction on our ability to engage in the pre-selling of our properties could result in a reduced cash inflow, which would increase our reliance on external financing and increase our finance costs, which could have an adverse effect on our ability to finance our continuing property developments and our results of operations.

Recent Global Financial and Economic Crisis

China's economy has experienced a slowdown as a result of the recent global economic and financial crisis. Recently there have been signs showing that China's economy has rebounded from its worst growth in a decade since the second quarter of 2009 and in particular, we have seen signs of recovery in China's property market since the second quarter of 2009. However, it is still unclear whether the economic downturn in China has been reversed. If the economic slowdown in China continues or worsens, it will have a negative effect on the sales of our properties and our ability to obtain borrowings, which may adversely affect our business, financial condition, results of operation and prospect.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to our consolidated financial statements included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and services provided in the normal course of business, net of discounts.

Revenue from sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the possession of the properties has been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position as deposits received on sale of properties under current liabilities.

Cost of Sales and Properties for Sales

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their delivery, properties under development and properties for sales are included on our consolidated statements of financial position as "properties for sales" at the lower of cost and net realizable value.

Cost of sales for each property we sell includes construction costs, costs of land and capitalized finance costs on related borrowed funds during the period of construction, based upon the total GFA of properties expected to be sold in each project, which are allocated to each property based on the estimated relative GFA of each property sold. We make such estimates based on the information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project. If there is any change to the estimated total development cost subsequent to the initial sale of a project such as fluctuations in construction costs or changes in development plans, we will need to finalize the cost with the contractor and allocate the increased or decreased cost to all the properties in the project, which will increase or decrease the unit costs of, and erode or improve the margins realizable on, the properties of the project during the period in which such change occurs.

We record the cost of properties for sales on our consolidated statements of financial position based on the costs of acquired land for development and the invoices and construction progress reports of our construction contractors and the construction supervisory companies in respect of the completion of construction projects.

Properties for sales which have either been pre-sold or which are intended for sale and are expected to be completed within the normal operating cycle from the consolidated statements of financial position date are classified as current assets.

Net realizable value for our properties under development is determined by reference to management estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs of completion. Net realizable value for our completed properties for sales is determined by reference to management estimates of the selling price based on prevailing market prices, less applicable variable selling expenses. We are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by our management, additional adjustments to the value of properties under development may be required.

Valuation of Our Investment Properties

Our investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers used valuation methods that involve certain estimates. In relying on the valuation report, our management team has exercised its judgment and is satisfied that these valuation methods current market conditions. See "— Description of Certain Financial Statement Items — Changes in Fair Value of Investment Properties" and Note 16 to the Accountants' Report in Appendix I to this prospectus.

Capitalized Finance Costs

We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the acquisition and construction of a project or a project phase. In general, we capitalize finance costs incurred from the commencement of development of a relevant project until the completion of construction. For purposes of capitalization of finance costs, development commences when we begin the planning and design of a project with the relevant loan proceeds and ends after the relevant construction has been completed. For any given project, the finance costs incurred after the end of the month in which construction on the project is completed are not capitalized, but are instead accounted for in our consolidated statements of comprehensive income as finance costs in the period in which they are incurred.

DESCRIPTION OF CERTAIN STATEMENTS OF COMPREHENSIVE INCOME ITEMS

The following summarizes components of certain financial statement items that we believe to be helpful to an understanding of our consolidated financial statements and the management's discussion and analysis of our results of operations during the Track Record Period.

Revenue

Our revenue during the Track Record Period consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services, (v) the provision of hotel management and related services, and (vi) other operations. The following table sets forth our revenue for each of the components described above and the percentage of total revenue represented for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,	
	2006		2007		2008		2009	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)							
Property development	241,209	70.5	619,168	80.2	1,064,604	90.7	1,287,470	95.9
Property investment	7,283	2.1	10,649	1.4	11,029	0.9	5,454	0.4
Property agency services	74,899	21.9	97,151	12.6	40,224	3.5	22,396	1.7
Property operation services	14,986	4.4	41,857	5.4	57,875	4.9	26,001	1.9
Hotel services	—	—	—	—	479	0.0	1,673	0.1
Others	3,962	1.1	3,232	0.4	—	—	—	—
Total	342,339	100.0	772,057	100.0	1,174,211	100.0	1,342,994	100.0

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, which is when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. As we derive a majority of our revenue from property development, our results of operations for a given period depend upon the GFA of properties we have available for sale during that period, the market demand for those properties and the selling prices of such properties. Conditions of the property markets in which we operate change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. See "— Key Factors Affecting Our Results of Operations." During the Track Record Period, we focused on the sale of different projects, and the GFA sold fluctuated from period to period depending on the size of the projects and the stage of their development. The table below sets forth, for the periods and projects indicated, total revenue derived from each of the projects, the aggregate GFA of properties sold, the average selling prices per square meter for these properties, as measured by dividing the revenue by the aggregate GFA sold and the types of properties sold:

	Years Ended December 31,									Six Months Ended June 30,						
	2006			2007			2008			2008			2009			
	Total Revenue	GFA Sold	Avg. Selling Price / Square Meter	Total Revenue	GFA Sold	Avg. Selling Price / Square Meter	Total Revenue	GFA Sold	Avg. Selling Price / Square Meter	Total Revenue	GFA Sold	Avg. Selling Price / Square Meter	Total Revenue	GFA Sold	Avg. Selling Price / Square Meter	Types of Properties Sold(1)
	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	
Shenzhen																
Shenzhen My Place (深圳花好園)	97,231	2,350	41,375	—	—	—	—	—	—	—	—	—	—	—	—	R, C
Shenzhen Pair Life (深圳錦上花)	—	—	—	1,136	168	6,762	—	—	—	—	—	—	—	—	—	R, C
Self Life (趣園)	—	—	—	1,280	53	24,151	—	—	—	—	—	—	—	—	—	R
Flower Harbor (花港家園)	—	—	—	—	—	—	64,402	7,640	8,430	—	—	—	69,124	7,241	9,547	R
Shenzhen Future Plaza (深圳香年廣場)	—	—	—	—	—	—	432,495	22,618	19,122	—	—	—	284,165	15,812	17,971	O
Chengdu																
Fantasia Special Town (別樣城)	143,978	73,752	1,952	316,489	127,646	2,479	—	—	—	—	—	—	—	—	—	R, C
Chengdu Love Forever (成都花郡)	—	—	—	300,263	73,207	4,102	281,628	56,396	4,994	281,628	56,396	4,994	724,903	105,927	6,843	R, C
Chengdu My Place (成都花好園)	—	—	—	—	—	—	179,924	42,601	4,223	—	—	—	—	—	—	R, C, O
Grand Valley (大溪谷)	—	—	—	—	—	—	106,155	27,881	3,807	—	—	—	28,776	7,012	4,104	R, C
Fantasia Town (花樣城)	—	—	—	—	—	—	—	—	—	—	—	—	180,502	59,512	3,033	R
	241,209	76,102		619,168	201,074		1,064,604	157,136		281,628	56,396		1,287,470	195,504		

Note:

(1) Types of properties include: (i) "R", which stands for "residential", (ii) "C", which stands for "commercial", (iii) "O", which stands for "office and others", including office and industrial.

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See "Business — Property Development — Pre-sale, Sales and Marketing." In general, there is a time difference, typically ranging from several months to one year, between the time we commence pre-selling properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of our properties until such properties are completed and the possession of the properties has been delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of a pre-sold property, payments received from purchasers are recorded as "Deposits received on sale of properties" under "Current Liabilities" on our consolidated statements of financial position. As our revenue from sales of properties are recognized upon the delivery of properties, the timing of such delivery may affect not only the amount and growth rate of our property development revenue but may also cause changes in other payables and accruals to fluctuate from period to period.

Property Investment

Revenue derived from our properties held for investment represents revenue received and receivable from our investment properties, which has historically been generated from the rental of offices, retail shops and car parking spaces, and recognized on a straight-line basis over the relevant lease period. In the future, we expect that our revenue from investment properties will increase as we develop additional properties and as we expand the properties that are held for investment. We believe the increase of such recurring revenue will help us reduce over-reliance on a particular sector of the property market, diversify our risk exposure and provide us with a stable recurring revenue.

Property Agency Services

Revenue derived from property agency services provided by our subsidiary Xingyan Property Consultancy is recognized when services are provided. This means that for primary property agency services, revenue is recognized when a successful sale of property has occurred, which is defined in each contract and is usually achieved after the purchaser has executed the purchase contract, made the required down payment, and the purchase contract has been registered with the relevant government authorities. Each of the agency contracts specifies commission rates that are expressed as percentages of transaction value, which is defined as the aggregate of the sales proceeds of all property units we have sold for the project. The agency contracts stipulate that the developer clients are responsible for the cost of promotion and advertising, either by paying the costs directly or reimbursing the promotion and advertising costs incurred. The settle of payment of commissions are typically done at the end of a sales period based on successful sales achieved during the period, which typically lasts several months. The commissions due from clients between the time when the sales are actually made and the time of collection are recorded as "trade and other receivables" on our consolidated statement of financial position. Additional revenue may also be earned if certain sales and other performance targets are achieved, which are recognized when the required targets are accomplished. Services are considered provided and revenue is recognized for secondary property brokerage services upon execution of a transaction agreement between the buyer/lessee and the seller/lessor and for property consulting and advisory services when performance obligations under the relevant service contract are completed and the customer accepts the contracted deliverable.

Property Operation Services

Revenue derived from property operation services is recognized when the related services are provided. Our subsidiary Shenzhen Fantasia Colour and its subsidiaries provide property operation services, which include property management, building equipment installations, maintenance and repair and other value-added services, to our properties as well as properties developed by other developers. The time lag between when the invoices are sent to clients and the time of collection is reflected in "trade and other receivables" on our consolidated statement of financial position.

Hotel Services

Revenue derived from hotel management and related services is recognized when such services are provided. Our subsidiaries Shenzhen Caiyue Hotel Management and Shenzhen Caiyue Hotel, started providing hotel services in December 2008. We expect our revenue from hotel services to increase in the future as we intend to provide our hotel services to additional hotels, including our own boutique hotels that are currently under development.

Cost of Sales

Cost of sales for our property development business primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales for our property development business is cost of properties sold, which includes the direct cost of construction, costs of land and capitalized finance costs on related borrowed funds during the period of construction.

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Historically, construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, has been a major cause of fluctuations in our construction costs. Price movements of other supplies in relation to property developments, including elevators, interior decoration materials and air conditioning systems, may also increase our construction costs. Costs associated with design and construction of the foundation are another major component of our construction costs and will vary according to the area and height of the buildings as well as the geological conditions of the site. Therefore, construction costs of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support. In addition, with the PRC government's recent policies aiming to enhance the protection for employees and increased employers' liability in many circumstances, our labor costs may increase in the future which in turn will increase our construction costs.

Costs of land include costs relating to acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with a land grant from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land are influenced by a number of factors, including the location of the property, the timing of the acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs.

We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the acquisition and construction of a project. In general, we capitalize finance costs incurred from the commencement of the planning and design of a project, which typically precedes the receipt of a construction works commencement permit, until the completion of construction. For any given project, the finance costs incurred after the end of the month in which construction on the project is completed are not capitalized, but are instead accounted for as finance costs in the period in which they are incurred.

Our cost of sales for our property investment, property agency services, property operation services and hotel services primarily consists of direct costs related to such business activities, which primarily include, depending on the type of businesses, salaries and commissions, costs of rental, utility and consumable products for our on-site sales offices for our primary property agency services, certain office expenses and advertising and marketing expenses.

The table below sets forth information relating to our cost of sales for each of our business segments and as percentage of total cost of sales for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,	
	2006		2007		2008		2009	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)							
Property development								
Construction costs	106,735	56.8	368,974	67.2	478,215	67.9	630,515	80.1
Land use rights	12,954	6.9	78,409	14.3	133,187	18.9	115,825	14.7
Capitalized finance costs	1,773	0.9	5,527	1.0	13,533	1.9	6,425	0.8
Total property development	121,462	64.6	452,910	82.5	624,935	88.7	752,765	95.6
Property investment	668	0.4	324	0.1	615	0.1	448	0.1
Property agency services	59,270	31.6	74,723	13.6	46,734	6.6	18,830	2.4
Property operation services	5,801	3.1	20,513	3.7	29,683	4.2	12,847	1.6
Hotel services	—	—	—	—	2,767	0.4	1,968	0.3
Others	658	0.3	750	0.1	—	—	—	—
Total	187,859	100.0	549,220	100.0	704,734	100.0	786,858	100.0

Changes in Fair Value of Investment Properties

Investment properties are properties held to earn rental income and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Property that is being constructed or developed for future use as investment property is classified as investment property. We have concluded the fair value of the investment properties under development cannot be measured reasonably, therefore, our investment properties under development continue to be measured at cost until such time as fair value can be determined or construction is completed. Our investment properties currently comprised primarily of office units, retail spaces and car parking spaces. Once an investment property is sold or if the investment property is permanently withdrawn from use and no future economic benefits are expected, gains or losses on disposals of such investment property are recognized as "Gain/loss on disposal of investment properties."

Gains or losses arising from changes in the fair values of investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. Our investment properties were revalued as of December 31, 2006, 2007, 2008 and June 30, 2009 on a market value existing use basis by independent professional valuers. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated statements of financial position and recognized changes in fair value of our investment properties and the relevant deferred tax on our consolidated statements of comprehensive income.

Selling and Distribution Expenses

Selling and distribution expenses include sales commissions, advertising and promotion expenses related to the sale of our properties and the promotion of our brand and services, which include advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events.

Administrative Expenses

Administrative expenses include staff costs, office rental payments, depreciation and amortization, traveling and entertainment expenses, professional fees and general office expenses. We have experienced significant increase in our administrative expenses in connection with the continued growth of our property development business during the Track Record Period, which primarily relates to an increase in the number of our employees and the increase in the average salaries for our employees. In addition, we have also experienced increase in professional fees during the Track Record Period relating to the Listing and the Global Offering.

Finance Costs

Finance costs consist primarily of interest costs on borrowings net of capitalized finance costs. We capitalize a portion of our finance costs to "properties for sales" on our consolidated statements of financial position to the extent that such costs are directly attributable to the construction of a project. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on such indebtedness. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the finance costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization. See "— Cost of Sales."

Income Tax Expenses

Income tax expenses represent PRC corporate income tax and LAT payable by our subsidiaries in China. The corporate income tax rate that was generally applicable in China during the Track Record

Period was 33% of taxable income prior to 2008 and 25% to taxable income from 2008. Prior to January 1, 2008, our subsidiaries located in Shenzhen and Fantasia Chengdu Development were subject to 15% tax rate while our other subsidiaries were subject to 33% tax rate. Under the EIT Law that became effective on January 1, 2008, the ordinary income tax rate for all PRC resident enterprises, including foreign-invested enterprises, is 25%. However, there will be a transitional period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that were subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after implementation of the EIT Law. As a result of the EIT Law, applicable enterprise income tax rate for our subsidiaries in Shenzhen will transition to the new tax rate of 25% at the tax rate of 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. In addition, Fantasia Chengdu Development will also transition to the new tax rate of 25% although the schedule of such transition has not been determined as of the Latest Practicable Date by the relevant tax authorities. The tax rate for our other subsidiaries in China will be reduced to 25%. During the Track Record Period, our effective income tax rate has fluctuated in accordance with the geographic region in which the sale of our property development had occurred during the period. For example, most of our subsidiaries in Chengdu were subject to a higher tax rate during the Track Record Period, which was 33% prior to 2008 and 25% thereafter, as compared to our subsidiaries in Shenzhen, where the tax rate was 15% prior to 2008, 18% in 2008 and 20% in 2009. As a result, if we derived a higher portion of our revenue from our subsidiaries in Chengdu that were subjected to the higher tax rate in a period of the Track Record Period, our effective income tax rate for that period will be higher, such as in 2007, where we derived almost all of our property development revenue from our subsidiaries in Chengdu, as compared to 2006 and 2008, where a higher percentage of our property development revenue was derived from our subsidiaries in Shenzhen.

We are currently not subject to Cayman Islands income tax pursuant to an undertaking obtained from the Governor in Cabinet. See "Summary of Constitution of the Company and Cayman Islands Company Law" in Appendix VI to this prospectus.

LAT expenses represent provisions for the estimated LAT payable in relation to our properties delivered during a period. Property developers in China that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities is subject to LAT at progressive rates ranging from 30% to 60% of the "appreciated value of the property." However, no LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the "total deductible items," as such term is defined in the relevant tax laws. Whether a property qualifies for the ordinary standard residential property exemption is determined by the local government taking into consideration the property's plot ratio, aggregate GFA and sale price.

We provided for deferred tax, using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statements of financial position date. Deferred taxation liabilities are generally recognized for all taxable temporary differences, and deferred taxation assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated which are derived from the consolidated statements of comprehensive income included in Appendix I to this prospectus. Our historical results presented below are not necessarily indicative of the results that may be expected for our fiscal year ending December 31, 2009 or any other future period.

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
	RMB	RMB	RMB	RMB (unaudited)	RMB
			(in thousands)		
Revenue	342,339	772,057	1,174,211	334,337	1,342,994
Cost of sales	(187,859)	(549,220)	(704,734)	(235,912)	(786,858)
Gross profit	154,480	222,837	469,477	98,425	556,136
Other income, gains and losses	145,313	2,726	59,034	49,097	7,601
Gain (loss) on fair value changes of investment properties	81,608	86,875	13,807	(23,546)	(10,019)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	—	2,170	302	289	—
Selling and distribution expenses	(15,206)	(39,616)	(49,837)	(31,202)	(34,561)
Administrative expenses	(71,353)	(94,458)	(162,677)	(78,232)	(89,899)
Finance costs	(8,056)	(12,167)	(69,941)	(49,256)	(15,127)
Impairment loss recognized in respect of goodwill	(22,515)	—	(2,305)	—	—
Share of results of associates	(416)	(1,548)	(3,789)	(1,767)	(1,227)
Profit (loss) before taxation	263,855	166,819	254,071	(36,192)	412,904
Income tax expense	(86,268)	(82,552)	(156,550)	(12,123)	(195,537)
Profit (loss) and total comprehensive income (loss) for the year/period	177,587	84,267	97,521	(48,315)	217,367
Profit (loss) for the year/period attributable to:					
Owners of the Company	91,094	68,797	84,259	(30,910)	235,650
Minority interests	86,493	15,470	13,262	(17,405)	(18,283)
	177,587	84,267	97,521	(48,315)	217,367

Comparison of Six Months Ended June 30, 2009 to June 30, 2008

Revenue. Our revenue increased by 301.7% to RMB1,343.0 million for the six months ended June 30, 2009 from RMB334.3 million for the same period in 2008. This was due primarily to an increase in revenue derived from our property development business and property agency services.

The below table and discussion set forth a summary of revenues derived from each of our business segments:

	Six Months Ended June 30,			
	2008		2009	
	RMB (unaudited)	%	RMB	%
	(in thousands, except for percentages)			
Property development	281,628	84.2	1,287,470	95.9
Property investment	5,300	1.6	5,454	0.4
Property agency services	17,595	5.3	22,396	1.7
Property operation services	29,814	8.9	26,001	1.9
Hotel services	—	—	1,673	0.1
Total	334,337	100.0	1,342,994	100.0

Property development. Revenue derived from property development increased by 357.2% to RMB1,287.5 million for the six months ended June 30, 2009 from RMB281.6 million for the same period in 2008. This increase was due primarily to an increase in total GFA sold to our customers and an increase in the average selling prices of properties sold to our customers for the six months ended June 30, 2009 as compared to the same period in 2008. The increase in average selling prices of properties sold for the six months ended June 30, was due to the higher average selling price of Shenzhen Future Plaza (深圳香年廣場), a project that is usually purchased by customers as office space, and the commercial space portion of Chengdu Love Forever (成都花郡) that was sold as compared to residential properties. The following table sets forth the revenue generated from each project for the six months ended in June 30, 2008 and 2009, respectively:

	Six Months Ended June 30,			
	2008		2009	
	RMB	%	RMB	%
	(in thousands, except for percentages)			
Chengdu Love Forever (成都花郡)	281,628	100	724,903	56.3
Shenzhen Future Plaza (深圳香年廣場)	—	—	284,165	22.1
Fantasia Town (花樣城)	—	—	180,502	14.0
Flower Harbor (花港家園)	—	—	69,124	5.4
Grand Valley (大溪谷)	—	—	28,776	2.2
Total	281,628	100.0	1,287,470	100.0

Property investment. Revenue derived from property investment increased slightly by 2.9% to RMB5.5 million for the six months ended June 30, 2009 from RMB5.3 million for the same period in 2008. This increase was due primarily to a slight increase in the number of investment properties that generated rental income for the six months ended June 30, 2009 as compared to the same period in 2008.

Property agency services. Revenue derived from property agency services increased by 27.3% to RMB22.4 million for the six months ended June 30, 2009 from RMB17.6 million for the same period in 2008. This increase was due primarily to an increase in the aggregate sale price of the properties that our property agency services business sold for the six months ended June 30, 2009 as a result of an increase in general real estate activities for the six months ended June 30, 2009 as compared to the same period in 2008.

Property operation services. Revenue derived from property operation services decreased by 12.8% to RMB26.0 million for the six months ended June 30, 2009 from RMB29.8 million for the same period in 2008. This decrease was due primarily to an overall decrease in revenue from our building equipment installation, maintenance and repair service as a result of a decrease in the equipment installation services that were provided.

Hotel services. Revenue derived from hotel services was RMB1.7 million for the six months ended June 30, 2009. Revenue derived from hotel services for the six months ended in June 30, 2008 was nil.

Cost of sales. Our cost of sales increased by 233.5% to RMB786.9 million for the six months ended June 30, 2009 from RMB235.9 million for the same period in 2008. This increase was due primarily to an overall increase in construction costs, land costs and finance costs as a result of the increase in the total GFA sold for the six months ended June 30, 2009 as compared to the same period in 2008.

Gross profit. As the result of the foregoing, our gross profit increased by 465.0% to RMB556.1 million for the six months ended June 30, 2009 from RMB98.4 million for the same period in 2008. Our gross margin increased to 41.4% for the six months ended June 30, 2009 from 29.4% for the same period in 2008. This increase was due primarily to revenue derived from Shenzhen Future Plaza (深圳香年廣場) and the commercial space portion of Chengdu Love Forever (成都花郡) for the six months ended June 30, 2009 which had a higher gross margin as compared to the residential properties that was sold in the same period in 2008.

Other income, gains and losses. Our other income, gains and losses decreased by 84.5% to RMB7.6 million for the six months ended June 30, 2009 from RMB49.1 million for the same period in 2008. This decrease was due primarily to a RMB33.3 million exchange gain recognized for the six months ended June 30, 2008 that was not incurred for the same period in 2009, a decrease in interest income and a decrease in government grant for the six months ended June 30, 2009 as compared to the same period in 2008. The exchange gain recognized for the six months ended June 30, 2008 was due to the appreciation of Renminbi against the U.S. dollar related to the Bonds, which are denominated in U.S. dollars. The exchange rate between Renminbi and the U.S. dollar was relatively stable for the six months ended June 30, 2009. The decrease in interest income was due to a decrease in average bank balances and cash deposits for the six months ended June 30, 2009 as compared to the same period in 2008.

Loss on fair value changes of investment properties. Our loss on fair value changes of investment properties decreased by 57.4% to RMB10.0 million for the six months ended June 30, 2009 from RMB23.5 million for the same period in 2008. This decrease was due primarily to the more stable real estate market which resulted in a smaller decrease in the fair value of our investment properties for the six months ended June 30, 2009 as compared to the same period in 2008.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. We did not transfer any completed properties for sales to investment properties for the six months ended June 30, 2009. As such, change in fair value of completed properties for sales upon transfer to investment properties for the six months ended June 30, 2009 was nil.

Selling and distribution expenses. Our selling and distribution expenses increased by 10.8% to RMB34.6 million for the six months ended June 30, 2009 from RMB31.2 million for the same period in 2008. This increase was due primarily to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold for the six months ended June 30, 2009 as compared to the same period in 2008.

Administrative expenses. Our administrative expenses increased by 14.9% to RMB89.9 million for the six months ended June 30, 2009 from RMB78.2 million for the same period in 2008. This increase was due primarily to an increase in professional fees to RMB24.1 million for the six months ended June 30, 2009 incurred in connection with the Listing from RMB8.2 million for the same period in 2008.

Finance costs. Our finance costs decreased by 69.3% to RMB15.1 million for the six months ended June 30, 2009 from RMB49.3 million for the same period in 2008. This decrease was due primarily to an increase in interests capitalized in properties for sales, which was partially offset by an increase in interest expense as a result of an increase in borrowing.

Share of results of associates. Our share of loss of associates decreased slightly to RMB1.2 million for the six months ended June 30, 2009 from RMB1.8 million for the same period in 2008.

Income tax expense. Our income tax expense increased by 1,512.9% to RMB195.5 million for the six months ended June 30, 2009 from RMB12.1 million for the same period in 2008. This increase was due primarily to LAT expenses of RMB102.4 million incurred for the six months ended June 30, 2009 while we incurred nil LAT expense in the same period in 2008 as the appreciated value of the property sold during the period, Chengdu Love Forever (成都花郡), did not meet the threshold requirement for paying LAT, and a RMB99.2 million increase in EIT expenses incurred for the six months ended June 30, 2009 from the same period in 2008 as a result of higher income before tax generated for the six months ended June 30, 2009 than the same period in 2008. The effective income tax rate in relation to EIT decreased from 33.5% for the six months ended June 30, 2008 to 22.6% for the six months ended June 30, 2009. The decrease in effective income tax rate was due to the higher portion of our revenue derived from our subsidiaries in Shenzhen, which were subject to a lower tax rate as compared to revenue derived from our subsidiaries in Chengdu, for the six months ended June 30, 2009 as compared to the same period in 2008.

Profit (loss) for the period attributable to owners of the Company. Profit attributable to owners of the Company was RMB235.7 million for the six months ended June 30, 2009 as compared to a loss attributable to owners of the Company of RMB30.9 million for the same period 2008. Our net profit margin was 17.5% for the six months ended June 30, 2009 as compared to a net loss margin of 9.2% for the same period in 2008, which was in line with the increase in our gross profit margin in the six months ended June 30, 2009.

Loss for the period attributable to minority interests. Loss attributable to minority interests was RMB18.3 million for the six months ended June 30, 2009 and RMB17.4 million for the same period in 2008. The loss for the six months ended June 30, 2009 represented the share of minority shareholders' interest in Shenzhen Fantasia Investment, a 52% owned subsidiary of the Group, as a result of loss incurred during the period by Shenzhen Fantasia Investment.

Comparison of Year Ended December 31, 2008 to December 31, 2007

Revenue. Our revenue increased by 52.1% to RMB1,174.2 million in 2008 from RMB772.1 million in 2007. This was due primarily to an increase in revenue derived from our property development business and property operation services business, which was partially offset by a decrease in revenue from our property agency services.

The below table and discussion set forth a summary of revenues derived from each of our business segments:

	Year Ended December 31,			
	2007		2008	
	RMB	%	RMB	%
	(in thousands, except for percentages)			
Property development	619,168	80.2	1,064,604	90.7
Property investment	10,649	1.4	11,029	0.9
Property agency services	97,151	12.6	40,224	3.5
Property operation services	41,857	5.4	57,875	4.9
Hotel services	—	—	479	0.0
Others	3,232	0.4	—	—
Total	772,057	100.0	1,174,211	100.0

Property development. Revenue derived from property development increased by 71.9% to RMB1,064.6 million in 2008 from RMB619.2 million in 2007. This increase was due primarily to an

120.0% increase in the average selling price of properties sold to our customers in 2008 as compared to 2007, which was partially offset by a decrease in total GFA sold to our customers in 2008 as compared to 2007. Average selling price of properties sold to our customers increased in 2008 due to the overall increase of property values in Shenzhen and Chengdu at the time such property was pre-sold and the higher average selling price of Shenzhen Future Plaza (深圳香年廣場), a project that is usually purchased by customers as office space which has higher market price than residential properties, as compared to the other more residential oriented properties. The following table sets forth the revenue generated from each project in 2007 and 2008:

	Year Ended December 31,			
	2007		2008	
	RMB	%	RMB	%
	(in thousands, except for percentages)			
Fantasia Special Town (別樣城)	316,489	51.1	—	—
Chengdu Love Forever (成都花郡)	300,263	48.5	281,628	26.5
Shenzhen Pair Life (深圳錦上花)	1,136	0.2	—	—
Self Life (趣園)	1,280	0.2	—	—
Shenzhen Future Plaza (深圳香年廣場)	—	—	432,495	40.6
Chengdu My Place (成都花好園)	—	—	179,924	16.9
Grand Valley (大溪谷)	—	—	106,155	10.0
Flower Harbor (花港家園)	—	—	64,402	6.0
Total	619,168	100.0	1,064,604	100.0

Property investment. Revenue derived from property investment increased by 3.6% to RMB11.0 million in 2008 from RMB10.6 million in 2007. This increase was due primarily to an increase in the number of investment properties in 2008 as compared to 2007.

Property agency services. Revenue derived from property agency services decreased by 58.6% to RMB40.2 million in 2008 from RMB97.2 million in 2007. This decrease was due primarily to a decrease in the aggregate sale price of the properties that our property agency services business sold in 2008 as a result of a decrease in general real estate activities in 2008 as compared to 2007.

Property operation services. Revenue derived from property operation services increased by 38.3% to RMB57.9 million in 2008 from RMB41.9 million in 2007. This increase was due primarily to an increase in the GFA of properties that we managed during 2008, which increased from approximately 4.4 million square meters at the end of 2007 to approximately 7.6 million square meters at the end of 2008. This increase in GFA under management was due to an increase in the number of properties under management.

Hotel services. Revenue derived from hotel services was RMB0.5 million in 2008, which was mainly derived from hotel management and other related services provided by us that began in December 2008. We derived nil revenue from hotel services in 2007 as we did not provide hotel services until 2008.

Cost of sales. Our cost of sales increased by 28.3% to RMB704.7 million in 2008 from RMB549.2 million in 2007. This increase was due primarily to an overall increase in construction costs, land costs and financing costs as a result of the increase in material and labor costs and higher interest rate on capitalized finance costs in 2008 as compared to 2007.

Gross profit and margin. As the result of the foregoing, our gross profit increased by 110.7% to RMB469.5 million in 2008 from RMB222.8 million in 2007. Our gross margin increased to 40.0% in 2008 from 28.9% in 2007. This increase was due primarily to a higher percentage of revenue derived from Shenzhen Future Plaza (深圳香年廣場), which have a higher gross margin as compared to our other residential oriented properties, in 2008 as compared to 2007.

Other income, gains and losses. Our other income, gains and losses increased by 2,065.6% to RMB59.0 million in 2008 from RMB2.7 million in 2007. This increase was due primarily to RMB35.6 million in exchange gain and RMB14.1 million in government grant in 2008, which we did not experience in 2007. The exchange gain was due to the appreciation of Renminbi against the U.S. dollar related to the Bonds, which are denominated in U.S. dollars. The government grant was due to refund of a certain portion of taxes paid during the year from the local government in Chengdu as an incentive to promote investment activities. In addition, the increase in other income was also due in part to an increase in interest income to RMB8.0 million in 2008 from RMB2.4 million in 2007 as a result of an increase in average bank balances and cash holdings in 2008 as compared to 2007.

Gain on fair value changes of investment properties. Our gain on fair value changes of investment properties decreased by 84.1% to RMB13.8 million in 2008 from RMB86.9 million in 2007. This decrease was due primarily to the more favourable property market condition in 2007 as compared to 2008.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties decreased by 86.1% to RMB0.3 million in 2008 from RMB2.2 million in 2007. This decrease was primarily due to the decrease in the GFA of properties for sales completed in 2008 that we transferred to investment properties as compared to 2007.

Selling and distribution expenses. Our selling and distribution expenses increased by 25.8% to RMB49.8 million in 2008 from RMB39.6 million in 2007. This increase was primarily due to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that are pre-sold in 2008 as compared to 2007 and an increase in marketing expenses related to the attendance of real estate property exhibitions.

Administrative expenses. Our administrative expenses increased by 72.2% to RMB162.7 million in 2008 from RMB94.5 million in 2007. This increase was due primarily to an increase in the total number of our employees and an increase in average salaries in connection with the continued growth of our property development business in 2008 that amounted to RMB81.7 million as compared to RMB40.8 million in 2007, an increase in professional fees to RMB19.1 million in 2008 from RMB6.5 million in 2007 incurred in connection with the Pre-IPO Investment and the Listing and an increase in traveling, accommodation and entertainment expenses to RMB15.3 million from RMB12.0 million as a result of an increase in the number and the geographic diversity of properties that are under development.

Finance costs. Our finance costs increased by 474.8% to RMB69.9 million in 2008 from RMB12.2 million in 2007. This increase was due primarily to interest expense associated with the Bonds issued at the end of 2007.

Impairment loss recognized in respect of goodwill. Our impairment loss recognized in respect of goodwill was RMB2.3 million in 2008 while the impairment loss recognized in respect of goodwill in 2007 was nil. Impairment loss recognized in respect of goodwill was incurred in 2008 as a result of impairment to the goodwill associated with our acquisition of Shenzhen Liantang Management.

Share of results of associates. Our share of loss of associates was RMB1.5 million and RMB3.8 million in 2007 and 2008, respectively, due primarily to loss incurred by our associates.

Income tax expense. Our income tax expense increased by 89.6% to RMB156.6 million in 2008 from RMB82.6 million in 2007. This increase was due primarily to an increase in LAT expenses to RMB104.2 million in 2008 from RMB2.6 million in 2007, which was offset by a decrease in EIT expense (including the deferred tax) from RMB80.0 million in 2007 to RMB52.3 million in 2008. LAT expenses were significantly higher in 2008 as compared to 2007 due primarily to the higher appreciated value of Shenzhen Future Plaza (深圳香年廣場) sold in 2008, a project that is usually purchased by customers as office space which has a higher market price, as compared to the primarily residential development projects that was sold in 2007 that had a lower appreciated value. The effective tax rate in relation to EIT expense decreased from 47.9% in 2007 to 20.6% in 2008. The decrease in effective tax rate was due primarily to: (i) the decrease in tax rate in Chengdu from 33% in 2007 to 25% in 2008; and (ii) the fact that we derived a larger portion of our revenue in 2008 from our subsidiaries in Shenzhen, which were subject to a lower tax rate than our subsidiaries in Chengdu. The exceptionally high effective tax rate in 2007 was also due to a deferred tax liability of RMB29.5 million recognized in that year.

Profit for the year attributable to owners of the Company. Our profit attributable to owners of the Company increased by 22.5% to RMB84.3 million in 2008 from RMB68.8 million in 2007. This increase was due primarily to increase in properties sold in 2008 as compared to 2007. Our net profit margin decreased slightly to 7.2% in 2008 from 8.9% in 2007.

Profit for the year attributable to minority interests. Our profit attributable to minority interests decreased by 14.3% to RMB13.3 million in 2008 from RMB15.5 million in 2007. Profit attributable to minority interests represented the profit shared by the minority shareholders of our subsidiaries. From 2007 to 2008, we acquired the minority interests in some of our subsidiaries from their minority shareholders. As a result, a smaller portion of our profit and total comprehensive income were attributed to such minority shareholders in 2008 as compared to 2007. The decrease in profit attributable to minority interests from 2007 to 2008 is also due in part to a larger portion of our profits derived from Shenzhen Fantasia Investment, in which we owned a 52% equity interest, in 2007 compared to 2008.

Comparison of Year Ended December 31, 2007 to December 31, 2006

Revenue. Our revenue increased by 125.5% to RMB772.1 million in 2007 from RMB342.3 million in 2006. This increase was due primarily to an increase in revenue derived from our property development business, property operation services business and property agency business.

The below table and discussion set forth a summary of revenues derived from each of our business segments:

	Year Ended December 31,			
	2006		2007	
	RMB	%	RMB	%
	(in thousands, except for percentages)			
Property development	241,209	70.5	619,168	80.2
Property investment	7,283	2.1	10,649	1.4
Property agency services	74,899	21.9	97,151	12.6
Property operation services	14,986	4.4	41,857	5.4
Others	3,962	1.1	3,232	0.4
Total	342,339	100.0	772,057	100.0

Property development. Revenue derived from property development increased by 156.7% to RMB619.2 million in 2007 from RMB241.2 million in 2006. This increase was due primarily to a 164.2% increase in total GFA sold in 2007 as compared to 2006. The following table sets forth the revenue generated from each project in 2006 and 2007:

	Year Ended December 31,			
	2006		2007	
	RMB	%	RMB	%
	(in thousands, except for percentages)			
Fantasia Special Town (別樣城)	143,978	59.7	316,489	51.1
Shenzhen My Place (深圳花好園)	97,231	40.3	—	—
Chengdu Love Forever (成都花郡)	—	—	300,263	48.5
Shenzhen Pair Life (深圳錦上花)	—	—	1,136	0.2
Self Life (趣園)	—	—	1,280	0.2
Total	241,209	100.0	619,168	100.0

Property investment. Revenue derived from property investment increased by 46.2% to RMB10.6 million in 2007 from RMB7.3 million in 2006. This increase was due primarily to an increase in the number of investment properties in 2007 as compared to 2006.

Property agency services. Revenue derived from property agency services increased by 29.7% to RMB97.2 million in 2007 from RMB74.9 million in 2006. This increase was due primarily to an increase in the aggregate sale price of the properties that our property agency services business sold in 2007 as compared to 2006.

Property operation services. Revenue derived from property operation services increased by 179.3% to RMB41.9 million in 2007 from RMB15.0 million in 2006. This increase was due primarily to an increase in the GFA of properties that we managed during 2007, which increased from approximately 1.7 million square meters at the end of 2006 to approximately 4.4 million square meters at the end of 2007. This increase in GFA under management was due to an increase in the number of properties under management.

Cost of sales. Our cost of sales increased by 192.4% to RMB549.2 million in 2007 from RMB187.9 million in 2006. This increase was due primarily to an overall increase in construction costs, land costs and financing costs as a result of the increase in total GFA completed in 2007 as compared to 2006.

Gross profit and margin. As the result of the foregoing, our gross profit increased by 44.2% to RMB222.8 million in 2007 from RMB154.5 million in 2006. Our gross margin decreased to 28.9% in 2007 from 45.1% in 2006. Without taking into account the sale of the commercial spaces of Shenzhen My Place (深圳花好園) in 2006, which had a higher gross margin than residential properties, our gross margin in 2006 would be 26.2%.

Other income, gains and losses. Our other income, gains and losses decreased by 98.1% to RMB2.7 million in 2007 from RMB145.3 million in 2006. This decrease was due primarily to the recognition of gain on disposal of a subsidiary in 2006 of RMB133.4 million that did not occur in 2007. Such subsidiary and its associated project were sold in 2006 as we believed the cash inflows of the project would not be as fast as we expected and thus when there was an interested buyer, we sold the subsidiary and its associated project to the interested buyer to lock up the return. This decrease was also due in part to a decrease in gain recognized on the disposal of certain held-for-trading investments to RMB0.3 million in 2007 from RMB4.2 million in 2006. We have currently disposed of all held-for-trading investments and will no longer continue to generate income or experience any loss from held-for-trading investments in the future.

Gain on fair value changes of investment properties. Our gain on fair value changes of investment properties increased by 6.5% to RMB86.9 million in 2007 from RMB81.6 million in 2006. This increase was due primarily to the more favourable property market condition in 2007 as compared to 2006 and an increase in the number of properties that were held for investment in 2007 as compared to 2006.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sales upon transfer to investment properties was RMB2.2 million in 2007. This recognition was primarily due to a transfer of properties completed in 2007 to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties in 2006 was nil, because we did not transfer any completed properties for sales to investment properties in 2006.

Selling and distribution expenses. Our selling and distribution expenses increased by 160.5% to RMB39.6 million in 2007 from RMB15.2 million in 2006. This increase was primarily due to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that are pre-sold in 2007 as compared to 2006.

Administrative expenses. Our administrative expenses increased by 32.4% to RMB94.5 million in 2007 from RMB71.4 million in 2006. This increase was primarily due to an increase in total staff costs to RMB40.8 million in 2007 from RMB30.6 million in 2006 resulting from an increase in the total number of our employees in response to the continued growth of our property development business, an increase in professional fees to RMB6.5 million in 2007 from RMB2.2 million in 2006 in connection with the Pre-IPO Investment at the end of 2007 and an increase in traveling, accommodation and entertainment expense to RMB12.0 million in 2007 from RMB9.5 million in 2006.

Finance costs. Our finance costs increased by 51.0% to RMB12.2 million in 2007 from RMB8.1 million in 2006. This increase was due primarily to an increase in borrowings outstanding in 2007 as compared to 2006.

Impairment loss recognized in respect of goodwill. We did not experience any impairment loss recognized in respect of goodwill in 2007 while we recognized such impairment of RMB22.5 million in 2006. Impairment loss recognized in respect of goodwill was incurred in 2006 as a result of impairment to the goodwill associated with our acquisition of San Jiao Zhou and Shenzhen Hongwei in 2006. We have subsequently disposed of San Jiao Zhou during 2007 to Xi Fu Hui, a company in which Ms. Zeng and Mr. Pan has beneficial interest.

Share of results of associates. Our share of loss of associates was RMB0.4 million and RMB1.5 million in 2006 and 2007, respectively, due primarily to loss incurred by our associates.

Income tax expense. Our income tax expense decreased by 4.3% to RMB82.6 million in 2007 from RMB86.3 million in 2006. This decrease was due primarily to a decrease in LAT expenses to RMB2.6 million in 2007 from RMB46.1 million in 2006, which was partially offset by an increase in enterprise income tax and an increase in deferred tax expense. Effective income tax rate increased to 47.9% in 2007 from 15.2% in 2006. The increase was due to the generally higher tax rate for our Chengdu subsidiaries in 2007 of 33%, where we derive almost all of our revenue in 2007, as compared to 2006 where we derive a portion of our property development revenue from our subsidiaries in Shenzhen, which were subject to 15% tax rate, and a deferred tax liability recognized in 2007 of RMB29.5 million.

Profit for the year attributable to owners of the Company. Our profit attributable to owners of the Company decreased by 24.5% to RMB68.8 million in 2007 from RMB91.1 million in 2006. Our net profit margin decreased to 8.9% in 2007 from 26.6% in 2006. This decrease was due primarily to the one-time gain of RMB133.4 million from the disposal of subsidiaries in 2006.

Profit for the year attributable to minority interests. Our profit attributable to minority interests decreased by 82.1% to RMB15.5 million in 2007 from RMB86.5 million in 2006. In 2006, a large portion of our profits were derived from Shenzhen Fantasia Investment, our subsidiary in which 48.0% equity interest was held by minority shareholders, from the disposal of a subsidiary owned by Shenzhen Fantasia Investment and the development of Shenzhen My Place (深圳花好園).

LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our working capital, capital expenditures and other capital requirements primarily through borrowings, proceeds from sales and pre-sales of our properties and capital contributions from shareholders. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We expect to continue to fund our future development, working capital and other cash requirements from existing financial resources and cash generated from operations, as well as from a portion of the net proceeds from the Global Offering. We may however, need to raise additional funds in the future through debt or equity offerings or sales or other dispositions of assets to finance all or a portion of our future development. See "Risk Factors — Risk Relating to Our Business — We require substantial capital resources to fund our land acquisition and property developments."

Cash Flows

The following table sets forth our net cash flow for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in RMB thousands)				
Net cash from (used in) operating activities	131,105	(88,372)	(1,037,416)	(445,804)	(70,905)
Net cash from (used in) investing activities	17,117	(258,328)	(460,247)	(174,038)	(65,828)
Net cash from financing activities	176,937	1,290,161	491,671	354,615	1,034,992
Net increase (decrease) in cash and cash equivalents	325,159	943,461	(1,005,992)	(265,227)	898,259
Cash and cash equivalents at end of year/period	386,266	1,320,657	303,046	1,045,882	1,200,929

Cash Flows from Operating Activities

Our cash used in operating activities principally comprises amounts we pay for our property development activities, which are reflected on our consolidated statements of financial position as an increase in our properties for sales. Our cash provided by operating activities is generated principally from the proceeds from the sales of our properties, including pre-sales of properties under development, as well as commissions and fees received from our property agency services, property operation services and hotel services businesses.

For the six months ended June 30, 2009, our net cash used in operating activities was RMB70.9 million. Cash used in operating activities for the six months ended June 30, 2009 consisted primarily of an increase in properties for sales of RMB235.9 million, a decrease in deposits received on sale of properties of RMB241.0 million, an increase in trade and other receivables of RMB130.8 million and interest payment of RMB81.1 million, which was partially offset by an increase in trade and other payables of RMB298.4 million. Our net cash used in operating activities for the six months ended June 30, 2009 was primarily due to cash outflow associated with the development of Chengdu Hailrun Plaza (成都喜年廣場), Tianjin Hailrun Plaza (天津喜年廣場), Dongguan Mont Conquerant (東莞君山) and Grand Valley (大溪谷), which was partially offset by deposits received from the pre-sale of Chengdu Love Forever (成都花郡), Chengdu Hailrun Plaza (成都喜年廣場), Grand Valley (大溪谷) and other projects. For the same period in 2008, our net cash used in operating activities was RMB445.8 million, which consisted primarily of an increase in properties for sales of RMB561.8 million, which was partially offset by an increase in deposits received on sale of properties of RMB169.8 million. Net cash used in operating activities for the six months ended June 30, 2008 was due primarily to cash outflow associated with the development of Shenzhen Future Plaza (深圳香年廣場), Flower Harbor (花港家園), Chengdu Hailrun Plaza (成都喜年廣場), Chengdu Love Forever (成都花郡) and Town on the Water (雲海間), which was partially offset by deposits received from the pre-sale of Chengdu Love Forever (成都花郡) and other projects.

In 2008, our net cash used in operating activities was RMB1,037.4 million. Cash used in operating activities in 2008 consisted primarily of an increase in properties for sales of RMB1,358.3 million and a decrease in deposits received on sale of properties of RMB33.9 million, which was partially offset by an increase in trade and other payables of RMB223.9 million and a decrease in trade and other receivables of RMB89.3 million. Our net cash used in operating activities in 2008 was primarily due to cash outflow associated with construction of Chengdu Hailrun Plaza (成都喜年廣場), Shenzhen Future Plaza (深圳香年廣場), Chengdu Love Forever (成都花郡) and other projects, which was partially offset by deposits received from the pre-sale of our Chengdu Love Forever (成都花郡) and other projects.

In 2007, our net cash used in operating activities was RMB88.4 million. Cash used in operating activities in 2007 consisted primarily of an increase in properties for sales of RMB559.0 million and a decrease in trade and other payables of RMB52.9 million, which was partially offset by an increase in deposits received on sale of properties of RM520.5 million. Our net cash used in operating activities in 2007 was primarily due to cash outflow associated with construction commencement of Phase 1.1 of Grand Valley (大溪谷), Shenzhen Future Plaza (深圳香年廣場), Flower Harbor (花港家園) and Chengdu My Place (成都花好園), which was partially offset by deposits received from the pre-sale of Phase 1.1 of Grand Valley (大溪谷), certain phases of Chengdu Love Forever (成都花郡) and Chengdu My Place (成都花好園).

In 2006, our net cash from operating activities was RMB131.1 million. Cash from operating activities in 2006 consisted primarily of an increase in deposits received on sale of properties of RMB479.7 million and decrease in trade and other receivables of RMB130.0 million, which was partially offset by increase in properties for sales of RMB507.7 million. Our net cash from operating activities in 2006 was primarily due to deposits received as a result of the pre-sale of Fantasia Special Town (別樣城) and Phase I of Chengdu Love Forever (成都花郡) and cash received from the sale of retail spaces in our Shenzhen My Place (深圳花好園) project, which was partially offset by cash outflow associated with construction commencement of Fantasia Special Town (別樣城) and Phase I of Chengdu Love Forever (成都花郡).

Cash Flows from Investing Activities

For the six months ended June 30, 2009, our net cash used in investing activities was RMB65.8 million. The primary factors affecting net cash used in investing activities during the period included: an increase in investment properties of RMB39.4 million, advance to a director of RMB13.3 million, an increase in restricted bank deposits of RMB11.4 million and advance to associates of RMB8.4 million. For the same period in 2008, net cash used in investing activities was RMB174.0 million. The primary factors affecting net cash used in investing activities during the period included: the acquisition of the project company for our Chengdu Future Plaza (成都香年廣場) that amounted to RMB74.5 million, the acquisition of additional equity interests in our subsidiaries that amounted to RMB43.6 million, an increase in restricted bank deposits of RMB30.7 million and the prepaid lease payments of RMB15.1 million.

In 2008, our net cash used in investing activities was RMB460.2 million. The primary factors affecting net cash used in investing activities in 2008 included: the acquisition of additional equity interests in our subsidiaries that amounted to RMB241.8 million, the acquisition of the project company for our Chengdu Future Plaza (成都香年廣場) that amounted to RMB157.8 million, the purchase of property, plant and equipment that amounted to RMB26.2 million, an increase in restricted bank deposits of RMB19.8 million and the prepaid lease payments of RMB15.1 million.

In 2007, our net cash used in investing activities was RMB258.3 million. The primary factors affecting net cash used in investing activities in 2007 included: the acquisition of equity interests in certain project companies, including the project companies for our Town on the Water (雲海間) project in Yixing, Yingcheng Lake (營城湖) project in Tianjin and Chengdu Mont Conquerant (成都君山) in Chengdu, that amounted to RMB371.4 million, the acquisition of additional interests in our subsidiaries that amounted to RMB75.8 million and an increase in investment properties of RMB27.4 million, which was partially offset by decrease in amounts due from associates of RMB192.0 million, a decrease in restricted bank deposits of RMB15.0 million and proceeds from disposal of associates that amounted to RMB11.6 million.

In 2006, our net cash from investing activities was RMB17.1 million. The primary factors affecting net cash from investing activities in 2006 included: proceeds from the sale of equity interests in certain subsidiaries of RMB196.9 million and repayment from related parties of RMB101.8 million, as partially offset by advance to associates of RMB257.2 million, net cash used in acquisition of assets and liabilities through acquisition of subsidiaries of RMB26.0 million.

Cash Flows from Financing Activities

For the six months ended June 30, 2009, our net cash from financing activities was RMB1,035.0 million. The primary factors affecting net cash from financing activities during the period included: an increase in borrowings of RMB1,302.0 million and contribution from minority shareholders of RMB16.0 million, which was partially offset by repayment of borrowings of RMB229.6 million and repayment to directors of RMB53.5 million. For the same period in 2008, net cash from financing activities was RMB354.6 million. The primary factors affecting net cash from financing activities during the period included: an increase in borrowings of RMB584.4 million, which was partially offset by repayment of borrowings of RMB224.1 million.

In 2008, our net cash from financing activities was RMB491.7 million. The primary factors affecting net cash from investing activities in 2008 included: an increase in borrowings of RMB800.0 million, advance from related parties of RMB98.6 million and advance from directors of RMB35.0 million, which was partially offset by repayment of borrowings of RMB440.9 million.

In 2007, our net cash from financing activities was RMB1,290.2 million. The primary factors affecting net cash from investing activities in 2007 included: loans from shareholders of RMB735.7 million, proceeds from issuance of Shares of RMB734.9 million and an increase in borrowings of RMB447.5 million, which was partially offset by a repayment of borrowings of RMB365.4 million, a repayment to related parties of RMB151.7 million, a distribution to shareholders of RMB79.4 million and a repayment to directors of RMB66.4 million.

In 2006, our net cash from financing activities was RMB176.9 million. The primary factors affecting net cash from investing activities in 2006 included: an increase in borrowings of RMB424.0 million, advance from directors of RMB145.9 million and advance from related parties of RMB143.2 million, which was partially offset by a repayment of borrowings of RMB488.4 million and distribution to shareholders of RMB64.1 million.

Net Current Assets

As of September 30, 2009, we had net current assets of RMB2,588.8 million, consisting of RMB6,176.4 million of current assets and RMB3,587.6 million of current liabilities, which represented a increase of RMB134.5 million from June 30, 2009. This increase was mainly a consequence of an increase in current assets as a result of RMB320.1 million increase in properties for sales, RMB98.7 million increase in bank balances and cash, RMB94.8 million increase in restricted deposits and RMB28.9 million increase in trade and other receivables. This increase in current assets was partially offset by an increase in current liabilities as a result of RMB277.7 million increase in deposit received on sales of properties and RMB96.8 million increase in borrowings due within one year.

As of June 30, 2009, we had net current assets of RMB2,454.3 million, consisting of RMB5,646.8 million of current assets and RMB3,192.5 million of current liabilities, which represented an increase of RMB1,234.4 million from December 31, 2008. This increase was mainly a consequence of a RMB897.9 million increase in bank balances and cash, a RMB303.4 million increase in properties for sales, a RMB241.0 million decrease in deposits received on sale of properties and a RMB130.5 million increase in trade and other receivables. The increase in net current assets was partially offset by a RMB299.9 million increase in trade and other payables, a RMB145.5 million increase in tax payable and a RMB43.0 million increase in borrowings due within one year. As of December 31, 2008, we had net current assets of approximately RMB1,219.9 million, consisting of RMB4,318.2 million of current assets and RMB3,098.2 million of current liabilities, which represented a RMB427.9 million decrease from the level at the end of 2007. This decrease was mainly a consequence of a RMB1,017.6 million decrease in bank balances and cash, a RMB683.5 million increase in loans from shareholders, a RMB228.9 million increase in trade and other payables, a RMB96.4 million increase in amounts due to related parties, a RMB71.3 million increase in tax payable, a RMB67.8 million decrease in trade and other receivables and a RMB55.1 million increase in borrowings due within one year. The decrease in net current assets was partially offset by a RMB1,742.0 million increase in properties for sales and a RMB33.9 million decrease in deposits received on sale of properties.

Restricted Bank Deposits

A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As of December 31, 2006, 2007, 2008 and June 30, 2009, our restricted bank deposits were RMB33.1 million, RMB18.0 million, RMB37.8 million and RMB49.3 million, respectively.

Working Capital

Taking into account the estimated net proceeds from the Global Offering, banking facilities available to us and cash flows from our operations, our Directors confirm that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

ANALYSIS OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Investment Properties

As of December 31, 2006, 2007, 2008 and June 30, 2009, we had investment properties of RMB340.9 million, RMB459.0 million, RMB476.1 million and RMB502.2 million, respectively. Our investment properties increased from December 31, 2008 to June 30, 2009 due primarily to additions of RMB39.4 million in construction costs for investment properties under development, which was partially offset by a decrease in the fair value of our investment properties of RMB10.0 million, for the six months ended June 30, 2009. Our investment properties increased from December 31, 2007 to December 31, 2008 due primarily to an RMB0.7 million transfer from properties for sales, additions of RMB2.5 million in construction costs for investment properties under development and an increase in the fair value of our investment properties of RMB13.8 million in 2008. Our investment properties increased from December 31, 2006 to December 31, 2007 due primarily to an increase in the fair value of our investment properties in 2007 of RMB86.9 million, additions of RMB27.4 million in construction cost for investment properties under development and an RMB3.9 million transfer from properties for sales, in 2007. We transferred completed properties for sales to investment properties in 2007 and 2008, and commenced construction of a car park in Shenzhen, an investment property, in 2007 which was completed in 2008, in an effort to increase investment properties to generate increased recurring rental income.

Properties for Sales

Properties for sales include completed properties that have not been contracted to be sold, which are identified as “properties for sales — completed properties for sales” in the Accountants’ Report in

Appendix I — "Accountants' Report" of this prospectus, and properties pre-sold but have not been delivered to customers, identified as "properties for sales — under development" in the Accountants' Report. Our properties for sales were RMB796.3 million, RMB2,027.9 million, RMB3,769.8 million and RMB4,073.2 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. Properties for sales under development increased from RMB781.9 million as of December 31, 2006 to RMB2,013.3 million as of December 31, 2007 to RMB3,337.7 million as of December 31, 2008 as a result of the continued expansion of our property development business and the increase in the number of projects that are under development. Properties for sales under development slightly decreased to RMB3,258.9 million as of June 30, 2009 from RMB3,337.7 million as of December 31, 2008 because we had slightly more properties for sales that were completed for the six months ended June 30, 2009 than properties for sales that commenced construction in the same period.

Trade and Other Receivables

Trade and other receivables were RMB276.2 million as of June 30, 2009, compared to RMB145.7 million as of December 31, 2008. This increase was due primarily to an increase in deposits for the acquisition of properties for sale of RMB80 million, an increase in trade receivable of RMB28.5 million, an increase in prepayment for construction materials of RMB26.3 million, an increase in prepayments and other deposits of RMB21.7 million and an increase in other receivables of RMB15.6 million, which was partially offset by an decrease in other tax prepayment of RMB22.1 million and an decrease in deposits for the acquisition of land use right of RMB19.4 million. The increase in deposits for the acquisition of properties for sales was the result of RMB80.0 million deposit payment for the purchase of properties in our Shenzhen Meinian Plaza (深圳美年廣場). The increase in trade receivable was due primarily to an increase in sales of properties which resulted in more outstanding payments from our customers or their mortgage banks for properties that we sold as of June 30, 2009 than as of December 31, 2008.

The increase in prepayment for construction materials and the increase in other receivables were due primarily to the increase in our property development activities. The increase in prepayments and other deposits was due primarily to an increase in payments by our customers with their bank cards, which resulted in more receivables from the card issuing banks before we received the payments, as well as the increase in payments made by us on behalf of the property owners or their committees to which we provided property management services. The decrease in other tax prepayment was a result of decrease in prepayment of business tax in respect of our pre-sale of properties under development and the decrease in deposits for the acquisition of land use right was a result of decrease in our land acquisitions in the first half of 2009.

Trade and other receivables decreased to RMB145.7 million as of December 31, 2008 from RMB213.6 million as of December 31, 2007, due primarily to a decrease in prepayments and other deposits from RMB74.7 million as of December 31, 2007 to RMB8.6 million as of December 31, 2008 and a decrease in deposits for the acquisition of land use right from RMB58.0 million as of December 31, 2007 to RMB19.4 million as of December 31, 2008. The decrease in prepayments and other deposits was a result of decrease in escrowed deposits of US$10.0 million related to the payment of interest expense for the Bonds. The decrease in deposits for the acquisition of land use right was a result of the completion of our acquisition of certain land sites for our Grand Valley (大溪谷) project and the transfer of deposits associated with such acquisition to properties for sales and the return of deposits for a previously planned project. The decrease in trade and other receivables was partially offset by an increase in trade receivables, which was comprised of receivables from the sale of our properties, from RMB16.8 million as of December 31, 2007 to RMB45.1 million as of December 31, 2008 as a result of increase in the number of properties that was sold in 2008 as compared to 2007. The decrease in trade and other receivables was also partially offset by an increase in other receivables from RMB25.2 million to RMB34.5 million as a result of increase in our property development activities.

Trade and other receivables increased to RMB213.6 million as of December 31, 2007 from RMB98.0 million as of December 31, 2006, due primarily to an increase in prepayments and other deposits from RMB6.6 million as of December 31, 2006 to RMB74.7 million as of December 31, 2007, an increase in other tax prepayment from RMB9.8 million as of December 31, 2006 to RMB37.2 million as of December 31, 2007 and an increase in deposits for the acquisition of land use right from RMB43.0 million as of December 31, 2006 to RMB58.0 million as of December 31, 2007. The increase in prepayments and other deposits was a result of an increase in escrowed deposits of US$10.0 million related to the payment of interest expense for the Bonds. The increase in other tax payment was a result of increase in properties sold in 2007 as compared to 2006 that led to the increase in tax obligations, and the increase in acquisition of land use right was a result of deposits made to acquire land sites for our project Grand Valley (大溪谷).

Prepayment

We recorded prepayment of RMB68.0 million as non-current assets as of June 30, 2009. The prepayment was made to Shenzhen Press Group (深圳報業集團) and Guangdong Nanfang Press and Media Group Co., Ltd. (廣東南方報業傳媒集團有限公司) for advertisements that we may place on certain newspapers and other medias owned by these two companies prior to the end of 2011 and May 2014, respectively. We made the prepayment through transfer of certain properties in our Shenzhen Future Plaza (深圳香年廣場) to these two companies.

Advances to Associates

The advances to associates represent advance payments that were made to our associates in which we have a minority equity interest for the purchase of land. We had advances to associates of RMB261.4 million, RMB65.4 million, RMB58.2 million and RMB64.8 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. The advances to associates decreased from 2006 to 2007 due primarily to our acquisition of the remaining ownership interest in Dongguan Fantasia and Shenzhen Huaqianli in 2006.

Amounts Due from/to Related Parties

The amounts due from related parties decreased to RMB23.2 million as of June 30, 2009 from RMB26.9 million as of December 31, 2008, due primarily to repayment of RMB16.7 million short term loan that was made to Pujiang Daxigu Ecological Tourism Development Company Limited (蒲江縣大溪谷生態旅遊經營管理有限公司), which was partially offset by an increase of RMB12.0 million short-term loan that was made to Tianjin Songjiang Group. The amounts due from related parties increased to RMB26.9 million as of December 31, 2008 from RMB10.3 million as of December 31, 2007, due primarily to an increase of RMB16.7 million in short term loan that was made to Pujiang Daxigu Ecological Tourism Development Company Limited (蒲江縣大溪谷生態旅遊經營管理有限公司). The amounts due from related parties increased to RMB10.3 million as of December 31, 2007 from nil as of December 31, 2006, due primarily to an outstanding balance of RMB9.5 million in consideration for the sale of our equity interest in San Jiao Zhou to Xi Fu Hui that was not at the time settled.

The amounts due to related parties as of June 30, 2009 remained the same as that of December 31, 2008, which was RMB99.3 million. The amounts due to related parties increased to RMB99.3 million as of December 31, 2008 from RMB2.9 million as of December 31, 2007, due primarily to an increase of RMB99.3 million in advance payment that was made by Tianjin Songjiang Group for the development of our Tiajin Hailrun Plaza (天津喜年廣場). The amounts due to related parties decreased to RMB2.9 million as of December 31, 2007 from RMB123.6 million as of December 31, 2006, due primarily to a decrease of RMB122.9 million due to Shenzhen Tiankuo that was repaid as part of our Reorganization, which was partially offset by an increase in advance to Jing Liu (敬柳) of RMB2.1 million.

Trade and Other Payables

Trade and other payables increased to RMB866.0 million as of June 30, 2009 from RMB566.1 million as of December 31, 2008, due primarily to an increase in trade payables from RMB325.5 million as of December 31, 2008 to RMB675.8 million as of June 30, 2009, which was partially offset by a decrease of other payables from RMB139.1 million as of December 31, 2008 to RMB98.6 million as of June 30, 2009. The increase in trade payables, which comprised primarily of increase in construction costs payable, was a result of a significant increase in our construction activities in first half of 2009. The decrease in other payables was comprised primarily of decrease in payables relating to assistance that we provided to purchasers of our properties to obtain their property ownership certificates, which was due to completion of more properties for the six months ended June 30, 2009 and the resulting completion of more property ownership certificate applications.

Trade and other payables increased to RMB566.1 million as of December 31, 2008 from RMB337.3 million as of December 31, 2007, due primarily to an increase in trade payables from RMB173.3 million as of December 31, 2007 to RMB325.5 million as of December 31, 2008 and an increase in other payable from RMB58.9 million as of December 31, 2007 to RMB139.1 million as of December 31, 2008. The increase in trade payables, which comprised primarily of increase in construction costs payable, and the increase in other payable, which comprised primarily of increase in deposits payable for the tender and auction of land sites, was a result of a significant increase in our construction and property development activities in 2008 as compared to 2007.

Trade and other payables increased to RMB337.3 million as of December 31, 2007 from RMB116.3 million as of December 31, 2006, due primarily to an increase in trade payables from RMB33.5 million as of December 31, 2006 to RMB173.3 million as of December 31, 2007, an increase in other tax payables from RMB4.9 million as of December 31, 2006 to RMB24.3 million as of December 31, 2007, an increase in other payable from RMB43.4 million as of December 31, 2006 to RMB58.9 million as of December 31, 2007 and an increase in retention payable from RMB2.7 million as of December 31, 2006 to RMB11.9 million as of December 31, 2007. The increase in trade payables, the increase in other payable, and the increase in retention payable, which comprised primarily of quality assurance deposits, was all a result of an increase in our construction and property development activities in 2007 as compared to 2006. The increase in other tax payable, which was comprised primarily of increases in business taxes payable, was a result of the higher revenue from sales of properties in 2007 than 2006.

Deposits Received on Sale of Properties

We record payments received from purchasers for our pre-sold properties as "deposits received on sale of properties" within our current liabilities in our consolidated statement of financial position. We do not recognize these deposits as revenue until we have completed the construction of the projects and have delivered the relevant properties to the purchasers. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our "deposits received on sale of properties" arising from various development projects amounted to approximately RMB605.8 million, RMB1,126.3 million, RMB1,092.5 million and RMB851.5 million, respectively. Our deposits received on sale of properties decreased from December 31, 2008 to June 30, 2009 due primarily to an increase in properties completed for the six months ended June 30, 2009 that led to an increase in recognition of deposits as revenue that outpaced the increase in the number of properties that were launched for pre-sale for the six months ended June 30, 2009 and our deposits received on sale of properties decreased from 2007 to 2008 due primarily to similar reasons. Our deposits received on sale of properties increased from 2006 to 2007 was due primarily to the significant number of properties that were launched for pre-sale in 2007.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30, 2009
	2006	2007	2008	
Return on equity(1)	27.8%	6.5%	7.4%	17.1%
Current ratio(2)	1.37	1.84	1.39	1.77
Gearing ratio(3)	25.2%	26.8%	31.5%	40.3%

Notes:

(1) Profit attributable to owners of the Company/shareholders' equity x 100%.

(2) Current assets/current liabilities.

(3) Total debt/total assets x 100%; total debt comprises short-term borrowings, amounts due to directors, amounts due to related parties, loans from shareholders and long-term borrowings.

Return on equity fluctuated during the Track Record Period due primarily to the level of our net profits during the relevant period which will in part depend on the mix and timing of our properties that are under development and for sale during the relevant period. Our return on equity was higher in 2006 due to the higher net profits as a result of gain derived from the disposal of subsidiaries, while our return on equity was higher for the six months ended June 30, 2009 due to the increase in our revenue from our property development business as a result of higher average selling prices of our properties and an increase in the GFA sold.

Our current ratio increased from 2006 to 2007 due primarily to the increase in the number of properties for sales in 2007 from 2006 and an increase in our bank balances and cash in 2007 from 2006 as a result of loans from shareholders in connection with the Pre-IPO Investment. Our current ratio decreased in 2008 as the loans from shareholders was accounted for as our current liabilities in 2008 while such loan was accounted for as our non-current liabilities in 2007. Our current ratio increased for the six months ended June 30, 2009 because of the increase in our bank balances and cash from long-term borrowings.

Change in gearing ratio was primarily a result of the change in our total debt during the Track Record Period, which has increased in conjunction with the increase in the growth of our business since 2006.

INDEBTEDNESS, CONTINGENT LIABILITIES AND CAPITAL EXPENDITURES

Indebtedness

As of September 30, 2009, the date being the latest practicable date for the purpose of the indebtedness statement, we had total debt of about RMB2,986.9 million, the detail of which is set forth in the table below:

	Secured	Unsecured	Total
	(in RMB thousands)		
Short-term borrowings	312,750	200,000	512,750
Amounts due to directors(1)	—	45,186	45,186
Amounts due to related parties	—	99,340	99,340
Loans from shareholders(2)	682,900	—	682,900
Long-term borrowings	1,450,691	196,000	1,646,691
Total	2,446,341	540,526	2,986,867

Notes:

(1) As of the Latest Practicable Date, the balance had been fully settled.

(2) This loan is represented by the Bonds that is repayable on the earlier of the date of the Listing or November 30, 2009. As of the Latest Practicable Date, US$28.92 million of the Bonds was redeemed. Prior to the date of this prospectus, we had paid US$71.08 million to redeem the remainder of the Bonds.

As of September 30, 2009, we had outstanding loans from shareholders of approximately RMB682.9 million (which was secured by all shares, interests, participations or other equivalents in equity, registered capital or other ownership interest of certain of our subsidiaries), borrowings of approximately RMB2,159.4 million (of which RMB1,763.4 million was secured by fixed charges on certain of our assets, including properties, plant and equipment, investment properties, prepaid lease payments and properties for sales) and amounts due to directors of approximately RMB45.2 million. In addition, as of September 30, 2009, we had contingent liabilities in respect of mortgage facilities granted to purchasers of our properties and borrowings to Shenzhen Funian Property Estate Company Limited, an entity that our executive director, Ms. Zeng, has beneficial interests in, of approximately RMB1,175.1 million and RMB20.0 million, respectively. As of the Latest Practicable Date, the RMB20.0 million borrowings to Shenzhen Funian had been fully repaid.

Our banking facilities are also secured by personal guarantees given by Ms. Zeng and Mr. Pan, our Directors. As of the Latest Practicable Date, the guarantees had been released and replaced by guarantees from our Company.

Borrowings

The table below sets forth the principal amounts of our borrowings and loans from Shareholders as of the dates indicated:

	As of December 31,			As of June 30, 2009	As of September 30, 2009
	2006	2007	2008		
	(in RMB thousands)				
Secured borrowings					
— bank loans	276,215	277,873	460,550	1,599,250	1,713,441
— other loans[1]	—	—	—	—	50,000
Unsecured borrowings					
— bank loans	10,000	90,000	266,250	—	—
— other loans[1]	—	—	—	200,000	396,000
Loans from shareholders[2]	—	730,460	683,460	683,190	682,900
Total	286,215	1,098,333	1,410,260	2,482,440	2,842,341

Notes:

(1) These loans are represented by entrusted loans.

(2) This loan is represented by the Bonds that is repayable on the earlier of the date of the Listing or November 30, 2009. As of the Latest Practicable Date, US$28.92 million of the Bonds was redeemed. Prior to the date of this prospectus, we had paid US$71.08 million to redeem the remainder of the Bonds.

The following table sets forth the maturity profiles of our borrowings, loans from Shareholders and amounts due to directors or related parties as of the dates indicated:

	As of December 31,			As of June 30, 2009	As of September 30, 2009
	2006	2007	2008		
	(in RMB thousands)				
Bank loans					
Due within one year	65,117	317,943	373,050	216,000	262,750
Due more than one year but not exceeding two years	135,143	286	37,000	1,015,500	1,054,250
Due more than two years but not exceeding five years	80,673	45,074	279,750	336,750	365,441
Due more than five years	5,282	4,570	37,000	31,000	31,000
Other loans					
Due within one year	—	—	—	200,000	250,000
Due more than one year but not exceeding two years	—	—	—	—	196,000
Loans from shareholders[(1)]	—	730,460	683,460	683,190	682,900
Amounts due to directors	100,966	27,456	54,012	554	45,186
Amounts due to related parties	123,601	2,892	99,340	99,340	99,340
Total	510,782	1,128,681	1,563,612	2,582,334	2,986,867

Note:

(1) This loan is represented by the Bonds that is repayable on the earlier of the date of the Listing or November 30, 2009. As of the Latest Practicable Date, US$28.92 million of the Bonds was redeemed. Prior to the date of this prospectus, we had paid US$71.08 million to redeem the remainder of the Bonds.

We had borrowings with the carrying amounts of nil, RMB90.0 million, RMB157.0 million, RMB661.0 million and 616.4 million as of December 31, 2006, 2007, 2008, June 30, 2009 and September 30, 2009 respectively, that were guaranteed by Ms. Zeng and Mr. Pan, our Directors. As of the Latest Practicable Date, the guarantees had been released.

During the six months ended June 30, 2009, San Jiao Zhou, an entity that our executive Director, Ms. Zeng, has beneficial interests in, has pledged its land use right to secure a bank loan granted to Dongguan Fantasia. As of the Latest Practicable Date, the pledge had been released.

The effective weighted average interest rate for our fixed rate borrowings were 6.61%, 7.42%, 8.96% and 4.37% as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively, and for our variable rate borrowings are 6.69%, 4.70%, 8.36% and 5.44% as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. The loans from shareholders carry an interest rate of 12.00% per annum.

On September 28, 2009, our subsidiary, Fantasia Group (China), entered into two trust and loan agreements with Bohai International Trust Co., Ltd. (渤海國際信託有限公司) for a total amount of RMB288 million and RMB104 million, respectively. These unsecured loans are for a term of two years and carry an interest rate at the benchmark two-year lending rate published by the PBOC, as adjusted. As agreed in these agreements, we plan to apply the proceeds from such loans to the purchase of the 100% equity interests in Suzhou Huawanli. As of the Latest Practicable Date, we had drawn down RMB196 million granted under these agreements.

On September 30, 2009, we entered into a loan facility with a subsidiary of Industrial and Commercial Bank of China Limited for US$30 million. The loan is for a term of three months and is required to be repaid in full, together with accrued interest and all outstanding amount, on December 30, 2009, or within 3 days after the Listing Date. Pursuant to this facility agreement, if either of the following conditions, among others, occur, it would constitute an event of default under the facility and the loan will, become immediately due and payable: (a) Mr. Pan and Ms. Zeng, collectively, do not or cease to have controlling ownership of our Company; (b) after the Listing, the listing of our Shares on the Stock Exchange (i) is suspended for 7 or more consecutive days or (ii) is terminated or otherwise ceases; or (c) Mr. Pan or Ms. Zeng dies or by reason of any illness or incapacity becomes incapable of managing his or her own affairs or becomes a patient under any mental health legislation. As of the Latest Practicable Date, we had drawn down the US$30 million granted under the facility agreement. The proceeds obtained from this facility had been applied in redeeming part of the Bonds issued to the Investors. The facility is also guaranteed by Mr. Pan and Ms. Zeng but such guarantee will be released upon the Listing Date.

On September 30, 2009, our subsidiary, Shenzhen Kangnian, obtained a loan commitment letter from CCB Shenzhen in connection with its initial approval as to the issuance of a financing letter of guarantee or a standby letter of credit. Subject to additional credit investigation and assessment, CCB Shenzhen provides in the commitment letter to issue a financing letter of guarantee or a standby letter of credit for the account of HK Kangnian in favor of CCB Asia, and to recommend and facilitate Shenzhen Kangnian to obtain a credit facility in total principal amount of US$100 million from CCB Asia, as long as the following considerations are satisfied: (1) Shenzhen Kangnian, as chargor, agrees to charge the land use rights it owns to CCB Shenzhen; (2) Shenzhen Kangnian agrees to pay a security deposit; and (3) Fantasia Group (China) agrees to provide full joint liability guarantee for the proposed credit facility. On October 28, 2009, HK Kangnian had obtained the credit facility from CCB Asia which was secured by the standby letter of credit issued to Shenzhen Kangnian by CCB Shenzhen. As of the Latest Practicable Date, we had drawn down the US$100 million granted under the credit facility. Prior to the date of this prospectus, we had redeemed the US$71.08 million of the remainder of the Bonds issued to the Investors through the proceeds from this facility and expect to use the remaining proceeds as general working capital.

On October 7, 2009, our subsidiary HK Kangnian obtained a facility letter from China Merchants Bank Co., Ltd., Hong Kong Branch, agreeing to offer the general bank facilities in the total amount of HK$230 million, or the amount of a standby letter of credit issued by China Merchants Bank Co., Ltd., Shenzhen Branch, whichever is lower. The applicable interest rate for each drawdown for each interest period, which is for the duration of three months, should be the annual rate as determined by the bank, to be the aggregate of HIBOR applicable for relevant interest period, or the China Merchants Bank Co., Ltd.'s cost of fund, whichever is higher, plus 1% p.a. We are required to repay the facility in full together will all unpaid interest on the maturity date, which is the date falling one year from the acceptance of the facility letter by HK Kangnian, or three banking days prior to the expiry date of the letter of credit above mentioned. As of the Latest Practicable Date, we had drawn down the HK$230 million granted under the facility letter. As provided in the facility letter, we had applied the proceeds from this bank facility as general working capital as well as to settle the amounts due to directors. As of the Latest Practicable Date, the amounts due to directors were settled.

Commitments

As of June 30, 2009, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB1,806.6 million, primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(in RMB thousands)			
Operating lease commitments:				
Within one year	6,526	7,422	5,785	5,933
In the second to the fifth year inclusive	7,527	7,703	15,952	15,887
After the fifth year	—	—	18,537	11,240
Total operating lease commitments	14,053	15,125	40,274	33,060
Other commitments contracted but not provided for:				
Construction commitments	220,023	412,696	1,012,435	1,135,023
Capital commitments in respect of the acquisition of additional interest in subsidiaries	2,000	—	—	—
Capital commitments in respect of the acquisition of a subsidiary	—	6,000	—	—
Capital commitments in respect of the acquisition of properties for sales	—	—	—	638,500
Total other commitments	222,023	418,696	1,012,435	1,773,523

Contingent Liabilities

As of June 30 and September 30, 2009, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB476.5 million and RMB1,175.1 million, respectively, in respect of mortgages provided by the banks to purchasers of the properties we developed and sold. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

As of June 30 and September 30, 2009, Fantasia Chengdu Ecological had pledged certain of our land use rights for properties under development that amounted to approximately RMB51.0 million to secure a RMB20.0 million bank loan granted to Shenzhen Funian Property Estate Company Limited, an entity that our executive director, Ms. Zeng, has beneficial interests in. As of the Latest Practicable Date, the pledge had been released.

No Material Changes

Save as otherwise disclosed in this prospectus, and apart from intra-group liabilities, we did not have outstanding as of September 30, 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Save as otherwise disclosed in the sub-section entitled “Borrowings” above in this section, our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since September 30, 2009.

Capital Expenditures

The following table sets forth a summary of our capital expenditures during the Track Record Period:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(in RMB thousands)			
Purchase of property, plant and equipment	6,648	11,262	26,192	1,611

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities set forth above, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of September 30, 2009 as valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer of our Company, was RMB15,181.7 million. There was a net revaluation surplus, representing the excess market value of the properties over their book value as of September 30, 2009 (after adjusting for properties acquired or sold during the period from July 1, 2009 to September 30, 2009). Further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by Jones Lang LaSalle Sallmanns Limited are set out in Appendix IV to this document.

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us as of September 30, 2009 and such property interests in our consolidated statements of financial position as of June 30, 2009 as required under Rule 5.07 of Listing Rules is set forth below:

	In RMB Millions
Net book value as of June 30, 2009	
Prepaid lease payments	1.6
Buildings included in property, plant and equipment	19.8
Properties under development	3,258.9
Completed properties for sales	814.4
Investment properties	502.2
	4,596.9
Movement for the period from July 1, 2009 to September 30, 2009[(1)]	475.4
Net book value as of September 30, 2009	5,072.3
Valuation surplus	10,109.4
Valuation as of September 30, 2009	15,181.7

Note:

(1) Movement for the period from July 1, 2009 to September 30, 2009 mainly represented RMB421.1 million in acquisition of land use rights, RMB54.3 million of costs incurred for construction of properties under development and investment properties, offset by sales of completed properties, depreciation and amortization.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors' fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our construction costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our indebtedness are typically fixed rate borrowings that are subject to negotiation in interest rate on an annual basis and any increase in interest rates will increase our finance costs. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2006, 2007 and 2008 were 6.12%, 7.47% and 5.31%, respectively.

Foreign Exchange Rate Risk

We conduct our business exclusively in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. Fluctuations in the value of Renminbi to the U.S. dollar may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies. Following the Global Offering, we may also maintain a significant portion of the proceeds from the offering in Hong Kong and U.S. dollars before they are used in our PRC operations. See "Risk Factors — Risks Relating to the PRC — Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment." We currently do not hedge our foreign exchange risk but may do so in the future.

Inflation

In recent years, China has not experienced significant inflation, and thus inflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 1.8%, 4.8% and 5.9% in 2006, 2007 and 2008 respectively.

DIVIDENDS AND DIVIDEND POLICY

Subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Board may also from time to time, without a general meeting, pay such interim dividends as appear to the Board to be justified by the profits of our Company. Our Articles of Association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which the Board may deem relevant.

Our Directors have absolute discretion to declare any dividend in the future. Our Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our shareholders' approval.

Our Company has not distributed any dividends since its incorporation on October 17, 2007. Certain subsidiaries of our Company paid dividends of approximately RMB1.0 million in each of the years ended December 31, 2007 and 2008. The sources of funding for payment of such dividends are our operating cash flow.

DISTRIBUTABLE RESERVE

As of June 30, 2009, we had reserves available for distribution to the Shareholders of the Company in the amount of RMB743.7 million.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised.

We forecast that, in the absence of unforeseen circumstances and on the bases and assumptions set out in "Appendix III — Profit Forecast" to this prospectus, our forecast consolidated profit attributable to our owners for the year ending December 31, 2009 will be as follows:

Forecast	
Profit attributable to owners of the Company before revaluation of investment properties	not less than RMB323 million
Less: Revaluation loss on investment properties (net of deferred tax effect)	RMB3 million
Profit attributable to owners of the Company	not less than RMB320 million

Notes:

The bases on which the above profit forecast for the year ending December 31, 2009 has been prepared are summarized in Appendix III to this prospectus.

The forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2009 prepared by the Directors is based on the audited results of the Group for six months ended June 30, 2009 and the Group's unaudited management accounts for two months ended August 31, 2009. The estimate has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by the Group as set out in Note 3 to the Accountants' Report, contained in Appendix I to this prospectus.

The forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the Accountants' Report dated November 12, 2009 (the text of which is set out in "Appendix I — Accountants' Report" to this prospectus).

Completed properties and properties under development expected to be completed in 2009

There are five completed projects (namely, Flower Harbor (花港家園), Shenzhen Future Plaza (深圳香年廣場), Chengdu Love Forever (成都花郡), Phase I of Fantasia Town (花樣城) and Phase 1.1 of Grand Valley (大溪谷)) and one project under development (namely, Phase 1.2 of Grand Valley (大溪谷)) which are expected to contribute to the revenue for the year ending December 31, 2009. The construction of Phase 1.2 of Grand Valley (大溪谷) commenced in September 2008 and is expected to be completed in November 2009. Phase 1.2 of Grand Valley (大溪谷) is expected to be comprised of fifty- four 3- to 4-storey buildings. It occupies a site area of approximately 61,609 square meters with a planned GFA of approximately 61,800 square meters. The Group has obtained the land use rights certificate, the required construction works commencement permit and the pre-sale permit for Phase 1.2 of Grand Valley (大溪谷). The last block was topped out in May 2009 and the interior decoration was completed in August 2009. The Directors confirm that the construction progress of Phase 1.2 of Grand Valley (大溪谷) is in accordance with the construction schedule and the project is expected to be completed and delivered to the purchasers within schedule.

Sensitivity Analysis

Sensitivity analysis on targeted average selling price

The following table illustrates the sensitivity of the profit attributable to owners of our Company for the year ending December 31, 2009 to the targeted average selling price for properties sold from September 1, 2009 to December 31, 2009.

% change in targeted selling prices per sq.m.	-15%	-10%	-5%	+5%	+10%
Impact on the profit attributable to owners of our Company targeted for the year 2009 (in RMB thousands)	(15,828)	(10,011)	(4,750)	4,116	8,232

If the targeted average selling prices for projects sold from September 1, 2009 to December 31, 2009 rise by 10%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB328,232,000, i.e. 2.6% higher than our targeted 2009 profit attributable to owners of our Company.

If the targeted average selling prices for projects sold from September 1, 2009 to December 31, 2009 rise by 5%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB324,116,000, i.e. 1.3% higher than our targeted 2009 profit attributable to owners of our Company.

If the targeted average selling prices for projects sold from September 1, 2009 to December 31, 2009 decline by 5%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB315,250,000, i.e. 1.5% lower than our targeted 2009 profit attributable to owners of our Company.

If the targeted average selling prices for projects sold from September 1, 2009 to December 31, 2009 decline by 10%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB309,989,000, i.e. 3.1% lower than our targeted 2009 profit attributable to owners of our Company.

If the targeted average selling prices for projects sold from September 1, 2009 to December 31, 2009 decline by 15%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB304,172,000, i.e. 4.9% lower than our targeted 2009 profit attributable to owners of our Company.

Sensitivity analysis on targeted GFA sold and delivered

The following table illustrates the sensitivity of the profit attributable to owners of our Company for the year ending December 31, 2009 to the targeted GFA sold and delivered from September 1, 2009 to December 31, 2009.

% change in targeted GFA sold and delivered	-15%	-10%	-5%
Impact on the profit attributable to owners of our Company targeted for the year 2009 (in RMB thousands)	(3,890)	(2,593)	(1,297)

If the targeted GFA sold and delivered for projects sold from September 1, 2009 to December 31, 2009 decline by 5%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB318,703,000, i.e. 0.4% lower than our targeted 2009 profit attributable to owners of our Company.

If the targeted GFA sold and delivered for projects sold from September 1, 2009 to December 31, 2009 decline by 10%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB317,407,000, i.e. 0.8% lower than our targeted 2009 profit attributable to owners of our Company.

If the targeted GFA sold and delivered for projects sold from September 1, 2009 to December 31, 2009 decline by 15%, the profit attributable to owners of our Company for the year ending December 31, 2009 will be RMB316,110,000, i.e. 1.2% lower than our targeted 2009 profit attributable to owners of our Company.

Sensitivity analysis on fair value changes of investment properties

The following table illustrates the sensitivity of the profit attributable to owners of our Company for the year ending December 31, 2009 to levels of revaluation increase/decrease on investment properties as at June 30, 2009:

Changes in percentage on investment Properties as at June 30, 2009	-15%	-10%	-5%	5%	10%	15%
Impact on the profit attributable to owners of our Company targeted for the year 2009 (in RMB thousands)	(33,338)	(22,225)	(11,113)	11,113	22,225	33,338

If the fair value of investment properties as at June 30, 2009 rises or declines by 5%, the profit attributable to owners of our Company for the year ending December 31, 2009 will not be less than RMB331,113,000 or RMB308,887,000, respectively, i.e. 3.5% higher or lower, respectively, than our targeted 2009 profit attributable to owners of our Company.

If the fair value of investment properties as at June 30, 2009 rises or declines by 10%, the profit attributable to owners of our Company for the year ending December 31, 2009 will not be less than RMB342,225,000 or RMB297,775,000, respectively, i.e. 6.9% higher or lower, respectively, than our targeted 2009 profit attributable to owners of our Company.

If the fair value of investment properties as at June 30, 2009 rises or declines by 15%, the profit attributable to owners of our Company for the year ending December 31, 2009 will not be less than RMB353,338,000 or RMB286,662,000, respectively, i.e. 10.4% higher or lower, respectively , than our targeted 2009 profit attributable to owners of our Company.

The above illustrations are intended to be for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the targeted average selling price, GFA to be sold and delivered, and fair value changes of investment properties for the year ending December 31, 2009, the average selling price, GFA to be sold and delivered, and fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial or trading position since June 30, 2009 (being the date to which our latest financial results were prepared) as set forth in Appendix I — “Accountants’ Report” to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that as of the Latest Practicable Date, save for the US$30 million loan facility set out in the section headed “Indebtedness, Contingent Liabilities and Capital Expenditure”, we are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our company, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2009. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as at June 30, 2009 or at any future date.

	Audited consolidated net tangible assets of our company attributable to owners of our Company as of June 30, 2009(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets of our company attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share(3)(4)(5)	
	(in RMB thousands)			RMB	HK$
Based on an Offer Price of HK$1.75 per Share	1,381,097	1,709,759	3,090,856	0.64	0.72
Based on an Offer Price of HK$2.20 per Share	1,381,097	2,174,543	3,555,640	0.73	0.83

Notes:

(1) The unadjusted audited consolidated net tangible assets attributable to owners of our company as of June 30, 2009 is extracted, with adjustment of goodwill of RMB517,000 included in the cost of investment in associates, from "Appendix I — Accountants' Report."

(2) The forecast net proceeds from the Global Offering are based on 1,215,000,000 new Shares at the indicative Offer Price of HK$1.75 per Share and HK$2.20 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets attributable to owners of the Company as of June 30, 2009 per Share is based on 4,860,000,000 Shares expected to be in issue immediately following completion of the Global Offering. No account has been taken of the Shares that may be issued pursuant to any exercise of Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible asset attributable to owners of the Company per Share is translated into Hong Kong dollar at an exchange rate of RMB0.8810 to HK$1, the rate of the People's Bank of China prevailing on November 6, 2009. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) By comparing the valuation of the Group's property interests of RMB15,181.7 million as set out in Appendix IV to this prospectus and the unaudited net book value of these properties, including buildings held for own use, properties for sales, investment properties and prepaid lease payments of RMB5,072.3 million as of September 30, 2009, the net valuation surplus is approximately RMB10,109.4 million, which has not been included in the above net tangible assets attributable to owners of the Company as of June 30, 2009. The revaluation of the Group's property interests other than investment properties will not be incorporated in the Group's financial statements. If the revaluation surplus is to be included in the Group's financial statements, an additional depreciation charge for the year of approximately RMB2.4 million related to buildings held for own use would be recorded.