The following discussion should be read in conjunction with our audited consolidated financial information together with the accompanying notes, as set forth in the Accountant's Report in Appendix I to this document. Our financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those discussed in the section headed "Risk Factors" in this document.

OVERVIEW

We are one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. Our land bank is highly diversified and is located in prime locations in such key economic cities. It comprised, as at 31 July 2009, a total planned GFA of 13,598,083 sq.m. (of which, 6,051,874 sq.m. was GFA for which we have signed master agreements with the relevant local governments but had not as at the Latest Practicable Date obtained the land use right certificates). Of our land bank, approximately 20.2% of our total GFA was located in Shanghai and 18.1% was located in Tianjin and Beijing as at 31 July 2009.

Since we commenced our business in 1996, we have been dedicated to developing our property business in key economic cities in China and, in particular, in Shanghai, in which we believe has the highest level of demand from international and domestic purchasers of any property market in China. Over the past 13 years in Shanghai, we have developed various projects and sold and delivered more than 2.0 million sq.m. of GFA, and successfully establishing ourselves as one of the leading players in this economic and financial capital of China in terms of total completed GFA. As at 31 July 2009, we had developed or were developing projects in nine cities across the PRC, comprising three municipalities (Shanghai, Tianjing, Beijing), three provincial capitals (Hefei, Shenyang, Harbin) and three key economic centres (Wuxi, Suzhou, Nantong) in the Yangtze River Delta. For the three financial years ended 31 December 2006, 2007 and 2008, our total revenue was RMB1,718.1 million, RMB1,791.9 million and RMB3,949.0 million, respectively. Our total revenue for the four months ended 30 April 2009 was RMB934.0 million, representing a decrease of 4.3% from RMB975.8 million for the four months ended 30 April 2008. For the three financial years ended 31 December 2006, 2007 and 2008, profits attributable to equity owners of our Group were RMB259.2 million, RMB108.1 million and RMB1,255.0 million, respectively. Profit attributable to equity owners of our Group for the four months ended 30 April 2009 was RMB773.5 million, representing an increase of 342.7% from RMB174.7 million for the four months ended 30 April 2008.

During the Track Record Period, substantially all of our revenue was generated from sales of residential properties that we developed.

Leveraging on our success in Shanghai, Tianjin and Beijing, we have expanded, and intend to continue to actively and strategically expand, our property development business in other high growth cities within China. We typically target the upper segment of the market, selling our premium residential properties, while seeking to retain long-term ownership of certain commercial properties in order to benefit from potential capital appreciation as well as to diversify our future income stream.

We have financed our projects primarily through proceeds from our Shareholders' contributions, bank borrowings, pre-sale proceeds of properties, Financing and the Shanghai Bay Arrangements. We typically follow a financing model under which our start-up cost is mainly financed by bank and other borrowings as well as Shareholders' contributions. This financing model supports our projects until the pre-sales stage, when we are able to repay our borrowings with pre-sale proceeds. The following points summarise our main sources of funds for our projects.

- **Shareholders' contributions**. We have relied to a certain extent on capital contributions from our Shareholders in exchange for equity interests to finance our projects. PRC property developers were required to make a capital contribution of not less than 35% of the total investment of a project when they applied for project-specific loans. On 27 May 2009, such contribution percentage requirement was reduced to 20% for ordinary commodity housing projects and affordable housing projects and 30% for all other property development projects.

- **Bank borrowings**. As at 30 April 2009, we had total secured bank borrowings of RMB1,871.8 million. We usually obtain project-specific bank 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.

- **Pre-sale proceeds of properties:** Pre-sale proceeds are proceeds we receive when we enter into contracts to sell properties prior to their completion. Under PRC law, the following conditions must be fulfiled before the pre-sale of a particular property can commence: (i) the land premium must be paid in full and the land use rights certificate must have been obtained; (ii) the construction works planning permit and the work commencement permit must have been obtained; (iii) the funds contributed to the development of the project must amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and (iv) the pre-sale permit must have been obtained. Upon obtaining a pre-sale permit from the relevant government authorities, we generally enter into pre-sale contracts with our customers. We typically receive an initial payment of at least 20%-30% of the unit purchase price at the execution of the pre-sale contract and the balance typically within 30 days of the execution of the pre-sale contract, by which time the customer is required to have obtained a bank mortgage.

- **Financing:** In November and December 2007, we issued the Original Notes to the Original Investors in a total aggregate principal amount of approximately RMB 3,717.4 million and received US$495.7 million in proceeds therefrom. In connection with the subscription of the Original Notes, the Original Investors and their affiliates also received from one of our Controlling Shareholders a total of 700,000 Shares for no additional monetary consideration. As at 30 April 2009, we had used approximately US$464.2 million of the net proceeds from the issuance of the Notes to inject capital into the wholly foreign-owned enterprises owned by our HK Subsidiaries, regional companies and project companies in order to expand our land bank. The balance of the proceeds has been deposited into our account maintained in Hong Kong for future land bank acquisitions. On 9 July 2009, the Investors and the Company signed a legally binding term sheet setting out the principal terms and conditions of the restructuring of the Original Notes. In July and August 2009, the Investors and the Company concluded all the terms and conditions of the restructuring of the Original Notes and executed the Note Restructuring Documents. For further details please refer to the section headed "History, Reorganisation and Group Structure — Financing — Restructuring of Original Notes". We have incurred a significant amount of interest expense in relation to the Financing. Substantially all of the interest expense has been capitalised as properties under development rather than being expensed in our income statement at the time it was incurred. In future periods, such capitalised interest expense will be expensed in our consolidated income statement as a portion of cost of sales upon the sales of such properties. As a result, such capitalised interest expenses will adversely affect our Group's gross profit margin upon the sales of properties in 2009 and future periods.

- **Transfer of Blocks Nos. 2, 8, 9 and 10 of Shanghai Bay and Related Arrangements:** In August 2009, pursuant to the Shanghai Bay Arrangements, we transferred our legal ownership interests in Blocks Nos. 2 and 8 of Shanghai Bay, with a total GFA of 56,305 sq. m., to Shanghai Industrial Group. In return, we received a payment of approximately US$190.2 million (equivalent to RMB1.3 billion) which we used to partially redeem the Original Notes. We expect to receive a second payment in an amount equal to the US$ equivalent of RMB0.7 billion when we transfer our legal interests in additional Blocks Nos. 9 and 10 of Shanghai Bay with a total GFA of 51,171 sq. m. to Shanghai Industrial Group. We intend to use approximately US$28 million of such funds to repay the amount outstanding under the bridge loan, the details of which are set out in " Financial Information — Indebtedness and Contingent Liabilities — Bridge Loan". We expect to deposit the balance of approximately US$74 million into an account of Bright New that has been pledged as collateral for the Financing and may only be used for operating expenses and permitted uses until such financing is repaid.

  Under the Shanghai Bay Arrangements, we have the right and obligation to reacquire the Projects and Shanghai Industrial Group has the right and obligation to resell such Projects to us on 1 December 2011. Assuming we have transferred Blocks Nos. 9 and 10, the consideration for the reacquisition of all of the transferred blocks of the Projects is expected to be RMB2 billion. If the transfer of Blocks Nos. 9 and 10 does not take place, the consideration for the reacquisition of Blocks Nos. 2 and 8 is expected to be RMB1.3 billion. As part of such arrangements, we have also agreed to ensure that Shanghai Industrial Group receives a "shareholder return" (net of tax) for each of the three years ending 31 December 2011, equal to 18% per annum of the consideration paid by Shanghai Industrial Group. The commercial intention for entering into the Shanghai Bay Arrangements was to enable us to obtain financing from, and grant collateral for such financing to, Shanghai Industrial Group in order to refinance a portion of the Financing as a part of the note restructuring. See "Business — Shanghai Bay Financing Arrangements with the Shanghai Industrial Group".

Going forward, we expect to fund our projects by using a combination of sources, including internally generated cash flow, bank loans, and other funds raised from the capital markets from time to time. In particular, as at 30 April 2009, the total contracted capital commitment of our projects amounted to RMB7,440 million. For details of the capital commitment we have made relating to our projects as of 30 April 2009, please refer to Note 32 of Appendix I - Accountant's Report to this document. Based on the best estimate by our Directors as at the Latest Practicable Date, approximately RMB7,440 million is expected to be invested within five years. Notwithstanding the above and our Directors' estimate, our access to funds may be affected by various factors, including the factors discussed under the section headed "Risk Factors" in this document and "— Factors Affecting Our Results of Operations" in this section.

BASIS OF PRESENTATION

We are a holding company incorporated in the Cayman Islands. We generate our revenue from the businesses conducted by our subsidiaries located in the PRC. During the Track Record Period, all our revenue was related to property development and sales in the PRC.

Our Group undertook the Reorganisation. Prior to the Reorganisation, our Founder was the sole ultimate shareholder of our Company and of Bright New, which was the holding company of the subsidiaries of our Group. Upon completion of the Reorganisation on 17 September 2007, we acquired the entire shareholding interest in Bright New from our Founder. As a result of the Reorganisation, we became the holding company of our Group.

The consolidated balance sheets, consolidated income statements, consolidated statements of cash flows and consolidated statements of changes in equity of our Group for the Track Record Period include the financial information of the companies comprising our Group as a result of the Reorganisation as if the current group structure had been in existence throughout the Track Record Period, except that the financial information of those companies newly incorporated/established during the Track Record Period and of those companies newly acquired from third parties accounted for using the purchase method of accounting are included in the consolidated financial information of our Group since their respective dates of incorporation/establishment and acquisition. Please refer to Note 2 of Section II of the Accountant's Report in Appendix I to this document for further description of the basis on which we have prepared our financial information.

Our consolidated financial information as of and for each of the three years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 2009 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. We have prepared our consolidated financial information in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, such as U.S. GAAP. The consolidated financial information as of and for the four months ended 30 April 2008 has been derived from the unaudited consolidated financial information. We have prepared the unaudited consolidated financial information on the same basis as the audited consolidated financial information.

RECENT DEVELOPMENTS

In March 2009, Nantong Zhuowei acquired 100% of the equity interest in Shanghai Mingbao, which primarily provides fitting and decoration services, from independent individuals, for a total cash consideration of RMB2.5 million. Shanghai Mingbao was incorporated in the PRC on 17 January 2004 and had a registered capital of RMB6 million. We subsequently increased the registered capital of Shanghai Mingbao to RMB100 million in June 2009. The acquisition of Shanghai Mingbao does not have a material impact on the financial performance and position of our Group. For further information of the business of Shanghai Mingbao, please refer to the section headed "Business — Other Business".

On 31 July 2009, a Deed of Amendment was executed amending and restructuring the Original Notes issued in the Financing and the following actions were taken on 17 August 2009 pursuant to such Deed of Amendment:

(i) the denomination of the Original Notes was changed from RMB to US$;

(ii) we paid interest that was due and outstanding on the Original Notes (as converted into US$) in cash in the aggregate amount of approximately US$27.2 million (payment was made on 10 August 2009);

(iii) we redeemed an aggregate principal amount of US$192.8 million of the Original Notes (as converted into US$); and

(iv) the remaining US$490 million of the Original Notes were replaced by the following two tranches of notes:

  (a) US$325 million of Promissory Notes with a tenor of 18 months and a final maturity date of 31 December 2010; and

  (b) US$165 million of Convertible Notes with a tenor of two years and a final maturity date of 30 June 2011.

In addition, the Founder agreed to cause Best Era to transfer to the Investors for no additional consideration Shares in an amount equal to 0.5% of the total Shares outstanding.

See "History, Reorganisation and Group Structure — Financing — Restructuring of Original Notes" for further details including further details of the terms of the Promissory Note and Convertible Notes.

On 17 August 2009, we obtained a bridge loan of US$28 million from Yes Plus Limited, an independent third party, to fund a portion of the partial redemption of the Original Notes. The loan bears interest of 10% per annum and is guaranteed by the Founder. According to the loan agreement, we will repay the bridge loan on the earlier of (a) the date on which we receive the US$ equivalent of RMB0.7 billion for our transfer of Blocks Nos. 9 and 10 of Shanghai Bay to the Shanghai Industrial Group pursuant to the Shanghai Bay Arrangements and (b) the date of redemption or repayment of the Notes.

In August 2009, pursuant to the Shanghai Bay Arrangements, we transferred our legal ownership interests in Blocks No. 2 and 8 of Shanghai Bay, with a total GFA of 56,305 sq. m., to Shanghai Industrial Group. In return, we received a payment of approximately US$190.2 million (equivalent to RMB1.3 billion) which we used to partially redeem the Original Notes. We expect to receive a second payment of the US$ equivalent of RMB0.7 billion from Shanghai Industrial Group upon the transfer of our legal interests in Blocks Nos. 9 and 10 of Shanghai Bay with a total GFA of 51,171 sq. m., which we intend to use to repay the amount outstanding under the bridge loan of US$28 million, the details of which are set out in "History, Reorganisation and Group Structure — Financing". The balance of such second payment will be approximately US$74 million, which is expected to be deposited into an account of Bright New that has been pledged as collateral for the Financing and may only be used for operating expenses and other permitted uses until such financing is repaid. Under the Shanghai Bay Arrangements, we have the right and obligation to reacquire the Projects and Shanghai Industrial Group has the right and obligation to resell such Projects to us on 1 December 2011. Assuming we have transferred Blocks Nos. 9 and 10, the consideration for the reacquisition of all of the transferred blocks of the Projects will be RMB2 billion. If the transfer of Blocks Nos. 9 and 10 does not take place, the consideration for the reacquisition of Block Nos. 2 and 8 will be RMB1.3 billion. As part of such arrangements, we have also agreed to ensure that Shanghai Industrial Group receives a "shareholder return" (net of tax) for each of the three years ending 31 December 2011, which amount shall be calculated based on the actual consideration amount paid by Shanghai Industrial Group and shall represent a total rate of return of 18% per annum. The commercial intention for entering into the Shanghai Bay Arrangements was to enable us to obtain financing from, and grant collateral for such financing to, Shanghai Industrial Group in order to refinance a portion of the Financing as a part of the note restructuring. See "Business — Shanghai Bay Financing Arrangements with the Shanghai Industrial Group".

In April 2009, we reduced the registered capital of three of our onshore WFOE subsidiaries by approximately US$255 million in aggregate and, in connection therewith, such onshore subsidiaries are now authorised to pay such amounts (once such funds are generated and available) to their respective parent shareholders, three of our offshore Hong Kong subsidiaries. We may use such funds (once such funds are generated and available) to make periodic interest payments on the Convertible Notes and the Promissory Notes and to pay the remaining principal payments thereon as they come due.

On 7 September 2009, the Group entered into a strategic cooperation agreement with China Construction Bank, Shenzhen Branch ("CCB Shenzhen") pursuant to which CCB Shenzhen tentatively agreed to provide the Group credit facilities of up to RMB6 billion. The amount and terms and conditions of each particular utilization that may be requested by the Group thereunder will still be subject to approval by CCB Shenzhen. CCB Shenzhen has undertaken to offer the Group preferential terms and pricing for these services within the range specified by the relevant regulators. The Group has undertaken not to enter into a strategic cooperation agreement with any other bank for three years and not to obtain credit facilities from other banks unless they are on terms that are comparable with or more favorable than those offered by CCB Shenzhen. Either party may terminate the strategic cooperation agreement on thirty days written notice.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations have been, and we expect may continue to be, affected by a number of factors, including:

- **Economic growth, speed of urbanisation and demand for residential and commercial properties in China.** China's economic growth has been primarily concentrated in China's urban cities, and economic growth, higher standards of living, population growth and urbanisation are primary drivers of demand for the purchase or rental of residential and commercial properties. As we focus on the development of properties in Shanghai, Tianjin, Beijing and other rapidly growing cities in the PRC, China's economic growth, population growth and urbanisation are important to our operations. The PRC property industry is dependent on the overall economic growth in the PRC and the resultant demand for residential and commercial properties. Developments in the private sector, urbanisation and the resultant demand for properties in China have in the past resulted in increases in sales of our properties. These factors are expected to continue to have a significant impact on our results of operations;

- **Policies in the PRC that affect the development of the real estate industry.** A number of PRC policies heavily impact the real estate industry, including tax policies (including the government incentive grant policy, the preferential income tax policy and the LAT policy), land grant policies, pre-sale policies, policies on interest rates, the availability of mortgages and loans, and other macro-economic policies designed to control the growth of the PRC property market. On 27 May 2009, the State Council issued a Notice on Adjusting Capital Ratios of Fixed Asset Investment Projects ("國務院關於調整固定資產投資項目資本金比例的通知") which, among others, lowered the minimum capital ratio for ordinary commodity housing projects and affordable housing projects from 35% to 20%. The minimum capital ratio for all other property development projects has been lowered from 35% to 30%. This policy is expected to enhance property developers' ability to procure project financing. Property developers are exposed to interest rate risks resulting from fluctuations in interest rates on their debts. The PBOC cut rates five times during the last quarter of 2008, reducing the one-year benchmark lending rate by a total of 189 basis points and the deposit rate by a total of 216 basis points. By the end of 2008, the one-year benchmark lending and deposit rates were 5.31% and 2.25%, respectively. Please see the section headed "Risk Factors — Risk Relating to Our Business — Our business may be adversely affected by future increases in interest rates" of this document;

- **Our ability to identify and acquire suitable land for development.** Our success depends on our ability to secure quality land at prices that can enable us to generate reasonable returns. In recent years, land prices in the PRC have generally shown a steady increase. As the PRC economy continues to grow rapidly and demand for residential and commercial properties remains strong, we expect that competition among developers to acquire land that is suitable for property development will continue to intensify, which may further drive increases in land prices. In addition, the public tender, auction and listing-for-sale practices in respect of the grant of state-owned land use rights have contributed to increased competition for development of land and increased land acquisition costs. On the other hand, the PRC government has introduced macro-economic policies over the past several years at both the central and local levels to further regulate the property market in the PRC, with a view to tightening and controlling the supply of land, in particular, in the prime locations across the PRC. As a result of the above, as well as the price variation due to different locations of the land we acquired throughout the three years ended 31 December 2008, our average land costs per sq.m. as recognised in our cost of sales increased by 54.1% from RMB623 in 2006 to RMB960 in 2007, and by 21.4% from RMB960 in 2007 to RMB1,165 in 2008. Our average land costs per sq.m. were RMB741 for the four months ended 30 April 2009. The increase in average land costs per sq.m. will increase our cost of sales, and consequently will have a negative impact on our gross profit margin. Our gross profit margin is also dependent on other factors, including our recognised average selling price and our construction cost. For a more detailed analysis of our gross profit margin, please see the year to year comparison analysis under the section headed "— Consolidated Results of Operations";

- **Interim fluctuations in results of operations**. We do not recognise revenue until construction of the relevant property has been completed and when the properties have been delivered to the relevant purchasers, i.e., usually when the occupation permit is received and the collectibility of related receivables is reasonably assured. See the section below headed " — Critical Accounting Policies — Recognition of revenue from and costs of sale of properties" for further information. Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large amount of GFA, however, may not generate a correspondingly high level of recognised revenue if the properties pre-sold are not delivered within the same period. The effect on our results of operations of the timing of delivery of projects is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs as well as our limited supply of land. Our ability to complete a project in accordance with the delivery schedule (and thus to recognise our revenue) is also dependent on the timetable of the construction phase, which is in turn dependent on various factors such as the availability of construction materials, labour efficiency, weather in different project areas, and the availability of suitable land as well as the timing of acquisition of such land. In addition, variance in our sales schedules also caused our selling and marketing expenses to fluctuate throughout the Track Record Period. Accordingly, our results of operations fluctuate and our interim results may not proportionally reflect our annual results. Furthermore, given our presence and expansion, our business is, and will continue to be, subject to seasonality. Consequently, our revenue and profits recognised may experience significant fluctuations;

- **Access to and cost of financing.** Bank and other borrowings have been, and we expect will continue to be, an important source of funding for our property developments. Our access to capital and cost of financing will be affected by the prevailing interest rates on bank loans, which is linked to the PBOC benchmark lending rates, the restrictions imposed by the PRC Government on bank lending for property development, and the general condition of the domestic and global capital markets. If the global financial crisis persists, we may not be able to obtain or renew financing on favourable terms. Our outstanding bank borrowings amounted to RMB3,841.9 million, RMB2,521.7 million, RMB2,167.1 million and RMB1,871.8 million as of 31 December 2006, 2007, 2008 and 30 April 2009, respectively. The weighted average effective interest rates for our bank borrowings as of 31 December 2006, 2007, 2008 and 30 April 2009 were 7.07%, 8.60%, 6.33% and 6.05%, respectively. Our interest costs relating to our bank borrowings during the Track Record Period amounted to RMB232.4 million, RMB303.4 million, RMB213.5 million and RMB49.9 million for the three years ended 31 December 2006, 2007, 2008 and the four months ended 30 April 2009, respectively. On 2 November 2007, we issued registered promissory notes in the aggregate principal amount of RMB1,498,760,000 and on 17 December 2007, we issued the Notes in the aggregate principal amount of RMB2,218,590,000 to the Investors for an aggregate subscription price of US$500,000,000. The interest expenses we had incurred with respect to the Notes for the years ended 2007, and 2008 and the four months ended 30 April 2009 were RMB136.0 million, RMB995.7 million and RMB363.1 million, respectively. In addition, any increases in interest rates will affect the costs of mortgage financing to potential purchasers of our properties, which in turn may affect demand for our properties.

- **Effects of substantial capitalised interest on future periods.** Substantially all of the borrowing costs (including interest expense) related to the Financing and the borrowing costs related to the Shanghai Bay Arrangements have been or will be capitalised as a part of the cost of acquiring or constructing the projects to which the proceeds of such financing arrangements were applied. These capitalised borrowing costs will not be recognised in our income statements until construction of such projects is completed and these projects are ready for delivery and are sold. The borrowing costs associated with the Financing and with the Shanghai Bay Arrangement are significantly higher than the borrowing costs associated with our previous bank borrowings, which constituted substantially all of our capitalised borrowings prior to the Financing. As a result, to the extent projects have been funded with proceeds from the Financing or proceeds from the Shanghai Bay Arrangement, such capitalised borrowing costs are expected to be significantly higher than the capitalised borrowing costs we have previously recognised in our income statements which were associated with bank borrowings and may adversely affect our Group's gross profit margin upon the sales of such projects in 2009 and future periods;

- **The performance of and the terms and conditions of our arrangements with the external contractors, such as designers, constructors, sub-constructors and sales and marketing firms with which we cooperate.** We engage external construction constructors, service providers and suppliers to provide us with construction services, various types of construction materials as well as other services such as design and interior decoration. Our primary general construction contractor throughout the Track Record Period was Shanghai Ditong. While we work closely with Shanghai Ditong and retain overall control over the quality and progress of the construction process, both Shanghai Ditong and other general contractors we choose and hire during the process can introduce a performance risk which can have an impact on the results of our operations. For more details, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We rely on the performance of external contractors and suppliers, including Shanghai Ditong, a connected person, to deliver our projects on time and up to our specified quality standards" in this document;

  As Shanghai Ditong is one of our connected persons for the purposes of the Listing Rules, our fees payable to Shanghai Ditong for construction services will be subject to the annual capped amounts as disclosed in this document. Accordingly, we will be required to find and engage the services of other construction companies with which we have not worked before. There can be no assurance that the terms offered to us by such other construction companies will be comparable to those provided to us by Shanghai Ditong. The terms and conditions we can get from such constructors may affect our results of operations. For more details, please refer to the section headed "Risk Factors — Risk Relating to Our Business — We have engaged Shanghai Ditong, a connected person, to provide construction services for substantially all our projects during the Track Record Period and, going forward, our use of Shanghai Ditong will be subject to limitations and we cannot assure you that Shanghai Ditong or other construction companies will perform construction services for us on comparable terms" in this document;

- **Price volatility of construction materials.** Our results of operations are affected by price volatility associated with construction materials such as steel and cement. These costs may be reflected in our construction costs and represent a significant portion of our costs of properties sold. We use Shanghai Ditong as our general contractor and directly use a selected number of other contractors for projects such as landscaping and elevator purchase and installation. Shanghai Ditong then sub-contracts most of the construction work, with respect to which it negotiates fixed prices for the items in the contracts, including costs of construction materials. Shanghai Ditong's process of sub-contracting is designed to ensure a limited impact on our results of operations from fluctuating prices of construction materials. While prices of construction materials may generally rise over time and/or experience sharp rises or declines, such movements are generally absorbed by the sub-contractors of Shanghai Ditong whose contracts with Shanghai Ditong are generally on a fixed-price basis, and do not allow for adjustment of the contract price in consideration of the fluctuations of raw materials such as cement and steel during the contract term. Nonetheless, we expect the general trend of price fluctuation associated with our construction materials will continue and will have an impact on our results of operations over the long term;

- **Expansion into other cities.** The further expansion of our operations may impose increased demands on our management's resources and affect our results of operations and financial condition. The PRC real estate industry is highly competitive and localised. Each locality typically has its own local property developers which may have better access to information and knowledge of the market than we have. Our competitors with local property developers may create uncertainties as to the level of profitability which we may expect to achieve in certain markets; and

- **Changes in fair value of investment properties**. Our results of operations have in the past been affected by adjustments in the estimated fair value of our investment properties and may continue to be affected by such adjustments in the future. For the year ended 31 December, 2008 and the four months ended 30 April 2009, we recognised fair value gains on our investment properties in the amounts of RMB846.1 million and RMB735.2 million, respectively, which represented 40.6% and 69.4% of our consolidated profit before income tax in those periods, respectively. In accordance with HKFRS, we are required to reassess the fair value of our investment properties on each reporting date, and we include the gains or losses arising from changes in the estimated fair value of such investment properties in our consolidated income statements in the period in which they arise. Pursuant to HKAS 40, our investment properties may be recognised by using either the fair value model or the cost model. We recognise investment properties at their estimated fair value because we are of the view that periodic estimated fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties. The fair values of our investment properties are based on valuations of such properties conducted by our Property Valuer, using property valuation techniques involving certain assumptions about market conditions. Please see the Property Valuation included in Appendix IV to this document for more details. Investors should be aware that the fair value gains on investment properties included in our income statement reflect unrealised capital gains in the estimated fair value of our investment properties at the relevant reporting date and do not constitute profit generated from our operations or generate any actual cash inflow to us unless and until such investment properties are sold at or above such estimated fair values. Favourable or unfavourable changes in the assumptions of market conditions used by the Property Valuer would result in changes to the fair value of our investment properties and corresponding adjustments to the amount of gains or losses reported in our income statement in the future.

Additional risks include the overall performance of the PRC property sector in the cities in which we operate, increasing competition among property developers in key economic cities, and the impact on us of the applicable PRC rules and regulations governing the PRC real estate market, such as the use of pre-sale proceeds.

CRITICAL ACCOUNTING POLICIES

We prepared our consolidated financial information in accordance with HKFRS. In preparing such financial information, we are required to make judgements, estimates and assumptions. We evaluate these estimates based on our historical experience, knowledge and assessment of our current business and other conditions, as well as our expectations regarding the future based on available information and various assumptions, which together form our basis for making judgements about matters that are not readily apparent from other sources. As such, our actual results may differ from these estimates. Some of our accounting policies require a higher degree of judgement than others in their application.

When reviewing our consolidated financial information, you should consider: (i) our critical accounting policies; (ii) the judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgement and estimates used in the preparation of our consolidated financial information.

Recognition of revenue from and costs of sale of properties

Our revenue primarily comprises the proceeds received or receivable from the sale of properties. Our cost of sales consists of costs incurred directly for property development, such as land acquisition costs, construction costs and capitalised interest. Our revenue and cost of sales are recognised when the risks and ownerships of the properties are transferred to the purchasers, which is when construction of the relevant properties has been completed (i.e., usually when the occupation permit is received), the relevant properties have been delivered to the purchasers pursuant to the sale agreements and the collectability of related receivables is reasonably assured. Monies received from pre-sales but prior to completion of our properties are recorded as advanced proceeds received from our customers under current liabilities on our consolidated balance sheets.

Completed properties held for sale and properties under development

Completed properties held for sale and properties under development are stated at the lower of cost and net realisable value.

We make estimates of the net realisable value of completed properties by reference to the available market data including the most recent sale transactions and market survey reports available from independent property valuers, after taking into account the anticipated costs of selling these properties. Properties under development are classified as current assets on our consolidated balance sheets unless the construction period of the relevant property development project is expected to be completed beyond our normal operating cycle. Our initial payments for leasehold land and land use rights included in this category of assets are measured at amortised cost less accumulated impairment losses.

We make estimates of the net realisable value of properties under development by reference to the estimated future discounted cash flows to be derived from such properties. The estimates require judgements as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rates of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs for the completion of properties, the legal and regulatory framework and general market conditions. Our estimates may be inaccurate and estimates may need to be adjusted in later periods.

If there is an increase in costs for the completion of properties or a decrease in anticipated selling price, the net realisable value will decrease and this may result in provisions for completed properties held for sale and properties under development. Such provisions require the use of judgement and estimates by our management, taking into account the location of the property, the quality of the building, and the valuation of similar properties in the local market. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In respect of the properties under development for future use as investment properties, the Group has recently adopted the amendment to Hong Kong Accounting Standard 40 for the year ended 31 December 2008. Pursuant to the adoption of the amendment, property that is under construction or development for future use as investment property is measured at fair value under the fair value model and the gains or losses arising from changes in the fair value are accounted for as gains or losses upon revaluation in our consolidated income statements. Upon the adoption of the amendment, there was no impact on our financial information as at and for the years then ended 31 December 2006 and 2007. Fair value gains of RMB846.1 million and RMB274.9 million, and the related deferred taxation expense of RMB211.5 million and RMB68.7 million, were recognised in our consolidated income statements for the year ended 31 December 2008 and the four months ended 30 April 2009, respectively.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets which require a substantial period of time to complete and prepare for their intended use or sale are capitalised as part of the cost of such properties. All other borrowing costs are recorded in the consolidated income statements in the year in which they are incurred. In general, we capitalise the borrowing costs incurred from the commencement of each property development project and cease capitalising these costs when the assets are substantially ready for their intended use or sale. Borrowing costs incurred after the completion of a property development project or otherwise not directly attributable to the acquisition and/or construction of the project are recorded in our consolidated income statements as finance costs in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on the relevant project is deducted from the borrowing cost capitalised.

Substantially all of the borrowing costs (including interest expense) related to the Financing and borrowing costs related to the Shanghai Bay Arrangement have been capitalised as a part of the cost of acquiring or constructing the projects to which the proceeds of such financing arrangements were applied. These capitalised borrowing costs will not be recognised in our consolidated income statements until construction of such projects is completed and these projects are ready for delivery and are sold. The borrowing costs associated with the Financing and with the Shanghai Bay Arrangement are significantly higher than the borrowing costs associated with our previous bank borrowings, which constituted substantially all of our capitalised borrowings prior to the Financing. As a result, to the extent projects have been funded with proceeds from the Financing or proceeds from the Shanghai Bay Arrangement, such capitalised borrowing costs are expected to be significantly higher than capitalised borrowing costs we have previously recognised in our consolidated income statements which were associated with bank borrowings.

Provision for the PRC Land Appreciation Tax ("LAT")

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT collectible by the local tax authorities and levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of sales of properties less deductible expenditures including payments made for obtaining land use rights, construction and infrastructure costs, related taxes and all property development costs. We recognise LAT as an income tax expense and make necessary provisional payments according to the current tax laws and regulations. We recognise LAT based on the appreciation of land value, which is calculated based on the proceeds from the sale of completed properties less deductible expenditures, including charges associated with obtaining land use rights, and other property development related expenditures. We prepay 1% of our pre-sale proceeds as an LAT prepayment in accordance with the requirements of the PRC tax authorities. The tax authorities determine the final LAT liabilities of our Group after completion of our property development projects. This final determination may differ from the amounts that we had estimated. Our projects may go through different phases over multiple periods of time, in which revised tax laws may be enacted and implemented. Thus, upon final assessment of the LAT, after all phases of a project are completed, our final LAT liabilities may differ from our initial estimates. Further, the implementation and settlement of such taxes vary among the regional tax jurisdictions across the PRC and we must wait until each local PRC tax authority assesses the LAT in order to have a finalised calculation and payment amount. Accordingly, significant judgement is required in determining the amount of land appreciation and related taxes for the purpose of preparing our financial information. As such, our final tax liabilities could be different from the amounts that we estimated and such discrepancies may impact our income tax expense in the periods during which such taxes are finalised with local tax authorities.

Deferred income tax

Significant judgement is required in determining our provisions for deferred income tax. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in our consolidated financial information. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of such transaction, affects neither the accounting nor taxable profit or loss, such as goodwill. Deferred income tax is determined using the tax rates that have been applicable or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled by our Group and it is probable that the temporary differences will not be reversed in the foreseeable future.

SELECTED INCOME STATEMENT ITEMS

Revenue

All of our revenue consists of proceeds from the sale of properties. See "— Critical Accounting Policies — Recognition of revenue from and costs of sale of properties" above. Our revenue for a given period depends primarily on the number of properties we sell and deliver in such period and the prices realised for these properties.

We recognise our revenue after our properties have been sold and delivered. We typically pre-sell our properties prior to their completion in accordance with the PRC pre-sale regulations. We do not, however, recognise the proceeds from pre-sales of properties until we have completed the construction of these properties and the properties have been delivered to the purchasers and the collectibility of related receivables is reasonably assured. There is typically a time gap of about one year between the time we commence pre-sale of properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as "Advanced proceeds received from customers", a current liability in our consolidated balance sheets.

The table below sets forth, for the year/period indicated and on a project basis, our revenue.

	Year ended 31 December									Four months ended 30 April					
	2006			2007			2008			2008			2009		
	Revenue	GFA Sold and Delivered	Recognised Average Selling Price(1)	Revenue	GFA Sold and Delivered	Recognised Average Selling Price(1)	Revenue	GFA Sold and Delivered	Recognised Average Selling Price(1)	Revenue	GFA Sold and Delivered	Recognised Average Selling Price(1)	Revenue	GFA Sold and Delivered	Recognised Average Selling Price(1)
	RMB'000	sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.	(unaudited) RMB'000	sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.
Properties sold and delivered															
Sunshine Venice (Phase II)	—	—	—	—	—	—	5,785	681	8,500	5,345	681	7,854	—	—	—
Sunshine Venice (Phase IIIA)	1,369,291	188,600	7,260	389,268	57,026	6,826	17,710	2,078	8,524	17,278	2,078	8,316	3,961	429	9,232
Sunshine Venice (Phase IIIB)	—	—	—	—	—	—	548,517	61,490	8,920	343,247	45,465	7,550	816,380	81,785	9,982
Chateau De Paris (Phase I) (retail)	—	—	—	—	—	—	167,214	4,778	35,000	—	—	—	—	—	—
Chateau De Paris (Phase I)	6,452	683	9,447	—	—	—	1,400	113	12,403	—	—	—	8,044	447	18,000
Chateau De Paris (Phase II)	—	—	—	—	—	—	958,020	43,807	21,869	—	—	—	39,013	1,470	26,534
Sunglow Xinjing	—	—	—	10,857	1,119	9,702	—	—	—	—	—	—	—	—	—
Sunshine Holiday (Phase I)	342,389	76,654	4,467	3,701	471	7,858	860	144	5,956	841	144	5,824	—	—	—
Sunshine Holiday (Phase II)	—	—	—	—	—	—	978,376	159,303	6,142	—	—	—	983	161	6,098
Shanghai Park Avenue	—	—	—	574,716	26,869	21,390	641,714	22,379	28,674	594,358	20,859	28,494	—	—	—
No. 1 City Promotion	—	—	—	680,313	156,036	4,360	10,488	2,419	4,336	4,373	906	4,827	1,912	448	4,272
Sunny Town (Phase I)	—	—	—	133,087	36,831	3,613	290,157	74,835	3,877	10,369	3,145	3,297	1,797	416	4,321
Sunny Town (Phase II)	—	—	—	—	—	—	93,684	20,486	4,573	—	—	—	34,276	8,483	4,040
Classical Life (Phase I)	—	—	—	—	—	—	114,699	16,964	6,761	—	—	—	21,205	2,893	7,331
Classical Life (Phase II)	—	—	—	—	—	—	120,335	27,430	4,387	—	—	—	6,409	1,489	4,303
Total	1,718,132	265,937	6,461	1,791,942	278,352	6,438	3,948,959	436,907	9,038	975,811	73,278	13,317	933,980	98,021	9,528

Notes:

(1) Calculated as revenue recognised divided by total GFA sold and delivered for the relevant year/period.

In 2006, we delivered 265,937 sq.m. of GFA at an overall recognised average selling price of RMB6,461 per sq.m.. Sunshine Venice made up the majority of our sales and the initial phase of Sunshine Holiday also was completed and contributed 76,654 sq.m. of GFA to our sales in 2006. The recognised average selling price at Sunshine Venice was RMB7,260 per sq.m. in 2006, while Sunshine Holiday had a recognised average selling price of RMB4,467 per sq.m. in 2006 as property prices in Tianjin were generally lower than those in Shanghai.

In 2007, we delivered 278,352 sq.m. of GFA at an overall recognised average selling price of RMB6,438 per sq.m.. Three new projects, Shanghai Park Avenue, No. 1 City Promotion and Sunny Town, made their initial sales and accounted for approximately three quarters of our revenue and GFA sold and delivered in 2007. Sunshine Venice continued to record sales in 2007 though at a reduced recognised average selling price of RMB6,826 per sq.m., reflecting bulk sales of approximately 40,000 sq.m. made to the local government in 2007. Two of the new projects, located in Wuxi and Shenyang, respectively, had recognised average selling prices of RMB4,360 per sq.m. and RMB3,613 per sq.m., respectively, in 2007 as property prices in Wuxi and Shenyang generally are lower than those in Shanghai. However, the new project in Shanghai, Shanghai Park Avenue, had a substantially higher average selling price of RMB21,390 per sq.m., reflecting its favourable location in Shanghai.

In 2008, we delivered 436,907 sq.m. of GFA at an overall recognised average selling price of RMB9,038 per sq.m.. Six new projects and/or phases, Sunshine Venice (Phase IIIB), Chateau De Paris (Phase I (retail)), Chateau De Paris (Phase II), Sunshine Holiday (Phase II), Classical Life (Phase I and II) and Sunny Town (Phase II), recorded sales in 2008 and accounted for approximately 75.5% of our revenue in 2008. Shanghai Park Avenue continued to record sales in 2008 at a recognised average selling price of RMB28,674 per sq.m., representing an increase of 34.1% from 2007. Chateau De Paris (Phase II) had a recognised average selling price of RMB21,869 per sq.m.. Sunshine Holiday (Phase II) had a recognised average selling price of RMB6,142 per sq.m. and accounted for approximately 24.8% of our total revenue in 2008.

In the four months ended 30 April 2009, we delivered 98,021 sq.m. of GFA at an overall recognised average selling price of RMB9,528 per sq.m., compared to 73,278 sq.m. of GFA in the four months ended 30 April 2008 at an overall recognised average selling price of RMB13,317 per sq.m.. Sunshine Venice (Phase III B) continued to record sales in the four months ended 30 April 2009 at a recognised average selling price of RMB9,982 per sq.m. and accounted for approximately 87.4% of our total revenue for such period.

Cost of sales

Our cost of sales consists primarily of the costs incurred directly from our property development activities which include construction costs, land costs, capitalised interest, and business taxes and other levies. We recognise cost of sales with respect to a property when we recognise our revenue from such property which generally occurs when construction is completed and such property is delivered. Our average cost of sales per sq.m. for the years ended 31 December 2006 and 2007 remained relatively stable at RMB4,103 and RMB4,185, respectively, but increased by 25.4% to RMB5,249 for the year ended 31 December 2008. Our average cost of sales per sq.m. for the four months ended 30 April 2009 was RMB4,906, representing a 22.3% decrease compared to the same period in 2008.

The following table sets out the breakdown of our cost of sales for the three years ended 31 December 2008 and the four months ended 30 April 2008 and 2009:

	Year ended 31 December					Four months ended 30 April		
	2006 RMB'000	2007 RMB'000	2008 RMB'000	06-07 % change	07-08 % change	2008 RMB'000	2009 RMB'000	Apr 08 - Apr 09 % change
						(unaudited)		
Construction costs	810,063	764,392	1,489,035	(5.6)%	94.8%	280,693	342,731	22.1%
Land costs	165,735	267,228	508,943	61.2%	90.5%	106,636	72,592	(31.9)%
Capitalised interest	20,112	34,023	74,668	69.2%	119.5%	21,134	13,422	(36.5)%
Business taxes and other levies	95,202	99,175	220,693	4.2%	122.5%	54,103	52,102	(3.7)%
Total	1,091,112	1,164,818	2,293,339	6.8%	96.9%	462,566	480,847	4.0%

Construction costs

Construction costs represent costs for the design and construction of a property project. These costs consist primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, construction installation, infrastructure expenses, raw material costs, design costs and salary-related expenses for on-site staff. In 2007, our construction costs were RMB764.4 million, representing a decrease of 5.6% compared to RMB810.1 million in 2006. In 2008, our construction costs were RMB1,489.0 million, representing an increase of 94.8% from RMB764.4 million in 2007. The increase was primarily due to an increase in the proportion of our construction of up-market residential properties and the increase in GFA sold and delivered during 2008. Our average construction cost per sq.m. for the Track Record Period, calculated as our construction costs recognised divided by GFA sold and delivered during the relevant period, was RMB3,046, RMB2,746, RMB3,408 and RMB3,497 for the years ended 2006, 2007, 2008 and the four months ended 30 April 2009, respectively. The decrease in average construction cost from 2006 to 2007 was primarily attributable to the increased sales of low-rise buildings, which generally have lower construction costs per sq.m. compared to our construction costs for high-rise buildings, which comprised most of our sales for 2006. The increase in average construction cost from 2007 to 30 April 2009 was primarily due to an increase in the proportion of our construction of up-market buildings, which is also reflected in the increase in the average selling price. Our construction costs are affected by a number of factors such as:

- the difference in the positioning and types of our projects, including the requirements relating to the design and interior decoration for different property types, which would in turn result in the difference of our construction costs incurred;
- price movements for construction materials, including steel and cement. Market prices of such items may fluctuate and thus impact our costs. Please refer to the section above headed "Factors Affecting Our Results of Operations — Price volatility of construction materials" for further information; and
- decisions relating to the investments in ancillary facilities, such as whether to supplement our properties with playgrounds, gymnasiums, and other recreational facilities.

Since we engage contractors to procure raw materials, most of our construction materials costs are accounted for as part of the contractor fees upon settlement with the relevant contractors during the Track Record Period.

Land costs

Land costs include costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs, and land-related taxes. Our land costs in 2007 were RMB267.2 million, representing an increase of 61.2% from RMB165.7 million in 2006, and our land costs in 2008 were RMB508.9 million, representing an increase of 90.5% from RMB267.2 million in 2007. The increases in land costs in 2006, 2007 and 2008 were primarily due to the increase in GFA sold and delivered from 265,937 sq.m. in 2006 to 278,352 sq.m. in 2007 to 436,907 sq.m. in 2008 and the increase in average land costs per sq.m.. Our land costs for the four months ended 30 April 2009 was RMB72.6 million, representing a decrease of 31.9% from RMB106.6 million for the same period in 2008. The decrease was primarily attributable to 87.4% of our total revenue for the four months ended 30 April 2009 coming from the sale of Sunshine Venice (Phase IIIB), whose average land costs per sq.m. were lower compared to Shanghai Park Avenue, the sale of which represented 60.9% of our total revenue for the four months ended 30 April 2008.

Capitalised interest

We also capitalise a portion of our interest expenses to the extent that such costs are directly attributable to the costs of the acquisition, construction or development of our properties. The interest expenses are capitalised as they are incurred along with the development of a project and the recognition of the relevant expenditure, until completion or suspension of the construction phase. Interest expenses incurred after completion of a construction phase are then recognised in our consolidated income statements as finance costs.

Our capitalised interest included in cost of sales for 2007 was RMB34.0 million, representing an increase of 69.2% from RMB20.1 million in 2006. Our capitalised interest included in cost of sales for 2008 was RMB74.7 million, representing an increase of 119.5% from RMB34.0 million in 2007. The increases in capitalised interest in cost of sales in 2007 and 2008 were primarily due to the increases in GFA sold and delivered. Our capitalised interest in cost of sales for the four months ended 30 April 2009 was RMB13.4 million, representing a decrease of 36.5% from RMB21.1 million for the same period in 2008. The decrease was primarily due to higher interest rates and higher capitalised interest associated with Shanghai Park Avenue, the sale of which represented 60.9% of our total revenue for the four months ended 30 April 2008. Substantially all of the borrowing costs (including interest expense) relating to the Financing and the Shanghai Bay Arrangements have not yet been recognised as a capitalised interest expense included in cost of sales. See "Effects of substantial capitalised interest on future periods". The amounts of capitalised interest under completed properties held for sale were approximately RMB8.5 million, RMB7.4 million and RMB57.3 million as at 31 December 2006, 2007 and 2008, respectively, and RMB38.5 million as at 30 April 2009. The amounts of capitalised interest under properties under development were approximately RMB266.0 million, RMB608.7 million and RMB1,488.5 million as at 31 December 2006, 2007 and 2008, respectively, and RMB1,868.6 million as at 30 April 2009. Please see Notes 10 and 11 to the Group's consolidated financial information as set out in Appendix I.

Business taxes and other levies

Business taxes and other levies in 2007 totalled RMB99.2 million, representing a 4.2% increase from that of RMB95.2 million in 2006. Business taxes and other levies in 2008 totalled RMB220.7 million, representing an increase of 122.5% from that of RMB99.2 million in 2007, which was primarily due to a significant increase in our sales. Our business taxes and other levies for the four months ended 30 April 2009 was RMB52.1 million, remaining stable compared to RMB54.1 million for the four months ended 30 April 2008 as a result of relatively flat sales for these periods.

Gross profit

Gross profit represents revenue less cost of sales. Our gross profit for the four months ended 30 April 2009 decreased by 11.7% to RMB453.1 million from RMB513.2 million for the same period in 2008. Our gross profit in 2008 was RMB1,655.6 million, an increase of 164.0% from RMB627.1 million in 2007. Our gross profit in 2007 was RMB627.1 million, remaining stable compared with RMB627.0 million in 2006. Our gross profit margins for the Track Record Period were 36.5%, 35.0%, 41.9% and 48.5% for 2006, 2007, 2008 and the four months ended 30 April 2009, respectively. The decrease in our gross profit margin from 52.6% for the four months ended 30 April 2008 to 48.5% for the same period in 2009 was primarily because Shanghai Park Avenue, which contributed 60.9% of our revenue for the four months ended 30 April 2008, had a higher gross profit margin than Sunshine Venice (Phase IIIB), which contributed 87.4% of our total revenue for the same period in 2009, partially offset by a decrease in average construction cost per sq.m.. The increase from 2007 to 2008 was primarily due to an increase in sales of up-market residential properties in key central cities, which were sold at a much higher average selling price.

Other gains/(losses)

Other gains for the four months ended 30 April 2009 were RMB735.1 million, primarily due to a recognition of a fair value gain relating to our investment properties in Shanghai. The other losses for the same period in 2008 were RMB22.1 million, primarily due to foreign exchange losses on the Notes from the financing as a result of RMB appreciation. Other gains for the year ended 2008 were RMB825.6 million, which were primarily due to a recognition of fair value gain relating to our investment properties in Shanghai. Other losses for the year ended 2007 were RMB34.5 million, which were primarily due to foreign exchange losses on the Notes from the financing as a result of RMB appreciation.

Other income

Our other income consists primarily of rental income, interest income and subsidies received from the government. We received government grants of RMB7.4 million and RMB3.2 million for 2006 and 2007, respectively, as a recognition of the substantial tax payment we had made to the local governments. Local government subsidies are discretionary in nature.

Selling and marketing expenses

Selling and marketing expenses consist primarily of agency fees relating to the sale of properties, advertising and promotional expenses such as newspaper, magazine, pamphlets and billboard advertisements, and salaries and commissions for our sales staff.

Administrative expenses

Our administrative expenses consist primarily of salary and welfare payments relating to our management staff, rental costs of our offices, travelling and entertainment expenses, auditors' remuneration and legal and other professional fees.

Finance costs

Our finance costs consist primarily of interest costs net of capitalised interest. We capitalise the borrowing costs attributable to the amount of borrowings used in our project construction when the development of properties commences and the relevant expenditure and finance cost is incurred. This ceases when the development is in suspension or the construction work is completed. Interest expense incurred after completion of development is recognised in our consolidated income statement as finance costs.

Income tax expense

Our income tax expense line item reflects income taxes we pay in the PRC, including corporate income tax, LAT and any deferred income tax.

No Hong Kong profits tax was provided for the three years ended 31 December 2006, 2007 and 2008 and for the four months ended 30 April 2008 and 2009 as our Group did not have any assessable profits in Hong Kong.

No Cayman Islands profits tax was provided for the three years ended 31 December 2006, 2007 and 2008 and for the four months ended 30 April 2008 and 2009 as our Group did not have any profits in the Cayman Islands.

The LAT in the PRC is levied at progressive rates ranging from 30.0% to 60.0% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including payments made for obtaining land use rights and all property development expenditures after adjusting for an expansion factor, which is included in our consolidated income statements as income tax expense.

On 16 March 2007, the National People's Congress of the PRC enacted the PRC Corporate Income Tax Law under which a uniform corporate income tax rate of 25.0% will be imposed on the taxable income of both domestic enterprises and foreign invested enterprises beginning on 1 January 2008, and the original tax privilege available to foreign invested enterprises will be cancelled. For more information about the new PRC Corporate Income Tax Law, please refer to the section headed "Taxation — Income Tax" in Appendix V to this document. We believe the introduction of the new PRC Corporate Income Tax Law will enable us to enjoy a lower tax rate than the effective tax rate applicable to us in the past.

As of 31 December 2006, we applied the income tax rate of 33.0% in the calculation of our deferred tax assets. Pursuant to the new PRC Corporate Income Tax Law, the corporate income tax rate applicable to our domestic subsidiaries in the PRC decreased from 33.0% to 25.0% effective from 1

January 2008. Accordingly, the tax rate used in calculating deferred income tax assets and liabilities of our domestic subsidiaries as at 31 December 2007 was adjusted to the lower tax rate of 25.0%. The effect of the change in corporate income tax rate was recognised in the consolidated income statement for the year ended 31 December 2007.

CONSOLIDATED RESULTS OF OPERATIONS

The following tables set forth selected data from our consolidated income statements for the three years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 2008 and 2009:

	Year ended 31 December						Four months ended 30 April			
	2006 RMB'000	% of Revenue	2007 RMB'000	% of Revenue	2008 RMB'000	% of Revenue	2008 RMB'000	% of Revenue	2009 RMB'000	% of Revenue
							(unaudited)			
Revenue	1,718,132	100.0%	1,791,942	100.0%	3,948,959	100.0%	975,811	100%	933,980	100%
Cost of sales	(1,091,112)	(63.5%)	(1,164,818)	(65.0%)	(2,293,339)	(58.1%)	(462,566)	(47.4%)	(480,847)	(51.5%)
Gross profit	627,020	36.5%	627,124	35.0%	1,655,620	41.9%	513,245	52.6%	453,133	48.5%
Other income	15,068	0.9%	17,194	1.0%	21,405	0.5%	7,106	0.7%	6,671	0.7%
Other (losses)/gains, net(1)	—	—	(34,513)	(1.9%)	825,563	20.9%	(22,099)	(2.3%)	735,117	78.7%
Selling and marketing expenses	(46,534)	(2.7%)	(77,426)	(4.3%)	(150,494)	(3.8%)	(46,347)	(4.7%)	(34,278)	(3.7%)
Administrative expenses	(100,187)	(5.8%)	(105,666)	(5.9%)	(214,818)	(5.4%)	(65,071)	(6.7%)	(90,251)	(9.7%)
Finance costs	(73,702)	(4.3%)	(97,225)	(5.4%)	(54,479)	(1.4%)	(18,061)	(1.9%)	(11,376)	(1.2%)
Profit before income tax	421,665	24.5%	329,488	18.4%	2,082,797	52.7%	368,773	37.8%	1,059,016	113.4%
Income tax expenses										
- PRC corporate income tax	(179,927)	(10.5%)	(100,066)	(5.6%)	(259,627)	(6.6%)	(84,355)	(8.6%)	(102,162)	(10.9%)
- PRC land appreciation tax	(358)	(0.02%)	(114,551)	(6.4%)	(363,102)	(9.2%)	(124,785)	(12.8%)	(9,522)	(1.0%)
- Deferred income tax	17,804	1.0%	(6,777)	(0.4%)	(205,077)	(5.2%)	15,093	1.5%	(173,794)	(18.6%)
Total income tax expenses	(162,481)	(9.5%)	(221,394)	(12.4%)	(827,806)	(21.0%)	(194,047)	(19.9%)	(285,478)	(30.6%)
Profit for the year/period attributable to equity owners of our Group	259,184	15.1%	108,094	6.0%	1,254,991	31.8%	174,726	17.9%	773,538	82.8%

Note:

(1) Other (losses)/gains, net included a recognition of estimated fair value gains on investment properties of RMB846.1 million and RMB735.2 million for the year ended 31 December 2008 and for the four months ended 30 April 2009, respectively. These fair value gains are unrealised. See "— Factors Affecting Our Results of Operations — Changes in fair value of investment properties".

The following discussion is based on the consolidated financial information of our Group.

Four months ended 30 April 2009 compared to four months ended 30 April 2008

Revenue. Our revenue for the four months ended 30 April 2009 was RMB934.0 million, representing a decrease of 4.3% compared to RMB975.8 million for the same period in 2008, primarily due to a significant decrease in the average selling price from RMB13,317 per sq.m. for the four months ended 30 April 2008 to RMB9,528 per sq.m. for the same period in 2009, partially offset by an increase in GFA sold and delivered from 73,278 sq. m. in the four months ended 30 April 2008 to 98,021 sq.m. in the corresponding period in 2009. The decrease in the average selling price was primarily because Shanghai Park Avenue, which contributed 60.9% of our revenue for the four months ended 30 April 2008, had a higher average selling price than Sunshine Venice (Phase IIIB), which contributed 87.4% of our total revenue for the same period in 2009.

Cost of sales. Cost of sales for the four months ended 30 April 2009 was RMB480.8 million, representing an increase of 4.0% compared to RMB462.6 million for the same period in 2008. This was primarily due to an increase in GFA sold and delivered in the four months ended 30 April 2009, partially offset by a decrease in average construction cost from RMB3,831 per sq.m. in the four months ended 30 April 2008 to RMB3,497 per sq.m. in the corresponding period in 2009.

Gross profit. We recorded a gross profit of RMB453.1 million for the four months ended 30 April 2009, representing a decrease of 11.7% compared to RMB513.2 million for the same period in 2008. Our gross profit margin decreased from 52.6% for the four months ended 30 April 2008 to 48.5% for the same period in 2009. The decrease in our gross profit margin resulted primarily from Shanghai Park Avenue, which contributed 60.9% of our revenue for the four months ended 30 April 2008, having a higher gross profit margin than Sunshine Venice (Phase IIIB), which contributed 87.4% of our total revenue for the same period in 2009, partially offset by a decrease in average construction cost per sq.m..

Other income. Other income for the four months ended 30 April 2009 was RMB6.7 million, representing a decrease of 6.1% compared to RMB7.1 million for the same period in 2008, primarily due to a decrease in interest income as a result of lower interest rates and a decrease in our average cash balances.

Other gains/(losses). Other gains for the four months ended 30 April 2009 were RMB735.1 million, primarily due to a recognition of a fair value gain on our investment properties in Shanghai. The other losses for the same period in 2008 were RMB22.1 million, primarily due to foreign exchange losses on the Notes from the financing as a result of RMB appreciation.

Selling and marketing expenses. Our selling and marketing expenses were RMB34.3 million for the four months ended 30 April 2009, representing a decrease of 26.0% from RMB46.3 million for the same period in 2008. This was primarily due to an increase in marketing activities incurred in connection with the pre-sale campaign for Shanghai Park Avenue and Sunshine Venice for the four months ended 30 April 2008.

Administrative expenses. Our administrative expenses were RMB90.3 million for the four months ended 30 April 2009, representing an increase of 38.7% from RMB65.1 million for the same period in 2008, primarily due to an increase in our headcount and their corresponding salaries and welfare costs and an increase in rental expense as a result of the expansion of our operations.

Finance costs. Our finance costs were RMB11.4 million for the four months ended 30 April 2009, representing a decrease of 37.0% from RMB18.1 million for the same period in 2008, which was primarily due to a decrease in interest rates and a slightly higher interest capitalisation rate.

Profit before income tax. Profit before income tax for the four months ended 30 April 2009 was RMB1,059.0 million, representing an increase of 187.2% compared to RMB368.8 million for the same period in 2008. The significant increase in profit before income tax was primarily attributable to a recognition of fair value gain on our investment properties in the four months ended 30 April 2009.

Income tax expenses. Notwithstanding the increase in our profit before income tax for the four months ended 30 April 2009 by 187.2% to RMB1,059.0 million compared to RMB368.8 million for the same period in 2008, our income tax expenses increased only by 47.1% to RMB285.5 million for the four months ended 30 April 2009 from RMB 194.0 million for the same period in 2008. This was primarily due to the significant decrease in our provision for PRC land appreciation tax for the four months ended 30 April 2009 as Shanghai Park Avenue, which accounted for 60.9% of the total sales in the corresponding period in 2008, had a much higher value-added rate compared to projects sold and delivered in the same period in 2009. Our effective income tax rate, with LAT included in income tax expense, was 27.0% for the four months ended 30 April 2009, compared to 52.6% for the same period in 2008. Our effective income tax rate, with LAT included as part of operating costs, was 26.3% for the four months ended 30 April 2009, compared to 28.4% for the same period in 2008.

Profit attributable to equity owners of our Group. Profit attributable to equity owners of our Group for the four months ended 30 April 2009 was RMB773.5 million, representing a significant increase of 342.7% compared to RMB174.7 million for the same period in 2008. Profit attributable to equity owners of our Group as a percentage of revenue was 82.8% for the four months ended 30 April 2009, compared to 17.9% for the same period in 2008, primarily due to a recognition of fair value gain on our investment properties.

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue. Revenue for 2008 was RMB3,949.0 million, representing a significant increase of 120.4% compared to RMB1,791.9 million in 2007, primarily due to an increase in GFA sold and delivered from 278,352 sq.m. in 2007 to 436,907 sq.m. in 2008 and an increase in sales of up-market residential properties, resulting in an increase in average selling price from RMB6,438 per sq.m. in 2007 to RMB9,038 per sq.m. in 2008. This increase of GFA sold and delivered came primarily from new projects including Chateau De Paris (Phase II), Sunshine Holiday (Phase II) and Sunshine Venice (Phase IIIB) as well as existing projects such as Shanghai Park Avenue.

Cost of sales. Cost of sales in 2008 was RMB2,293.3 million, representing an increase of 96.9% compared to RMB1,164.8 million in 2007. This was primarily due to an increase in GFA sold and delivered in 2008 and higher average construction cost per sq.m. for our up-market residential properties.

Gross profit. We recorded a gross profit of RMB1,655.6 million in 2008, representing an increase of 164.0% from RMB627.1 million in 2007. Our gross profit margin increased significantly from 35.0% in 2007 to 41.9% in 2008. The increase in gross profit margin was primarily due to an increase in sales of up-market residential properties, such as Shanghai Park Avenue and Chateau De Paris (Phase II), which were sold at a much higher average selling price and margin.

Other income. Other income in 2008 was RMB21.4 million, representing an increase of 24.5% compared to RMB17.2 million in 2007, primarily due to rental income arising from certain properties in Chateau De Paris (Phase II) and Sunshine Venice and interest income generated by increased bank balances.

Other gains/(losses). Other gains in 2008 were RMB825.6 million, which were primarily due to a recognition of fair value gain on our investment properties in Shanghai. Other losses in 2007 were RMB34.5 million, which were primarily due to foreign exchange losses on the Notes from the financing as a result of RMB appreciation.

Selling and marketing expenses. Our selling and marketing expenses were RMB150.5 million in 2008, representing an increase of 94.4% from RMB77.4 million in 2007. This was primarily due to an increase in promotion activities intended to improve our corporate image and marketing activities connected to the pre-sale of our properties.

Administrative expenses. Our administrative expenses were RMB214.8 million in 2008, representing an increase of 103.3% from RMB105.7 million in 2007, which was primarily due to an increase in our headcount and their corresponding salaries and welfare costs.

Finance costs. Our finance costs in 2008 were RMB54.5 million, representing a decrease of 44.0% from RMB97.2 million in 2007, which was primarily due to an increase in capitalised interest as a result of an increase in the number of projects under construction and development.

Profit before income tax. Profit before income tax in 2008 was RMB2,082.8 million, representing an increase of 532.1% compared with RMB329.5 million in 2007. The significant increase in profit before income tax was primarily attributable to an increase in sales of up-market residential properties, such as Shanghai Park Avenue and Chateau De Paris (Phase II), which were sold at a much higher average selling price, and a recognition of fair value gain on our investment properties in 2008.

Income tax expenses. Our income tax expenses in 2008 increased by 273.9% to RMB827.8 million from RMB221.4 million in 2007. The increase in income tax expenses was primarily due to a significant increase in our profit and an increase in land appreciation tax and deferred income tax liability as a result of a recognition of fair value gain on our investment properties in 2008. Our effective income tax rate, with LAT included in income tax expense, was 39.7% in 2008, representing a decrease from 67.2% in 2007. Our effective income tax rate, with LAT included as part of operating costs, was 27.0% in 2008, representing a decrease from 49.7% in 2007. The substantial decrease in effective income tax rates, with LAT included in income tax, or included as part of operating costs, was primarily due to the change of PRC corporate income tax from 33% in 2007 to 25% in 2008. The recognition of deferred income tax liability at 25% in respect of the fair value gain on investment properties, which accounted for 40.6% of the total profit before income tax for the year ended 31 December 2008, also reduced the effective tax rate in 2008.

Profit for the year attributable to equity owners of our Group. Profit for the year attributable to equity owners of our Group in 2008 was RMB1,255.0 million, representing a significant increase of 1,061.0% compared with RMB108.1 million in 2007, primarily due to an increase in gross profit margin arising from up-market residential properties, and a recognition of fair value gain on our investment properties. Profit for the year attributable to equity owners of our Group as a percentage of revenue increased from 6.0% in 2007 to 31.8% in 2008.

Year ended 31 December 2007 compared to year ended 31 December 2006

Revenue. Revenue for 2007 was RMB1,791.9 million, an increase of 4.3% compared to RMB1,718.1 million in 2006, primarily due to an increase in GFA sold and delivered from 265,937 sq.m. in 2006 to 278,352 sq.m. in 2007. This increase in GFA sold and delivered came primarily from new projects including Shanghai Park Avenue, No. 1 City Promotion and Sunny Town as well as existing projects such as Sunglow Xinjing. The recognised average selling price for Sunshine Venice decreased by 6.0% from RMB7,260 in 2006 to RMB6,826 in 2007, due to bulk sales to the local government.

Cost of sales. Cost of sales in 2007 was RMB1,164.8 million, an increase of 6.8% compared to RMB1,091.1 million in 2006. This was primarily due to an increase in additional GFA of 12,415 sq.m. delivered during 2007. This figure was also influenced by a higher land acquisition cost in Shanghai and was partially offset by a decrease in construction costs due to the relatively lower construction cost for certain projects in cities such as Shenyang and Wuxi.

Gross profit. We recorded a gross profit of RMB627.1 million in 2007, remaining stable compared with RMB627.0 million in 2006 and a decrease in gross profit margin from 36.5% in 2006 to 35.0% in 2007. The slight decrease in gross profit margin was due to an increase in average cost of sales per sq.m.. The increase in average cost of sales per sq.m. was due to the increase in land costs, which was partially offset by a decrease in construction costs.

Other income. Other income in 2007 was RMB17.2 million, an increase of 14.1% compared to RMB15.1 million in 2006, primarily due to interest income generated by increased bank balances.

Other losses. Other losses in 2007 were RMB34.5 million, with nil recorded in 2006. The other losses in 2007 were primarily due to foreign exchange losses against the appreciation of the RMB. Our Financing was borrowed in U.S. dollars and, when the proceeds remitted into the PRC, we suffered exchange rate losses due to appreciation of the RMB against the U.S. dollar.

Selling and marketing expenses. Our selling and marketing expenses were RMB77.4 million in 2007, an increase of 66.4% from RMB46.5 million in 2006. This was primarily due to an increase in marketing activities connected to the pre-sale campaign for Shanghai Bay and Sunshine Venice.

Administrative expenses. Our administrative expenses were RMB105.7 million in 2007, an increase of 5.5% from RMB100.2 million in 2006, which was primarily due to an increase in our headcount and their corresponding salaries and welfare costs, while remaining stable as a percentage of revenues.

Finance costs. Our finance costs in 2007 were RMB97.2 million, an increase of 31.9% from RMB73.7 million in 2006, which was primarily due to an increase in interest rates and an increase in average bank borrowings during 2007.

Profit before income tax. Profit before income tax in 2007 was RMB329.5 million, a decrease of 21.9% compared with RMB421.7 million in 2006. The decrease in profit before income tax was primarily attributable to an increase in finance costs and selling and marketing expenses for new projects, as well as the recognition of exchange losses associated with our Financing.

Income tax expenses. Our income tax expenses in 2007 increased by 36.3% to RMB221.4 million from RMB162.5 million in 2006. The increase in income tax expenses was primarily due to provisions for LAT for Shanghai Park Avenue, which had no LAT provided in 2006 because no apartment in this project was delivered in 2006. Our effective income tax rate, with LAT included in income tax expense, was 67.2% in 2007, an increase from 38.5% in 2006. Our effective income tax rate, with LAT included as part of operating costs, was 49.7% in 2007, an increase from 38.5% in 2006.

Profit for the year attributable to equity owners of our Group. Profit for the year attributable to equity owners of our Group in 2007 was RMB108.1 million, a decrease of 58.3% compared with RMB259.2 million in 2006, primarily due to the provision of LAT for Shanghai Park Avenue, recognition of foreign exchange losses, increase in selling and marketing expenses, and finance costs. Profit for the year attributable to equity owners of our Group as a percentage of revenue decreased from 15.1% in 2006 to 6.0% in 2007. Our return on equity ratio, calculated as the net profit divided by the shareholders' equity, was 16.1% in 2006.

The following table sets forth our completed properties held for sale, our properties under development, advances from pre-sale proceeds and investment properties as at 30 April 2009.

Completed properties held for sale[1]

	Sunshine Venice	No. 1 City Promotion Phase I	Sunshine Holiday Phase I and II	Sunny Town Phase I and II	Shanghai Park Avenue	Chateau De Paris Phase I and II	Classical Life (Phase I and II)	Total
Completed properties held for sale, at cost (RMB'000)	147,596	37,694	35,246	105,905	361,667	309,598	75,919	**1,073,625**

Properties under development[1]

	Sunshine Venice Phase III-B	Shanghai Bay Phase I	No. 1 City Promotion Phase II	Sunshine Holiday Phase III	Sunny Town Phase III	Royal Mansion Phase I and II[2]	Sunshine Bordeaux Phase IA	Other new projects	Total
Completion date or expected completion date	Aug 2009	Nov 2009/ Dec 2010	Nov 2009	Oct 2009/ Jun 2010	May 2010/ Dec 2011	Dec 2010/ Jun 2011/ Dec 2011	Nov 2009		
Pre-sale commencement date	Nov 2006	Sep 2007	Feb 2008	Jan 2008	Jun 2009	N/A	Jun 2008		
Properties under development, at cost (RMB'000)	191,351	1,538,908	862,695	790,477	639,413	656,552	316,795	2,486,752	**7,482,943**

Advances from pre-sale proceeds

	Sunshine Venice	Shanghai Bay	No. 1 City Promotion	Sunshine Holiday	Sunny Town	Chateau De Paris Phase II	Shanghai Park Avenue	Sunshine Bordeaux	Classical Life (Phase I and II)	Total
Total advances (RMB'000)[3]	308,286	2,358,849	240,815	449,037	11,941	75,802	196,360	112,275	3,458	**3,756,823**

Investment properties[4]

	Sunshine Venice Phase I, II, IIIA, IIIB and IIIC	Chateau De Paris Phase II	Sunglow Xinjing	Shanghai Bay Phase III	Total
Completed properties held for leasing purposes					
Fair value (RMB'000)	535,270	50,970	47,000	—	633,240
Gross floor area (sq.m.)	41,524	1,877	2,076	—	45,477
Properties under development					
Fair value (RMB'000)	374,000	—	—	1,137,700	1,511,700
Gross floor area (sq.m.)	58,658	—	—	114,346	173,004

Notes:

(1) In this Financial Information section, the classification of properties into "completed properties held for sale" and "properties under development" is on the same basis as adopted in the preparation of the Accountant's Report set out in Appendix I to this document.

(2) Land costs of Royal Mansion Phase II is included.

(3) We expect that the pre-sale proceeds from these projects will be recognised as revenue in 2009.

(4) Investment properties as at 31 December 2008 comprised Shanghai Bay Phase III, which was still under development, with the fair value of RMB1,104 million.

DESCRIPTION OF CERTAIN BALANCE SHEET ITEMS

Trade and other receivables and prepayments

Trade and other receivables comprise receivables arising from trade receivables, other receivables and prepayments.

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:	28,663	32,360	4,419	6,354
Third parties	28,663	32,360	4,419	6,354
Other receivables:	3,068,108	1,286,663	43,647	59,187
Related parties	3,008,426	1,243,556	—	—
Third parties	59,682	43,107	43,647	59,187
Prepayments:	1,393,316	1,788,276	2,547,833	2,364,294
Related parties	1,013,559	653,586	1,170,403	1,114,621
Third parties	379,757	1,134,690	1,377,430	1,249,673
	4,490,087	3,107,299	2,595,899	2,429,835

We set out below the ageing analysis of our trade receivables at the balance sheet dates:

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not yet due	1,557	5,787	300	1,800
Within 6 months	23,744	13,150	250	2,588
Between 7 and 12 months	—	859	—	10
Between 13 months and 3 years	3,362	12,564	3,869	1,956
Total	28,663	32,360	4,419	6,354

We had trade, other receivables and prepayments of RMB4,490.1 million, RMB3,107.3 million, RMB2,595.9 million and RMB2,429.8 million as at 31 December 2006, 2007, 2008 and 30 April 2009, respectively.

Trade receivables primarily consist of the amount of sales proceeds due to us where the purchaser has initially deposited a down payment but has not yet remitted the balance under the sales contract. Trade receivables were RMB28.7 million, RMB32.4 million, RMB4.4 million and RMB6.4 million as at 31 December 2006, 2007, 2008 and 30 April 2009, respectively. Out of the RMB6.4 million trade receivables balance as at 30 April 2009, RMB1.8 million had been settled as of 30 June 2009. As at 31 December 2008, our trade receivables decreased by 86.3% primarily because trade receivables in 2007 from Shanghai Park Avenue, No. 1 City Promotion and Sunshine Holiday were settled in early 2008. As at 31 December 2007, our trade receivables increased by 12.9% as a result of the increase in sales towards the end of 2007. Our trade receivables aged over 12 months were mainly residual balances owed to us by government bodies from the purchase of our properties. Our Directors are of the view that such amount is recoverable given the financial strength of these debtors.

Other receivables were RMB3,068.1 million, RMB1,286.7 million, RMB43.6 million and RMB59.2 million as at 31 December 2006, 2007, 2008 and 30 April 2009, respectively. Other receivables from related parties primarily comprised of non-trade balances and other advances due from Shanghai Ditong, our Founder, companies controlled by our Founder and his family members. As of 31 December 2008, all such other receivables from related parties had been fully settled. Our other receivables from independent third parties primarily comprised of other advances, government grants receivable and temporary prepayments for land acquisition before the formal land acquisition agreements are signed. Other advances represented monies lent to related parties and independent third parties, certain of which were interest bearing. Commerce and Finance Law Offices, our PRC counsel, has advised us that such lending activity did not comply with the General Principles of Lending Activities (貸款通則) issued by the People's Bank of China, which generally prohibit direct loans between companies. The penalty imposed for such lending activities is a fine equal to one to five times the interest collected on such loans, payable by the lenders. Pursuant to the relevant loan agreements, the interest we could have collected amounted to RMB2.9 million, RMB11.4 million and RMB0.6 million for the three years ended 31 December 2008. We confirm that we have never collected any interest from those third parties and related parties during the Track Record Period and we did not recognise the income on these loans in our consolidated income statements during the Track Record Period. Therefore, Commerce and Finance Law Offices is of the opinion that there should be no penalty under PRC laws and regulations imposed on us arising from these events. In April 2008, we terminated the loan agreements and permanently waived the related interest income. As at the date of this document, all of such interest-bearing advances have been fully settled. Our other receivables in 2008 decreased by 96.6% primarily due to the settlement of other receivables due from related parties. Our other receivables in 2007 decreased by 58.1% primarily due to partial settlement of receivables due from Shanghai Ditong, our Founder, companies controlled by close family members of and an associated company of our Founder in 2007.

Prepayments

We set out below the breakdown of our prepayments:

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
- Shanghai Ditong	988,709	643,863	1,165,395	1,107,529
- Land cost	305,300	931,599	1,038,977	913,917
- Prepaid business tax and surcharges	46,417	138,881	206,975	212,363
- Others	52,890	73,933	136,486	130,485
Total	1,393,316	1,788,276	2,547,833	2,364,294

Our prepayments were RMB1,393.3 million, RMB1,788.3 million, RMB2,547.8 million and RMB2,364.3 million as at 31 December 2006, 2007, 2008 and 30 April 2009, respectively. Prepayments mainly represent construction costs pre-paid to Shanghai Ditong, prepayment of land related costs, and prepayment of business tax and surcharges. Our prepayments as at 30 April 2009 decreased by 7.2% compared to RMB2,547.8 million as at 31 December 2008, primarily due to a refund of a RMB120 million deposit. The refund was due to our return of a certain piece of land in Harbin as a result of our intention to manage and apply the Company's working capital in a more prudent and cost-conscious manner in light of the financial crisis and credit crunch, both globally and in the PRC. Therefore, the Company returned a certain piece of land in Harbin and received a full refund of the RMB120 million deposit without any penalty. Our prepayments as at 31 December 2008 increased by 42.5% compared to RMB1,788.3 million as at 31 December 2007, primarily due to the increase in prepaid business tax and surcharges and the increase in prepayments to Shanghai Ditong as a result of an increase in the number of projects under construction and development. Our prepayments as at 31 December 2007 increased by 28.3% compared to RMB1,393.3 million as at 31 December 2006, primarily due to an increase in prepaid land costs and business tax and surcharges but was partially offset by the decrease in prepayments to Shanghai Ditong.

Trade and other payables

We set out below the breakdown of our trade and other payables:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:	973,053	646,661	742,094	510,642
Related parties	524,923	479,233	523,513	274,025
Third parties	448,130	167,428	218,581	236,617
Other payables:	2,208,983	769,488	379,040	450,019
Related parties	1,829,757	389,893	4,500	—
Third parties	379,226	379,595	374,540	450,019
Other taxes payable	33,621	22,512	64,101	64,404
	3,215,657	1,438,661	1,185,235	1,025,065

We set out below the ageing analysis of our trade payables as of the balance sheet dates:

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	734,181	508,757	586,932	443,320
Between 7 and 12 months	1,024	1,794	87,499	15,858
Between 13 months and 5 years	237,848	136,110	67,663	51,464
Total	973,053	646,661	742,094	510,642

Our Directors believe that it is in line with the industry norm to have trade payables aged more than 12 months, as the balance of trade payables will be settled after the completion of the construction work, which may occur more than a year after the trade payables are incurred. We had trade payables of RMB973.1 million, RMB646.7 million, RMB742.1 million and RMB510.6 million as at 31 December 2006, 2007, 2008 and 30 April 2009, respectively. Out of the balance of RMB510.6 million of trade payables as at 30 April 2009, RMB219.2 million had been settled as of 30 June 2009.

Our trade payables primarily consist of construction costs payable to Shanghai Ditong and other suppliers. Our trade payables as at 30 April 2009 decreased by 31.2% compared to 2008 primarily due to the partial settlement of construction costs due to Shanghai Ditong. Our trade payables in 2008 increased by 14.8% compared to 2007 primarily due to our increased number of projects under construction and development including Sunshine Venice (Phase IIIB), Shanghai Bay (Phase I), Sunny Town (Phase III) and Sunshine Bordeaux (Phase I). Our trade payables in 2007 decreased by 33.5% compared to 2006 primarily due to the settlement of unpaid land premiums for two projects, namely Shanghai Park Avenue and Sunshine Venice, which were brought forward.

Other payables were RMB2,209.0 million, RMB769.5 million, RMB379.0 million and RMB450.0 million as of 31 December 2006, 2007, 2008 and 30 April 2009, respectively. Other payables primarily arose from (i) advances made by Shanghai Ditong, related parties and independent third parties and (ii) advances received from certain government bodies for the purchase of our properties. Advances made by Shanghai Ditong, related parties and independent third parties to us were made for our working capital purposes and some were interest-bearing. We have been advised by our PRC counsel, Commerce and Finance Law Offices, that the interest-bearing portion of loans advanced from the other parties to our Company did not comply with the General Principles of Lending Activities. The parties who provided such loans may be subject to a fine equal to one to five times of the interest collected on the loans. Our Company, as the borrower, however, will not be subject to any penalty under the PRC laws and regulations. Our other payables as at 30 April 2009 increased by 18.7% compared to 31 December 2008 primarily due to the net increase in advances from third parties. Our other payables as at 31 December 2008 decreased by 50.7% compared to 31 December 2007 primarily due to the settlement of other payables due to related parties. Our other payables in 2007 decreased by 65.2% primarily due to repayments to Shanghai Ditong and a related party.

Other taxes payable primarily consist of business taxes payable, deed taxes, urban land-use taxes and stamp duties. We expect to remit such amounts towards the end of 2009.

Amounts due from and to related parties

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balances included in current assets:				
Prepayments of construction costs to or purchase of services from related companies - included in "Prepayments"				
- Shanghai Ditong	988,709	643,863	1,165,395	1,107,529
- Other companies controlled by close family members of our Founder	—	21	8	3,003
- Companies controlled by our Founder	24,850	9,702	5,000	3,889
- An associate of the Group	—	—	—	200
	1,013,559	653,586	1,170,403	1,114,621
Non-trading balances - included in "Other receivables"				
- Shanghai Ditong	1,301,875	782,984	—	—
- Other companies controlled by close family members of our Founder	268,823	21,803	—	—
- Companies controlled by our Founder	346,081	346,130	—	—
- An associated company of a company controlled by our Founder	1,000	8,350	—	—
- An associated company of our Founder	202,797	9,828	—	—
- Our Founder	887,850	74,461	—	—
	3,008,426	1,243,556	—	—

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balances included in current liabilities:				
Trading balances - included in "Trade payables"				
- Shanghai Ditong	417,360	393,322	489,797	245,219
- Associated companies of our Founder	5,331	8,346	—	—
- An associate of the Group	—	—	8,777	5,667
- Other companies controlled by close family members of our Founder	14,637	16,295	14,302	12,502
- Companies controlled by our Founder	87,595	61,270	10,637	10,637
	524,923	479,233	523,513	274,025
Non-trading balances - included in "Other payables"				
- Shanghai Ditong	313,145	—	—	—
- Other companies controlled by close family members of our Founder	1,097,494	225,809	—	—
- Companies controlled by our Founder	318,446	75,086	4,500	—
- Our Founder	—	87,340	—	—
- An associated company of a company controlled by our Founder	—	30	—	—
- An associated company of our Founder	100,672	1,628	—	—
	1,829,757	389,893	4,500	—
Non-trading balances included in "Borrowings"				
- A company controlled by our Founder	—	680,000	—	—

All non-trading balances due from and to related parties as shown above have been fully settled as at the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our projects principally from proceeds from pre-sales of properties, bank loans, shareholders contributions, the Financing and the Shanghai Bay Arrangement. For the three years ended 31 December 2006, 2007, 2008 and the four months ended 30 April 2009, we maintained a current ratio (calculated as the total current assets divided by the total current liabilities) at 1.75, 1.18, 1.01 and 1.00, respectively. The decrease of the current ratio in 2008 was mainly due to the increase in current liabilities from RMB10,746.5 million to RMB11,529.3 million as a result of accrued interest on the Notes, which in turn increased the total balance of our borrowings. The decrease of the current ratio in 2007 was mainly due to the increase of our current liabilities from RMB5,564.5 million in 2006 to RMB10,746.5 million in 2007, primarily because of the issuance of the Notes and an increase in advanced proceeds received from our customers in relation to pre-sales.

The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash (used in)/generated from operating activities	(2,209,647)	1,960,823	(2,726,410)	(2,432,175)	351,170
Net cash (used in)/generated from investing activities	(957,459)	1,769,325	783,437	615,631	(39,989)
Net cash generated from/(used in) financing activities	3,109,702	(606,515)	(935,672)	(692,377)	(280,849)
Net (decrease)/increase in cash and cash equivalents	(57,404)	3,123,633	(2,878,645)	(2,508,921)	30,332
Cash and cash equivalents	112,187	3,199,105	297,221	671,723	327,524

Cash flow from operating activities

We derive our cash flow from operations principally from the pre-sale and sale of properties. Our cash outflow from operations is principally for investments in property under development. We are subject to certain restrictions on how we use pre-sale proceeds as described in the section headed "Summary of PRC Laws Relating to the Property Sector — Property Transactions — Sale of Commodity Properties" in Appendix VII to this document.

In the four months ended 30 April 2009, we had a net cash inflow from operating activities of RMB351.2 million, compared to a net cash outflow of RMB2,432.2 million in the same period in 2008. This net cash inflow primarily consisted of net cash inflow from operations before changes in working capital of RMB340.6 million and cash inflows from changes in operating assets and liabilities of RMB73.2 million, offset by income tax payments of RMB15.9 million and interest payments of RMB46.8 million. Our cash inflows from changes in operating assets and liabilities were primarily due to a decrease of RMB168.1 million in trade and other receivables and prepayments and a decrease of RMB91.5 million in properties under development and completed properties held for sale, partially offset by a decrease in trade and other payables of RMB182.7 million.

In 2008, we had a net cash outflow from operating activities of RMB2,726.4 million, consisting of cash outflows from changes in operating assets and liabilities of RMB3,180.3 million, an income tax payment of RMB271.3 million and interest payments of RMB590.7 million, offset by cash inflow from operations before changes in working capital of RMB1,316.0 million. Our cash outflows from changes in operating assets and liabilities were due primarily to an increase in properties under development and completed properties held for sale of RMB1,643.3 million and increase in trade and other receivables and other prepayments of RMB999.0 million, partially offset by an increase in trade and other payables of RMB198.6 million.

In 2007, we had a net cash inflow from operating activities of RMB1,960.8 million, consisting of net cash inflow from operations before changes in working capital of RMB458.9 million and cash inflows from changes in operating assets and liabilities of RMB1,928.7 million, offset by income tax payments of RMB84.6 million and interest payments of RMB342.1 million. Our cash inflows from changes in operating assets and liabilities were primarily due to additional advanced proceeds received from customers of RMB3,420.7 million, partially offset by a decrease in trade and other payables of RMB314.6 million and an increase in trade and other receivables and prepayments of RMB380.8 million. Our net cash inflow from operating activities in 2007 improved significantly from 2006 primarily due to the increase in advanced proceeds received from customers, from an outflow of RMB643.9 million in 2006 to an inflow of RMB3,420.7 million in 2007.

In 2006, we had a net cash outflow from operating activities of RMB2,209.6 million, consisting of cash outflows from changes in operating assets and liabilities of RMB2,412.7 million, an income tax payment of RMB40.9 million and interest payments of RMB251.7 million, offset by cash inflow from operations before changes in working capital of RMB495.7 million. Our cash outflows from changes in operating assets and liabilities were primarily due to an increase in properties under development and completed properties held for sale of RMB1,248.2 million and increase in trade and other receivables and other prepayments of RMB713.0 million, partially offset by an increase in trade and other payables of RMB222.1 million.

Cash flow from investing activities

Our investing activities mainly comprise advances, including advances to independent third parties as well as to related parties, acquisitions of subsidiaries and purchases of property and equipment.

In the four months ended 30 April 2009, we had a net cash outflow from investing activities of RMB40.0 million, compared to a net cash inflow of RMB615.6 million from investing activities in the same period in 2008. This net cash outflow in the four months ended 30 April 2009 primarily comprised purchases of property and equipment of RMB32.4 million and cash outflow in the construction of investment properties of RMB4.0 million.

In 2008, we had a net cash inflow from investing activities of RMB783.4 million, which primarily comprised settlement of advances to related parties and third parties of RMB791.4 million and interest income of RMB7.9 million, partially offset by purchases of property and equipment of RMB16.9 million.

In 2007, we had a net cash inflow from investing activities of RMB1,769.3 million, which primarily comprised net advances from related parties and third parties of RMB1,763.6 million and interest income of RMB6.7 million, partially offset by purchases of property and equipment of RMB5.1 million.

In 2006, we had a net cash outflow from investing activities of RMB957.5 million. This net outflow primarily consisted of net advances to related parties and third parties of RMB957.9 million and outflow incurred by the purchase of property and equipment of RMB4.9 million, partially offset by interest income of RMB3.5 million.

Cash flow from financing activities

Our financing activities consist primarily of deemed distributions to our equity owners, bank borrowings, Notes borrowings, and capital contributions by our subsidiaries' then shareholders prior to the acquisitions by us.

In the four months ended 30 April 2009, we had a net cash outflow from financing activities of RMB280.8 million, compared to a net cash outflow of RMB692.4 million in the same period in 2008. This outflow primarily consisted of repayment of bank loans of RMB415.4 million, partially offset by the inflow of new bank loans of RMB120 million.

In 2008, we had a net cash outflow from financing activities of RMB935.7 million. This outflow primarily comprised repayment of bank loans of RMB1,062.6 million and repayment of advances from related parties and third parties of RMB362.1 million, partially offset by the inflow of new bank loans of RMB489.0 million.

In 2007, we had a net cash outflow from financing activities of RMB606.5 million. This outflow primarily comprised repayment of and proceeds from advances from related parties and third parties of RMB1,475.4 million, payments of RMB2,333.7 million made to our Founder for the acquisition of regional and project companies pursuant to the Reorganisation and a net decrease in borrowings of RMB640.2 million, partially offset by our Financing of RMB3,717.4 million. The payments of RMB2,333.7 million made to our Founder for the acquisition of regional and project companies were determined with reference to valuations of these companies as at 31 May 2007 prepared by an independent valuer.

In 2006, we had a net cash inflow from financing activities of RMB3,109.7 million. This inflow primarily comprised a net increase in bank borrowings of RMB1,641.9 million, advances and repayments from related parties and third parties of RMB787.8 million, as well as capital contributions by our subsidiaries' then shareholders prior to the acquisitions by us of RMB680.0 million.

Net current assets position

Our net current assets as at 31 July 2009 were RMB2,037.9 million, comprising current assets of RMB14,414.7 million and current liabilities of RMB12,376.8 million. As of the same date, our current assets consisted of properties under development of RMB9,110.6 million, completed properties held for sale of RMB856.8 million, inventories of RMB10.6 million, trade and other receivables and prepayments of RMB3,675.1 million, prepaid taxes of RMB94.7 million, restricted cash of RMB77.0 million and cash and cash equivalents of RMB589.9 million. As at 31 July 2009, our current liabilities consisted of advanced proceeds received from customers of RMB4,823.2 million, trade and other payables of RMB1,150.4 million, income tax payable of RMB864.5 million and borrowings of RMB5,538.7 million.

Restricted cash

Restricted cash represents guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of our Group's properties. Such cash is restricted from being used or transferred before the repayment of the respective bank loans. As at 31 December 2006, 2007, 2008 and 30 April 2009 and 31 July 2009, the outstanding amount of restricted cash deposited was RMB97.6 million, RMB66.7 million, RMB84.5 million, RMB96.4 million and RMB77.0 million, respectively.

Working capital

As at 31 December 2006, 2007, 2008, and 30 April 2009 and 31 July 2009, our cash and cash equivalents (excluding restricted cash) amounted to RMB112.2 million, RMB3,199.1 million, RMB297.2 million, RMB327.5 million and RMB590.0 million, respectively.

Taking into account, among others, available banking facilities and cash flow from our operations, our Directors are of the opinion that we have sufficient working capital for our present requirements, that is for the next 12 months from the date of this document.

Related party transactions

With respect to our related party transactions, as set out in Note 33 of the Accountant's Report in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms that are not less favourable than terms available from independent third parties which are considered fair and reasonable and in the interest of our Shareholders as a whole. All non-trade balances with related parties have been fully settled up to the date of this document and will be discontinued.

Capital expenditures

For the three years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 2009, we incurred capital expenditures in the amounts of RMB4.9 million, RMB5.1 million, RMB16.9 million and RMB36.5 million, respectively.

Contractual commitment

We were contractually committed to spend RMB6,439.4 million as at 31 December 2006, RMB6,907.0 million as at 31 December 2007, RMB8,004.7 million as at 31 December 2008, and RMB7,440.1 million as at 30 April 2009 on expenditures required for our property developments, primarily consisting of land costs and costs of construction materials.

The following table sets forth our contractual commitments as of the dates indicated:

	As of 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Land use rights	532,522	1,237,070	2,911,901	2,286,901
Property development expenditures	5,906,903	5,669,911	5,092,779	5,153,218
Total	6,439,425	6,906,981	8,004,680	7,440,119

The Company expects to settle the outstanding balance of contractual commitments as at 30 April 2009, using a combination of, among others, bank loans and cash flow from operating activities.

Operating Lease

The following table summarises our operating lease commitments as of the following dates:

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	3,671	12,338	20,845	20,818
Later than one year and not later than five years	8,518	27,102	32,676	29,223
Later than five years	49,527	49,146	48,607	49,174
Total	61,716	88,586	102,128	99,215

The majority of our operating lease commitments that are for more than five years represent our commitment under lease agreements with independent third parties for office areas in Beijing and Shenzhen, which we use as office buildings for the Company and for subleasing. The lease agreement for the office building in Beijing has a term of 40 years. The lease for the office space in Shenzhen will expire in 2012 for one of the two floors and 2013 for the other.

INDEBTEDNESS AND CONTINGENT LIABILITY STATEMENTS

As at 31 July 2009, being the latest practicable date for the purpose of our indebtedness statement, we had total banking facilities of RMB7,715.3 million, consisting of used banking facilities of RMB3,285.3 million and unused banking facilities of RMB4,430 million.

Borrowings

Our borrowings as at 31 December 2006, 2007, 2008, 30 April 2009 and 31 July 2009 were as follows:

	As at 31 December			As at 30 April	As at 31 July
Group	2006	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:					
Bank borrowings — secured	2,671,890	2,317,730	537,000	609,560	2,604,985
Borrowings included in current liabilities:					
Bank borrowings — secured	1,170,000	204,000	1,630,110	1,262,200	609,320
Borrowings from a related party — unsecured	—	680,000	—	—	—
Notes borrowing — secured	—	3,665,155	4,307,015	4,670,072	4,929,426
Total borrowings in current liabilities	1,170,000	4,549,155	5,937,125	5,932,272	5,538,746
Total borrowings	3,841,890	6,866,885	6,474,125	6,541,832	8,143,731

The maturities of our borrowings as at 31 December 2006, 2007, 2008, 30 April 2009 and 31 July 2009 were as follows:

	As at 31 December			As at 30 April	As at 31 July
	2006	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,170,000	4,549,155	5,937,125	5,932,272	5,538,746
After 1 and within 2 years	187,000	857,730	537,000	609,560	991,525
After 2 and within 5 years	2,484,890	1,460,000	—	—	967,483
After 5 years	—	—	—	—	645,977
	3,841,890	6,866,885	6,474,125	6,541,832	8,143,731

The weighted average effective interest rates at each of the balance sheet dates as at 31 December 2006, 2007 and 2008, 30 April 2009 and 31 July 2009 were as follows:

	As at 31 December			As at 30 April	As at 31 July
	2006	2007	2008	2009	2009
Bank borrowings	7.07%	8.60%	6.33%	6.05%	5.98%
Borrowings from a related party	N/A	0%	N/A	N/A	N/A
Notes borrowing	N/A	42.01%	24.30%	24.30%	24.30%

The carrying amounts of all our borrowings during the three years ended 31 December 2008 were denominated in Renminbi. The Promissory Notes and Convertible Notes issued in 2009 are denominated in US dollars.

Our gearing ratio, calculated as our total borrowings divided by total assets, as at 31 December 2006, 2007, 2008 and 30 April 2009 and 31 July 2009 was 39.0%, 53.9%, 49.2%, 46.3% and 47.4%, respectively. The increase in 2007 was mainly due to the issuance of the Notes with an aggregate principal amount of RMB equivalent of USD500 million on 2 November 2007 and on 17 December 2007.

Banks Borrowings

Our bank borrowings of RMB3,841.9 million, RMB2,521.7 million, RMB2,167.1 million, RMB1,871.8 million and RMB3,214.3 million as at 31 December 2006, 2007, 2008, and 30 April 2009 and 31 July 2009, respectively, were secured by certain properties under development and completed properties held for sale.

Financing

In November and December 2007, we issued promissory notes to the Original Investors in a total aggregate principal amount of approximately RMB3,717.4 million (the "Original Notes") and received US$495.7 million in proceeds therefrom. Interest accrued on the Original Notes at the rate of 10% per annum and was payable semi annually on 2 May and 2 November of each year. The entire principal amount of the Original Notes was payable on 2 November 2009. In connection with the subscription of the Original Notes, the Original Investors and their affiliates also received from one of our Controlling Shareholders a total of 700,000 Shares for no additional monetary consideration. We made interest payments of RMB158.8 million and RMB186.9 million on the Original Notes on 2 May 2008 and 2 November 2008, respectively. We did not make interest payments on the Original Notes on 2 May 2009 as we were negotiating to restructure them. On 31 July 2009, a Deed of Amendment was executed amending and restructuring the Original Notes and the following actions were taken on 17 August 2009 pursuant to such Deed of Amendment: (a) the denomination of the Original Notes was changed from RMB to US$; (b) we paid interest that was due and outstanding on the Original Notes (as converted into US$) in cash in the aggregate amount of approximately US$27.2 million; (c) we redeemed an aggregate principal amount of US$192.8 million of the Original Notes (as converted into US$); and (d) the remaining US$490 million of the Original Notes were replaced by the following two tranches of notes: (i) US$325 million of Promissory Notes with a tenor of 18 months and a final maturity date of 31 December 2010; and (ii) US$165 million of Convertible Notes with a tenor of two years and a final maturity date of 30 June 2011 but which are mandatorily convertible. See "History, Reorganisation and Group Structure — Financing — Restructuring of the Original Notes" for further details including further details of the terms of the Promissory Note and Convertible Notes.

Shanghai Bay Arrangements

In August 2009, pursuant to a series of related agreements (the "Shanghai Bay Arrangements"), we transferred our legal ownership interests in Blocks Nos. 2 and 8 of Shanghai Bay, with a total GFA of 56,305 sq. m., to an indirect wholly-owned subsidiary of Shanghai Industrial Holdings Limited, a company listed on the Hong Kong Stock Exchange (together with its subsidiaries, "Shanghai Industrial Group"). In return, we received a payment of approximately US$190.2 million (equivalent to RMB1.3 billion) which we used to partially redeem the Original Notes.

Shanghai Industrial Group is obligated to make a second payment to us in an amount equal to the US$ equivalent of RMB0.7 billion when we transfer our legal interests in additional Blocks Nos. 9 and 10 of Shanghai Bay with a total GFA of 51,171 sq. m. to Shanghai Industrial Group. We intend to use approximately US$28 million of such funds to repay the amount outstanding under the bridge loan, the details of which are set out in "History, Reorganisation and Group Structure — Financing". We will deposit the balance of approximately US$74 million into an account of Bright New that has been pledged as collateral for the Financing and may only be used for operating expenses and permitted uses until such financing is repaid.

Under the Shanghai Bay Arrangements, we have the right and obligation to reacquire the Projects and Shanghai Industrial Group has the right and obligation to resell such Projects to us on 1 December 2011. Assuming we have transferred Blocks Nos. 9 and 10, the consideration for the reacquisition of all of the transferred blocks of the Projects will be RMB2 billion. If the transfer of Blocks Nos. 9 and 10 does not take place, the consideration for the reacquisition of Blocks Nos. 2 and 8 will be RMB1.3 billion. As part of such arrangements, we have also agreed to ensure that Shanghai Industrial Group receives a "shareholder return" (net of tax) for each of the three years ending 31 December 2011, equal to 18% per annum of the consideration paid by Shanghai Industrial Group. The commercial intention for entering into the Shanghai Bay Arrangements was to enable us to obtain financing from, and grant collateral for such financing to, Shanghai Industrial Group in order to refinance a portion of the Financing as a part of the Note restructuring. See "Business — Shanghai Bay Financing Arrangements with the Shanghai Industrial Group".

Bridge Loan

On 17 August 2009, we obtained a bridge loan of US$28 million from Yes Plus Limited, an independent third party, to fund a portion of the partial redemption of the Original Notes. The loan bears interest of 10% per annum, and is guaranteed by the Founder. The Founder's guarantee shall be released and discharged. According to the loan agreement, we are required to repay the bridge loan on the earlier of (a) the date on which we receive the US$ equivalent of RMB0.7 billion for our transfer of Blocks Nos. 9 and 10 of Shanghai Bay to the Shanghai Industrial Group pursuant to the Shanghai Bay Arrangements, and (b) the date of redemption or repayment of the Notes. The bridge loan is subordinated to the Notes. We expect that we may repay the bridge loan on the date that we receive the US$ equivalent of RMB0.7 billion for the transfer of Blocks Nos. 9 and 10 of Shanghai Bay to the Shanghai Industrial Group.

Guarantees

We have arranged bank financing for certain purchasers of our property units and provided guarantees to secure the obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of: (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the satisfaction of the mortgage loan by the purchasers of our properties.

Pursuant to the terms of the guarantees, upon any default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to take over the legal title and possession of the related properties. Our guarantee period starts from the date of the grant of the respective mortgage.

As at 31 December 2006, 2007, 2008, and 30 April 2009 and 31 July 2009, the amount of outstanding guarantees for mortgages were approximately RMB528.6 million, RMB1,860.8 million, RMB2,662.1 million, RMB3,112.4 million and RMB3,555.7 million, respectively.

As at 31 December 2007, completed properties held for sale with carrying values of approximately RMB118.2 million were pledged as collateral for certain borrowings of three related companies. As at 31 December 2008, such pledge has been fully released. No completed properties held for sale were pledged as collateral for borrowings of other companies as at 31 December 2006, 31 December 2008, 30 April 2009 and 31 July 2009.

Financial instruments

As at the Latest Practicable Date, we have not entered into any financial instruments for hedging purposes.

Off-balance sheet commitments and arrangements

As at the Latest Practicable Date, we had not entered into any material off-balance sheet transactions or arrangements.

Disclaimer

Save as disclosed above, as at 31 July 2009, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in the indebtedness position or the contingent liabilities of the Group since 31 July 2009.

PROPERTY INTERESTS

The value of our property interests as of 31 July 2009 as valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer of our Company, was RMB30,837 million. There was a net revaluation surplus, representing the excess market value of the properties over their book value as of 30 April 2009 (after adjusting for properties acquired or sold during the period from 1 May 2009 to 31 July 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 and such property interests in our consolidated balance sheets as of 30 April 2009 as required under Rule 5.07 of Listing Rules is set forth below:

	RMB in millions
Net book value as of 30 April 2009	
Buildings under construction included in property and equipment[1]	395
Properties under development	7,483
Completed properties held for sale	1,074
Investment properties	2,145
	11,097
Movement for the period from 1 May 2009 to 31 July 2009[2]	1,461
Net book value as of 31 July 2009	12,558
Valuation surplus	18,279
Valuation as of 31 July 2009	30,837

(1) Among the property and equipment amounting to an aggregate of approximately RMB422 million as of 30 April 2009, only the buildings under construction amounting to approximately RMB395 million were included in the valuation in Appendix IV.

(2) Movement for the period from 1 May 2009 to 31 July 2009 mainly represented RMB530 million of new purchases of properties and land use rights, RMB931 million of costs incurred for construction of properties under development and investment properties, offset by sales of properties, depreciation and amortisation.

MARKET RISKS

Interest rate risk

We are exposed to interest rate risks resulting from fluctuations in interest rates on our debts. Most of our bank loans bear interest rates that are subject to adjustment by our lenders in accordance with changes made by the PBOC. If the PBOC raises interest rates, our interest cost with respect to variable rate borrowings will increase. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand in China. We currently do not use and we do not expect to use any derivative instruments to modify the nature of our debt so as to manage our interest rate risks. Please also see the section headed "Risk Factors — Risk Relating to Our Business — Our business may be adversely affected by future increases in interest rates" of this document.

Commodities risk

While we are exposed to the increase in prices of raw materials for our property developments, primarily steel and cement, such exposure is mitigated by our contracting arrangements with Shanghai Ditong, and Shanghai Ditong's sub-contracting activities. Our purchase costs of steel and cement are generally accounted for as part of our contractor fees paid to Shanghai Ditong. Our contractors generally procure basic building materials such as cement and steel. However, we are still exposed to the risks of the increase in the costs of raw materials over time as rising prices for construction materials affect our construction costs in the form of increased fees payable to our contractors. We currently do not and do not expect to engage in commodities hedging activities.

Inflation

According to National Bureau of Statistics of China, China's overall national inflation rate, as represented by changes in the general consumer price index, was approximately 1.5%, 4.8% and 5.9% for the years ended 31 December 2006, 2007 and 2008, respectively. The inflation rate in China has been subject to an upward trend since 2007. Inflation has not had a significant effect on our business during the Track Record Period. However, there can be no assurance as to the impact of a sustained increase in inflation on our business, financial condition, results of operations or prospects.

Foreign exchange risk

We conduct our operations in the PRC and most of our transactions, if not all, are settled in RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in our foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. We do not have a foreign currency hedging policy. However, our Directors monitor our foreign exchange exposure closely and may, depending on the circumstances and trends of foreign currency, consider adopting significant foreign currency hedging policy in the future.

Credit risk

Credit risk is managed on a Group basis. Our Group's credit risk arises from cash deposits, and trade and other receivables. Our management has policies to continuously monitor our exposures to these credit risks. Our Group has policies to ensure that sales are made to customers with an appropriate credit history and deposits are placed with banks with appropriate credit ratings. The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure regarding these guarantees can be found in Note 34 to the Accountant's Report in Appendix I to this document. Our management makes periodic collective assessments as well as individual assessments on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. Our Directors believe that our Group does not have a significant concentration of credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities. Aside from certain amounts of discretionary cash available, we maintain flexibility in funding by keeping committed credit lines available. We regularly prepare financial plans and submit such plans to our banks, which usually grant us credit lines for such financial plans.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

DIVIDENDS AND DIVIDEND POLICY

Subject to the Companies Law, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. Our articles of association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries in the PRC may enter into in the future.

The amount of dividends, if any, eventually declared and distributed to our Shareholders will also depend upon our general business conditions, financial performance, operating requirements, capital commitment and requirements, interests of our Shareholders, and other conditions that our Directors may deem relevant or appropriate.

DISTRIBUTABLE RESERVES

The Companies Law does not regulate the source of funds which we may use to declare and pay a dividend, whilst common law provides that dividends may be declared and paid out of profits. Furthermore, under the Companies Law, our share premium account is distributable to Shareholders if immediately following the date on which we propose to distribute the dividend, we will be in a position to pay our debts as they fall due in the ordinary course of business. As at 30 April 2009, we had reserve of RMB156.3 million that is available for distribution to our Shareholders.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Below we have provided a profit forecast solely in respect of our forecasted net profit for the year ending 31 December 2009. In order to provide you with greater transparency as to the basis of our profit forecast, we have disclosed in this section relevant information in respect of five of our major projects that will contribute more than 80% of our revenue for the year ending 31 December 2009. Such information is included in this document to assist the reader to better understand and assess the reasonableness of the assumptions on which our profit forecast is based.

Basis of preparation

The Directors have prepared the forecast of our Group's consolidated net profit attributable to equity holders of our Company for the year ending 31 December 2009 based on the audited consolidated results of our Group for the year ended 31 December 2008 and the four months ended 30 April 2009, the unaudited management accounts for the two months ended 30 June 2009, and our forecast of the consolidated results of our Group for the remaining six months of the year ending 31 December 2009. The forecast for the year ending 31 December 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant's Reports in Appendix I to this document and the assumptions set forth below.

Principal assumptions for the profit forecast

The principal assumptions adopted by the Directors of the Company in preparing the profit forecast are as follows:

- There will be no material changes in the existing governmental policies, political, legal, financial or economic conditions in China, Hong Kong or any other country or territory in which we currently operate or which are otherwise material to our revenues;

- With respect to the real estate industry in particular, the PRC Government will not impose material changes or additional austerity measures to dampen sales or prices of the PRC real estate market;

- There will be no changes in legislation, regulations or rules in China, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements, which may materially adversely affect our business;

- There will be no material change in the bases or rates of taxation in the countries or territories in which we operate, except as otherwise disclosed in this document; and

- There will be no material change in interest rates or foreign currency exchange rates from those prevailing;

- Specific assumptions in respect of calculation of the capital value of the investment properties as at 31 December 2009:

  (i) the current financial, economic and political conditions which prevail in the PRC and which are material to the rental income generated by the investment properties will remain unchanged;

  (ii) the conditions in which the investment properties are being operated and which are material to revenue and costs of the properties will be unchanged;

  (iii) the leases that expire will be renewed on normal commercial terms; and

  (iv) investment properties which are under construction will be developed and completed in accordance with our latest development plan.

  Such specific assumptions are consistent with those in the valuation undertaken by Jones Lang LaSalle Sallmanns Limited, our independent valuer in Appendix IV of the document.

Under HKFRS, changes in the fair value of investment properties will be reflected in our consolidated financial information, through our consolidated income statement. Changes in the fair value of our investment properties are accounted for as other gains/ losses, net in our consolidated income statement.

The investment properties were valued by our independent valuer as at 31 July 2009. The investment approach was adopted to assess the market value of the investment properties.

For investment properties under construction, the valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

For completed investment properties, the valuer has adopted an income approach which takes into account the rental income of the properties derived from the existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to comparable sale transactions as available in the relevant market.

The Group arrived at the estimated fair value gain on investment properties based on (i) the market value of such investment properties as at 30 April 2009 valued by the independent valuer and

(ii) our estimated capital value as at 31 December 2009 based on the anticipated property-specific market trends of the properties carried out by the independent valuer. We expect the fair value of our investment properties as at 31 December 2009, and in turn any fair value changes, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the market movement assumptions supplied by an independent professional valuer involving the use of assumptions that are, by their nature, subjective and uncertain.

In accordance with the Company's accounting policies, properties designated as investment properties should be measured at their fair values and the changes in fair value are recognised in the consolidated income statements. The fair value gain or loss of investment properties is estimated based on certain property valuation techniques which involve, *inter alia*, certain estimates, including comparable sales in the relevant market, current market rental and the forecasted rental movement for similar properties in a similar location and condition. The Company forecasts that rents for the retail and office property markets in Shanghai for the year ending 31 December 2009 will increase between 0-5% and 0-4%, respectively.

Summary of the property development of major projects

The following table provides a summary of the property development projects up to 31 July 2009 that together are projected to contribute more than 80% of the revenue of the Company in 2009 ("**Major Projects**"):

	Up to July 2009				
Key projects/project phases to be delivered in 2009	**Sales proceeds received**	**Pre-sales/sales GFA**	**2008 average selling price per sq.m. in respect of properties pre-sold/sold**	**First seven months of 2009 average selling price per sq.m. in respect of properties pre-sold/sold**	**Actual/Expected completion date**
	(RMB million)	**(sq.m.)**			
Shanghai Bay, Shanghai (Phase I)	1,407	53,243	29,581	31,292	Nov-09
Sunshine Venice, Shanghai (Phase IIIA)	4	560	8,478	9,173	Sep-06
Sunshine Venice, Shanghai (Phase IIIB)	1,178	122,717	13,293	15,898	Nov-08/Aug-09
Chateau De Paris, Shanghai (Phase II)	214	8,995	32,339	28,987	Aug-08
Shanghai Park Avenue, Shanghai	523	28,011	27,790	7,037	Apr-07
Sunshine Holiday, Tianjin (Phase II)	1	487	8,485	n/a	Sep-08
Sunshine Holiday, Tianjin (Phase IIIA)	567	77,199	8,238	7,143	Oct-09

As of 31 July 2009, the construction progress with respect to the major projects to be completed in 2009 is as follows (excluding those projects/phases that had been completed as at 31 July 2009):

Shanghai Bay Phase I: The project comprises four 31-32 storey blocks, two 28-storey blocks and one 24-storey block. We topped out the seven blocks between October and December 2007. In October 2007, we commenced working on interior and exterior decoration and installation of various equipment and facilities, which are expected to be completed by the end of November 2009.

Sunshine Venice Phase IIIB: The project comprises 28 blocks of buildings, from 3-storey townhouses to 25-storey residential buildings. Given the large scale nature of the project, we topped out each block at different dates, with the last block being topped out in May 2008. Work on interior and exterior decoration and installation of various equipment and facilities commenced in May 2008 and 8 blocks out of the 28 blocks had been completed by November 2008. We have obtained 13 blocks' certificate of completion and delivered such blocks to purchasers in the first half of 2009, an other 2 blocks are expected to be delivered in August 2009 and the remaining 5 blocks are expected to be delivered in the fourth quarter of 2009.

Sunshine Holiday Phase IIIA: The project comprises 8 blocks of 25-27 storey buildings and is expected to be completed by September 2009. Construction of the project commenced in September 2007. The 8 blocks were topped out between June and December 2008. Interior and exterior decoration and installation of various equipment and facilities for the 8 blocks were commenced in June 2008. We expect to obtain certificates of completion in October 2009.

Sensitivity analysis

(i) ***Sensitivity analysis on targeted average selling price***

The following table illustrates the sensitivity of the net profit attributable to the equity holders of our Company to the targeted average selling price for the year ending 31 December 2009.

% change in targeted selling prices per sq.m.	-15%	-10%	-5%	+5%	+10%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB'000)	(487,000)	(327,000)	(161,000)	157,000	312,000

If the targeted average selling prices for all projects rise by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB2,308,000 thousand, i.e. 15.6% higher than the Group's targeted 2009 net profit.

If the targeted average selling prices for all projects rise by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB2,153,000 thousand, i.e. 7.9% higher than the Group's targeted 2008 net profit.

If the targeted average selling prices for all projects decline by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB1,835,000 thousand, i.e. 8.1% lower than the Group's targeted 2009 net profit.

If the targeted average selling prices for all projects decline by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB1,669,000 thousand, i.e. 16.4% lower than the Group's targeted 2009 net profit.

If the targeted average selling prices for all projects decline by 15%, the Group's net profit for the year ending 31 December 2009 will be RMB1,509,000 thousand, i.e. 24.4% lower than the Group's targeted 2009 net profit.

As 88.4% of the forecasted revenue has been pre-sold, the change in average selling price should only apply to those yet to be sold and therefore the actual impact on the Group's net profit in 2009 should be significantly smaller.

(ii) ***Sensitivity analysis on targeted GFA sold and delivered***

The following table illustrates the sensitivity of the net profit attributable to shareholders of our Company to the targeted GFA sold and delivered for the year ending 31 December 2009.

% change in targeted GFA sold and delivered	-15%	-10%	-5%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB'000)	(266,000)	(177,000)	(89,000)

If the targeted GFA sold and delivered for all projects decline by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB1,908,000 thousand, i.e. 4.5% lower than the Group's targeted 2009 net profit.

If the targeted GFA sold and delivered for all projects decline by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB1,819,000 thousand, i.e. 8.9% lower than the Group's targeted 2009 net profit.

If the targeted GFA sold and delivered for all projects decline by 15%, the Group's net profit for the year ending 31 December 2009 will be RMB1,731,000 thousand, i.e. 13.3% lower than the Group's targeted 2009 net profit.

(iii) ***Sensitivity analysis on fair value changes of investment properties***

The total forecasted amount of fair value gain on investment properties for the year ending 31 December 2009 is RMB800 million and its related deferred taxation expense is RMB200 million. The following table illustrates the sensitivity of the net profit attributable to the equity holders of the Company (net of deferred tax effect) to levels of revaluation increase/decrease on investment properties for the year ending 31 December 2009:

Changes in revaluation increase percentage on investment properties compared to our estimated revaluation increase percentage on investment properties	-15%	-10%	-5%	5%	10%	15%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB'000)	(90,000)	(60,000)	(30,000)	30,000	60,000	90,000

If the estimated fair value of investment properties rises/declines by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB2,026,000 thousand/ RMB1,966,000 thousand, respectively, i.e. 1.5% higher/lower, respectively, than the Group's targeted 2009 net profit.

If the estimated fair value of investment properties rises/declines by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB2,056,000 thousand/ RMB1,936,000 thousand, respectively, i.e. 3.0% higher/lower, respectively, than the Group's targeted 2009 net profit.

If the estimated fair value of investment properties rises/declines by 15%, the Group's net profit for the year ending 31 December 2009 will be RMB2,086,000 thousand/ RMB1,906,000 thousand, respectively, i.e. 4.5% higher/lower, respectively, than the Group's targeted 2009 net profit.

The above illustrations are intended 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 31 December 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.

Profit forecast for the year ending 31 December 2009

Forecast consolidated net profit attributable to the Shareholders of our Company (net of fair value gains on investment properties (net of deferred tax effect))	Not less than RMB1,396.0 million
Forecast gross fair value gain on investment properties	RMB800.0 million
Less: Provision for deferred tax liabilities on fair value gain on investment properties	RMB(200.0 million)
Forecast fair value gain on investment properties (net of deferred tax)	RMB600.0 million
Forecast consolidated net profit attributable to the Shareholders of our Company	Not less than RMB1,996.0 million

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Group since 30 April 2009.