The following discussion should be read in conjunction with our combined financial information, together with the accompanying notes. Please see the Accountants' Report in Appendix I to this document. Our audited financial information as of and for each of the years ended December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009 was audited by Ernst & Young, certified public accountants, and prepared in accordance with HKFRS. The combined financial information as of and for the six months ended June 30, 2008 has been derived from our unaudited combined financial information included elsewhere in this document. We have prepared the unaudited combined financial information on the same basis as our audited combined financial information. The following discussion contains certain forward-looking statements that involve risks and uncertainties and, accordingly, you should not place undue reliance on any such statements.

OVERVIEW

We are one of the leading Fujian-based property developers and we consistently appear in the "Top 100 China Real Estate Enterprises". In particular, we were among the top three property developers in Xiamen in terms of GFA contractually sold per annum during the three years ended December 31, 2008 and the six months ended June 30, 2009, according to the Xiamen Real Estate Association. We focus on high-quality residential, retail and commercial developments. To diversify our portfolio, we also develop commercial properties, including office buildings, shopping malls and hotels, and retain or intend to retain some of them as long-term investments. We also engage in property-related businesses such as property management for both residential and commercial properties.

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our revenue was RMB92.6 million, RMB1,083.7 million, RMB1,759.8 million, RMB1,612.8 million and RMB1,308.3 million, respectively. We recognize revenue from sales of a property in our income statement only when the property has been completed and is delivered to the buyer. Please see "— Critical Accounting Policies — Revenue recognition" for more details. Since the vast majority of properties we completed and delivered in 2008 were delivered during the first six months of 2008, our revenue for the six months ended June 30, 2008 accounted for 91.6% of our revenue for the year ended December 31, 2008.

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our profit for the period was RMB11.9 million, RMB377.5 million, RMB369.1 million, RMB332.8 million and RMB974.4 million, respectively. Our profit of RMB974.4 million for the six months ended June 30, 2009 included RMB699.1 million in fair value gains (net of deferred tax effect) on completed investment properties, which are properties held to earn rentals and/or for capital appreciation. In accordance with HKFRS, we are required to reassess the fair value of our completed investment properties on each reporting date, and we include the gains arising from changes in the fair value of such completed investment properties in our income statement in the period in which they arise. However, such gains included in our income statement reflect unrealized gains in the value of our completed investment properties, and do not constitute profit generated from our operations or generate any actual cash inflow. Please see "— Critical Accounting Policies — Valuation of our investment properties" and "— Description of Certain Income Statement Items — Fair value gains on investment properties" for more details.

The following table sets forth certain operating and financial data for the periods indicated which we have derived from our internal records and the Accountants' Report set out in Appendix I to this document.

	As of and for the years ended December 31,			As of and for the six months ended June 30,	
	2006	2007	2008	2008	2009
Sales of properties recognized during the period (RMB in millions)	86.9	1,050.1	1,716.5	1,592.5	1,285.3
Receipts in advance (RMB in millions)	2,076.3	2,550.4	1,816.2	1,582.5	2,209.1
GFA contractually sold (sq.m.)	156,785	138,238	100,112	56,010	290,760
GFA delivered (sq.m.)	16,127	143,439	193,030	183,547	137,013

We do not recognize revenue from the sale and pre-sale of a property until such property is completed and delivered to the buyer, which normally takes place about nine to 24 months after the commencement of pre-sales. Revenue for most of the properties contracted to be sold during the six months ended June 30, 2009 will only be recognized in subsequent financial periods. Prior to the date of revenue recognition, we include proceeds received from properties sold, including pre-sale proceeds that we receive when we sell properties prior to their completion and delivery, in our statements of financial position as "Receipts in advance" under "Current Liabilities." Accordingly, our results of operations may vary significantly from period to period, and in particular are dependent on the timing of completion and delivery of our properties. As such, period to period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenue. In addition, our historical results may not be indicative of our future performance.

BASIS OF PRESENTATION

In preparation for the Reorganization, our Company was incorporated in the Cayman Islands on April 23, 2008. Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group. Please see "History, Reorganization and Group Structure — Reorganization" for a description of the Reorganization.

The financial information presented in the Accountants' Report includes the following assumptions:

- the combined income statements, combined statements of comprehensive income, combined cash flow statements and combined statements of changes in equity of our Group and the companies now comprising our Group as a result of the Reorganization for the three years ended December 31, 2008 and the six months ended June 30, 2009, to which the following discussion relates, have been prepared as if our Group's structure had been in existence throughout the three years ended December 31, 2008 and the six months ended June 30, 2009, or since their respective dates of incorporation or establishment, whichever is the shorter period;

- the combined statements of financial position of our Group as of December 31, 2006, 2007 and 2008 and June 30, 2009 have been prepared to present the assets and liabilities of the companies comprising our Group at these dates as if the current group structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Controlling Shareholders at these dates;
- acquisitions other than those resulting from the Reorganization are accounted for using the purchase method; and
- all significant intra-Group transactions and balances between the companies now comprising our Group have been eliminated.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set out below.

Performance of the real estate market and demand for residential properties in property markets in which we have operations

Substantially all of our revenue was generated from operations in Xiamen during the three years ended December 31, 2008 and the six months ended June 30, 2009. Although our business has been concentrated in Xiamen, we have also expanded into other major cities in China including Shanghai, Fuzhou and Hefei since 2004. Macroeconomic factors in China and the performance of the property market in China, particularly in Xiamen and other cities in which we have development projects, have a direct impact on our results of operations. Economic growth, urbanization and higher standards of living in China have been the main driving forces underpinning the increasing market demand for residential properties, but such growth is often accompanied by volatility in market conditions and fluctuations in property prices. For example, following a period of rising property prices and transaction volume in most major cities from 2003 to 2007, the property market of China experienced a downturn in 2008 which continued into the first quarter of 2009, with transaction volume in many major cities, including Xiamen and other cities in which we have development projects, declining significantly compared to 2007. Average selling prices also declined in many cities during such period. Since early 2009, China's real estate market has rebounded and many cities, including Xiamen and other cities in which we have development projects, have experienced increases in property prices and transaction volumes. The performance of the real estate market in China will continue to be affected by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of consumers, the level of interest rates, the exchange rate of Renminbi and the political, economic and regulatory environment in the PRC.

Our business in Xiamen and Fuzhou will also be affected by regional market demand, which we believe will benefit from the recent establishment of the West Strait Economic Zone. In May 2009, the Chinese State Council issued the Several Opinions Concerning Support for More Rapid

Establishment of Economic Zone in the West Strait (《國務院關於支持福建省加快建設海峽西岸經濟區的若干意見》). The West Strait Economic Zone is an economic development zone in southeast China established to promote regional economic integration and cooperation between Fujian Province and Taiwan. The West Strait Economic Zone is developed against the backdrop of improving the cross-strait relationship between Mainland China and Taiwan and the relationship between Fujian and its neighboring provinces, given Fujian's strategic location connecting the Pearl River Delta Area and the Yangtze River Delta Area. It is expected to accelerate economic development along the coastal cities in Fujian province in industries such as agricultural, manufacturing, service and technology. To that end, preferential policies are expected to be promulgated to promote the rapid and successful development of the Fujian economy, which we believe will have a positive impact on our business operations. Please see "Industry and Regulatory Overview — The Real Estate Markets in Xiamen and Fuzhou" for more details.

In accordance with industry practice, we are required to provide guarantees to banks in respect of mortgages offered to our customers until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks. If there is a downturn in the PRC economy or in any of the property markets in which we have operations, particularly in Xiamen, that results in the default of a significant number of our customers on their mortgages, we may have to repay the mortgages and may suffer a material loss if we are unable to sell the properties to recoup the costs. These factors will continue to have a significant impact on our results of operations.

Regulatory measures in the real estate industry in China

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, including policies relating to:

- land acquisition;
- pre-sales;
- the availability of mortgage financing;
- the availability of capital through loans or other sources;
- sales or other transfers of land use rights and completed properties;
- taxes;
- planning and zoning; and
- building design and construction.

For example, the regulations that require government departments and agencies to grant State-owned land use rights for residential or commercial property development through competitive bidding processes have had a material impact on our operations. Please see "— Costs and procedures for acquiring suitable land" for more details.

From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. In recent years, the PRC Government has instituted a variety of measures designed to stabilize and dampen any potential overheating of the real estate market, with particular focus on the residential sector. These policies have led, and may continue to lead, to changes in market conditions, including changes in price stability, costs of ownership, costs of development and the balance of supply and demand in respect of residential properties. As a result of such measures, property developments in certain regions of China grew at a slower pace in 2007 as compared with 2006 and 2005. In response to the current global economic crisis, the Chinese government has recently implemented a stimulus plan and other measures which have resulted in a significant rise in the volume of bank loans. Bank regulators in China have expressed concern about excessive lending for real estate investments. Excessive development fueled by cheap credit could cause an oversupply of property inventory leading to a significant market correction, which could adversely affect the sales volumes and selling prices of our projects. On the other hand, any efforts by bank regulators to curb excessive lending, if taken too far, might prevent developers from raising funds they need to start new projects. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. Please see "Industry and Regulatory Overview" and "Risk Factors — Risks Relating to Our Business — Our business is susceptible to fluctuations in the property market of China, particularly that of Xiamen, which may adversely affect our revenues and results of operations" for more details.

We are also highly susceptible to any regulations or measures adopted by the PBOC that may restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC Government that are intended to restrict the ability of purchasers to obtain mortgages, that limit their ability to resell their properties or that increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue.

Costs and procedures for acquiring suitable land

Land costs include costs relating to acquisition of the rights to occupy, use and develop land and primarily represent land premiums incurred in connection with a land grant from the government or land obtained in the secondary market by transfer, corporate acquisition or otherwise. Our costs of land use rights are influenced by a number of factors, including location of the property, timing of the acquisition, as well as the project's plot ratios. Costs of land use rights are also affected by our method of acquisition, whether by PRC Government-organized tenders, auctions or listings-for-sale, through private sale transactions or through the acquisition of other companies that hold land use rights. Our costs of land use rights are also vulnerable to changes in PRC regulations. If we acquire land which has existing buildings or other structures or is occupied by third parties, we have to bear the costs of demolition and/or resettlement. In most instances, pursuant to the land grant contract, the PRC Government completes the demolition of original structures and the resettlement of the original residents on the land while we typically pay the demolition and resettlement costs as part of the land premiums. In the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our average land costs per sq.m. of GFA delivered were RMB768, RMB780, RMB1,362, RMB1,362 and RMB1,738, respectively, as measured by dividing the aggregate land costs by the aggregate saleable GFA of properties delivered within these periods. Due to the general trend of rising land costs in the PRC and our strategy to acquire and develop land in desirable locations, we expect our average land costs per sq.m. of GFA delivered to continue to increase in future periods.

Construction costs

The principal component of our cost of sales is construction costs. Construction costs include all costs for the design and construction of a project, consisting primarily of fees paid to our contractors, including contractors responsible for infrastructure construction, civil engineering construction, landscaping, equipment installation and interior decoration, as well as design costs, materials and certain government surcharges. We typically designate for purchase certain fixture materials such as doors, windows, sanitary fittings and kitchen cabinets, which are required to satisfy national standards or be from certain name brands while the general contractors procure the more basic building materials, such as cement and steel. The construction costs of each of our projects vary not only according to the floor area and height of the buildings, but also according to the geology of the construction site. Historically, construction material costs have been the principal driver of our construction costs. In contrast, the cost of hiring independent contractors has remained relatively stable. Construction material costs fluctuate as a result of changes in prices of key materials such as steel and cement. Therefore, we are subject to price fluctuations of construction materials and our profitability may suffer if we cannot pass on the increased costs to our customers. Further, we typically pre-sell our properties prior to their completion and we may not be able to pass on the increased costs to our customers if construction costs increase subsequent to the pre-sale.

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the particular project that has been pre-sold. Please see "Business — Project Development — Pre-Sale" for additional details. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedule of each of our projects, restrictions on pre-sales imposed by the PRC Government, market demand for our properties subject to pre-sales and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties will increase our reliance on external financing which will increase our costs and will impact our ability to finance our continuing property developments.

Access to, and cost of, bank financing

Bank borrowing is another important source of funding for our property developments. As of December 31, 2006, 2007, 2008 and June 30, 2009, our outstanding bank borrowings amounted to RMB917.2 million, RMB2,043.1 million, RMB2,219.5 million and RMB1,623.4 million, respectively. As commercial banks in the PRC link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase our interest costs. Our access to capital and cost of financing are also affected by the restrictions imposed from time to time by the PRC Government on bank lending for property development.

Taxation

Corporate income tax. The corporate income tax rate that was generally applicable in China was 33% of taxable income prior to January 1, 2008 and has been 25% commencing on January 1, 2008. Our subsidiaries in Xiamen and our property development subsidiaries in Shanghai Pudong New District had been entitled to a preferential corporate income tax rate of 15% prior to January 1, 2008 pursuant to then applicable PRC national and local tax laws. Our subsidiary Fujian Yanhai Co. has been entitled to income tax exemption for the first two years commencing in 2004, which was the first year of profit-making, and income tax reduction by 50% for the subsequent three years pursuant to then applicable PRC national tax laws and approvals received from local tax authorities. As a result of the EIT Law enacted by the National People's Congress on March 16, 2007 and effective on January 1, 2008, the uniform enterprise income tax rate of 25% applies to our subsidiaries located in Xiamen and Shanghai Pudong New District as well as Fujian Yanhai Co. However, the EIT Law also provides a transition period starting from its effective date for those enterprises which were established before March 16, 2007 and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. On December 26, 2007, the State Council issued the Transition Preferential Policies Circular, which stipulates the income tax rates during the transition period to be applied to those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007. During such transition period, our subsidiaries established before March 16, 2007 and located in Xiamen and Shanghai Pudong New District were subject to a tax rate of 18% in 2008 and will be subject to a tax rate of 20% in 2009, 22% in 2010, 24% in 2011 and the uniform rate of 25% in 2012, and Fujian Yanhai Co. continued to enjoy its tax reduction treatment until the end of 2008. Except for our subsidiaries as mentioned above, our other subsidiaries located in China have been subject to corporate income tax at a rate of 25% commencing on January 1, 2008.

LAT. We are subject to LAT in the PRC. In the PRC, LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of the sales of properties less deductible expenditures, including: (i) land acquisition costs; (ii) costs related to the development of land, new buildings and related facilities; (iii) expenses, including finance costs and selling and general administrative expenses, of the land development and project construction, the total of which is capped at 10% of the aggregate of (i) and (ii) above; (iv) the appraised price of any existing buildings and structures above ground; (v) taxes related to the assignment of the real property; and (vi) for taxpayers that are real property developers, a further deduction which is equal to 20% of the aggregate of (i) and (ii) above. In addition, taxpayers that construct ordinary residential properties enjoy an exemption from payment of LAT, if the appreciation amount does not exceed 20% of the aggregate sum of deductions allowed under (i), (ii), (iii), (v) and (vi) above. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, LAT is payable on the full amount of the appreciation after taking account of the allowable deductions.

We have estimated and made provisions for the full amount of LAT in respect of our property developments and have recognized this in our combined income statements. The provisions for LAT we made for the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 amounted to RMB2.3 million, RMB41.9 million, RMB200.4 million and RMB198.9 million, respectively. The significant increases in the provisions for LAT for 2008 and the six months ended June 30, 2009 were primarily attributable to the higher appreciation rates of the projects sold during such periods as compared to those sold in the two years ended December 31, 2006 and 2007.

The highest applicable marginal LAT rates applicable to our property developments for the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 were 30%, 30%, 50% and 60%, respectively. The highest applicable marginal LAT rates of 50% and 60% for 2008 and the six months ended June 30, 2009, respectively, were for projects sold in Xiamen, mainly due to higher selling prices of units at Galaxy Garden and Phase I of World Trade Center, respectively, which were subject to higher applicable land appreciation rates as compared with other projects during the three years ended December 31, 2008 and the six months ended June 30, 2009. As of the Latest Practicable Date, we had made provisions for LAT in compliance with PRC LAT laws and regulations. Any change in the LAT regulations and their implementation will have a direct impact on our profits.

We prepay LAT with reference to our pre-sales proceeds and the tax rates set out by local tax authorities. Please see "Industry and Regulatory Overview — Regulatory Overview — Land Appreciation Tax" and "Regulatory Overview — Taxation in China — Land Appreciation Tax" in Appendix IV for more details.

Our effective tax rates for 2006, 2007, 2008 and the six months ended June 30, 2009 were 28.6%, 32.6%, 49.0% and 35.5%, respectively.

Fair value adjustment of investment properties

Our results of operations have in the past been affected by adjustments in the fair value of our completed investment properties and may continue to be affected by such adjustments in the future. In accordance with HKFRS, we are required to reassess the fair value of our completed investment properties on each reporting date, and we include the gains or losses arising from changes in the fair value of such completed investment properties in our income statement in the period in which they arise. Pursuant to HKAS 40, our completed investment properties may be recognized by using either the fair value model or the cost model. We recognize completed investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our completed investment properties. The fair value of our completed investment properties is based on valuations of such properties conducted by our Property Valuer, using property valuation techniques involving certain assumptions of market conditions. Please see "— Critical Accounting Policies — Valuation of our investment properties" and the Property Valuation included in Appendix V to this document for more details.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we recognized fair value gains (net of deferred tax) on our investment properties in the amounts of RMB0.6 million, RMB55.0 million, RMB81.1 million and RMB699.1 million, respectively, which represented 5.0%, 14.6%, 22.0% and 71.7% of our total profits in those periods, respectively. Prospective investors should be aware that such gains included in our income statement reflect unrealized capital gains in the value of our completed investment properties at the relevant reporting date and do not constitute profit generated from our operations or generate any actual cash inflow to us. Favorable or unfavorable changes in the assumptions of market conditions used by the Property Valuer would result in changes to the fair value of our completed investment properties and corresponding adjustments to the amount of gains or losses reported in our income statement in the future. A decrease in the fair value of our completed investment properties in future reporting periods will result in the recognition of a loss in our income statement, which will reduce our profits and could have a material adverse impact on our results of operations. Please also see "Risk Factors — Risks Relating to our Business — Our results of operations include fair value gains on investment properties, which are unrealized" for additional information.

Fluctuation in results of operations

Our results of operations tend to fluctuate from period to period. According to our accounting policy for revenue recognition, we recognize revenue from the sale and pre-sale of our properties upon delivery, which normally takes place about 12 to 24 months after the commencement of pre-sales. Please see "— Critical Accounting Policies — Revenue recognition" for more details. Because the 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 aggregate GFA, however, may not generate a correspondingly high level of revenue, if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results 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 amount of capital required for land acquisition and construction, limited human resources, as well as limited land supplies. Please see "— Liquidity and Capital Resources — Financial resources and working capital" for more details.

In addition, we often develop properties in multiple phases over the course of several years. Typically, the selling prices of properties in such multiple-phase property developments tend to increase as the overall development comes closer to completion as more established residential communities are more attractive to potential purchasers which allows us to increase our prices.

In the future, we intend to increase the proportion of our recurring revenues generated by rental income by expanding our investment property portfolio, focusing primarily on offices, shopping malls, services apartments and hotels. Through an increase in recurring revenues, we expect to reduce, to a limited extent, the fluctuations in our results of operations.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to the Accountants' Report included in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management's judgment based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial information. In addition, we discuss our revenue recognition policy below because of their significance, even though they do not involve significant estimates or judgments.

Revenue recognition

We recognize revenue from the sale of a property in our income statements once the property has been completed and delivered to the buyer pursuant to a sales agreement, which is when we consider the significant risks and rewards of ownership have been transferred to the buyer. Title to the property is normally not transferred for approximately one to two years after delivery. The long time lag required to complete title transfer is a common phenomenon in the PRC real estate market. In addition, in accordance with the "Explanation of Certain Questions on Adjudicating Disputes arising from Sale and Purchase Agreements of Commodity Housing" (《關于審理商品房買賣合同糾紛案件適用法律若干問題的解釋》) promulgated by the PRC Supreme Court, risks of property damage or fire are borne by purchasers following delivery. The purchasers are entitled to occupy and use the property and consummate the reward of ownership following delivery. We did not have any incidents during the three years ended December 31, 2008 and the six months ended June 30, 2009 where recognized revenue had to be reversed due to our failure in transferring the property title.

Deposits and installment payments received on properties sold prior to the date of revenue recognition, including pre-sale proceeds that we receive when we sell properties prior to their completion and delivery, are included in the statement of financial position as "Receipts in advance" under "Current Liabilities."

We recognize rental income on a time proportion basis over the lease term. We recognize property management fees in the period when the services are rendered.

Cost of Sales

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

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

Income Taxes

Corporate income tax. The income tax provision of our Group in respect of operations in China has been calculated at the applicable tax rate on the estimated assessable profits for the three years ended December 31, 2008 and the six months ended June 30, 2009, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate that was generally applicable in China was 33% of taxable income prior to January 1, 2008 and has been 25% commencing on January 1, 2008. Our subsidiaries in Xiamen and our property development subsidiaries in Shanghai Pudong New District had been entitled to a preferential corporate income tax rate of 15% prior to January 1, 2008 pursuant to then applicable PRC national and local tax laws. Our subsidiary Fujian Yanhai Co. had been entitled to income tax exemption for the first two years commencing in 2004, the first year of profit-making, and income tax reduction by 50% for the subsequent three years pursuant to then applicable PRC national tax laws and approvals received from local tax authorities. As a result of the EIT Law enacted by the National People's Congress on March 16, 2007 and effective on January 1, 2008, the uniform enterprise income tax rate of 25% applies to some of our subsidiaries in Xiamen and Shanghai Pudong New District and Fujian Yanhai Co. after certain transition period as stipulated by applicable PRC laws and regulations. All other subsidiaries located in China have been subject to corporate income tax at a rate of 25% commencing on January 1, 2008. For each for the PRC subsidiaries of the Group, the corporate income tax is provided at the applicable rate of the profits for the purpose of the PRC statutory financial reporting, adjusted for those items which are not assessable or deductible. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

LAT. We are also subject to LAT. Because at the time we deliver a property we may not have completed the entire phase of a project or the project as a whole, our estimate of LAT provisions at that time requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of the values of land, buildings and attached facilities and the various deductible items. We recognize LAT based on management's best estimates according to its understanding of the tax rules. The final LAT obligation could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes are finalized with local tax authorities. Please see "— Key Factors Affecting Our Performance — Taxation — LAT" for more details.

Deferred income taxation. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates that have been enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that our management believes it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled by us, and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Properties Under Development and Completed Properties Held for Sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. We record the cost of properties under development on our combined statements of financial position based on the costs of acquired land use rights in respect of land acquired for development and the invoices and construction progress reports of our construction contractors and the construction supervisory companies in respect of the completion of construction projects. Completed properties remaining unsold are recorded on our combined statements of financial position as completed properties held for sale.

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

Valuation of our investment properties

Our investment properties comprise properties held to earn rentals and/or for capital appreciation. In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, completed investment properties may be stated by using either the fair value model or the cost model. We have chosen to state completed investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our completed investment properties. Our use of the fair value model to account for completed investment properties at their fair values is consistent with our accounting policy as set out in the Accountants' Report in Appendix I to this document and complies with the requirements of HKAS 40 "Investment Property".

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. Our Directors have concluded that the fair value of its investment properties under construction cannot be measured reasonably and, therefore, our investment properties under construction continue to be measured at cost until construction is completed.

The valuation of investment properties involves the exercise of professional judgment and requires the use of certain bases and assumptions with respect to factors including:

- There will be no material changes in the bases or rates of taxation or the policies with respect to imposition of such taxation, in the countries or territories in which our Group operates.
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as of the date of this document.
- Specific assumptions in respect of investment property valuation:
  - (i) the current financial, economic and political conditions which prevail in the PRC and in the neighboring cities/provinces and which are material to the rental income generated by the investment properties are expected to 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) property-specific factors such as the building facilities provision, building specification, ventilation system, ancillary supporting retail services, quality of property management and tenant's profile will remain unchanged; and
  - (iv) the leases of any lease-expired units of the properties will be renewed at normal commercial terms.

Such specific assumptions are consistent with the approach undertaken by our Property Valuer in Appendix V to this document.

The bases and assumptions that the Property Valuer uses for the valuation typically include references to values realized in comparable precedent transactions in the market for properties of similar size, character and location. The fair value of our completed investment properties might have been higher or lower if the Property Valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers. In addition, upward revaluation adjustments reflect unrealized capital gains in the value of our completed investment properties at the relevant reporting dates, are not profit generated from day-to-day rental income from our completed investment properties, are largely dependent on the conditions prevailing in the property markets, and do not generate cash inflow to our Group for dividend distribution to our Shareholders unless such completed investment properties are disposed of and the capital gains are realized. The amount of revaluation adjustment has been, and may continue to be, significantly affected by the prevailing property markets and may go down as well as up. In relying on the valuation report, our management team has exercised its judgment and is satisfied that the method of valuation is reflective of current market conditions. Please see "— Description of Certain Income Statement Items — Fair Value Gains on Investment Properties" and Note 15 to the Accountants' Report in Appendix I to this document.

Capitalized Borrowing Costs

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

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

The following summarizes components of certain income statement items appearing in the Accountants' Report set out in Appendix I to this document, which we believe to be helpful to an understanding of the period to period discussions that follow below.

Revenue

Our revenue represents the (i) gross proceeds, net of business tax, from the sale of properties, (ii) gross recurring revenue, net of business tax, received and receivable from investment properties and (iii) property management fee income, net of business tax, during the three years ended December 31, 2008 and the six months ended June 30, 2009. We categorize our business into three segments, namely, property development (which represents sales of properties held for sale), property investment (which represents rental income from investment properties), and property management.

The following table sets forth our revenue in each business segment and the percentage of revenue represented by each segment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2006		2007		2008		2008		2009	
							(unaudited)			
	(RMB'000, except percentages)									
Property development	86,935	93.9%	1,050,052	96.9%	1,716,479	97.6%	1,592,520	98.7%	1,285,343	98.2%
Property investment	—	—	18,407	1.7	21,560	1.2	9,990	0.6	11,704	0.9
Property management	5,635	6.1	15,270	1.4	21,764	1.2	10,295	0.7	11,214	0.9
Total	92,570	100.0%	1,083,729	100.0%	1,759,803	100%	1,612,805	100%	1,308,261	100%

Revenue from property development represents proceeds from sales of our properties held for sale. Because we derive substantially all of our revenue from the property development segment, our results of operations for a given period depend upon the GFA of properties we have available for sale during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected by the general economic, political and regulatory developments in the PRC, particularly in

Xiamen. Please see "— Key Factors Affecting Our Performance" for more details. The increase in revenue from property management was primarily due to the increase in GFA under our management, partially reflecting the increase in GFA sold and delivered by us.

Our financial performance for a given period depends substantially on the number of properties we completed and delivered within the period and the selling prices realized for these properties. The following table sets forth, for the periods indicated, the aggregate GFA of properties we delivered and the average selling prices per sq.m. for these properties, as measured by dividing the revenue from property sales by the aggregate GFA delivered.

	For the year ended December 31,									For the six months ended June 30,					
	2006			2007			2008			2008			2009		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price
	(RMB'000)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)	(RMB'000) (unaudited)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)
Residential	37,746	6,743	5,598	787,690	101,749	7,742	1,614,444	176,745	9,134	1,509,136	170,022	8,876	1,284,052	136,828	9,384
Retail and commercial	32,234	3,797	8,489	192,706	25,513	7,553	43,283	1,268	34,135	40,522	1,363	29,730	—	—	—
Car park spaces	16,955	5,587	3,035	69,656	16,177	4,306	58,752	15,017	3,912	42,862	12,162	3,524	1,291	185	6,978
Total	86,935	16,127	5,391	1,050,052	143,439	7,321	1,716,479	193,030	8,892	1,592,520	183,547	8,676	1,285,343	137,013	9,381

Cost of sales

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

The following table sets forth information relating to cost of properties sold for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2006		2007		2008		2008		2009	
							(unaudited)			
	(RMB'000, except percentages)									
Construction costs	36,886	74.1%	690,273	83.7%	714,469	71.4%	668,974	71.4%	354,695	52.8%
Land costs	12,380	24.9	111,844	13.6	262,913	26.3	250,041	26.7	238,059	35.4
Capitalized borrowing costs	497	1.0	22,589	2.7	23,275	2.3	17,461	1.9	79,032	11.8
Total	49,763	100.0%	824,706	100.0%	1,000,657	100.0%	936,476	100%	671,786	100%

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their completion and delivery, properties under development are included in our combined statements of financial position at the lower of cost and net realizable value. Net realizable value for our properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs of completion. Net realizable value for our completed properties held for sale is determined by our Directors based on prevailing market prices, or on individual property basis. The components of our cost of sales may change in any given year based on the stage of our projects in the property development process. Please see "Business — Property Development" for more details.

Construction costs. Construction costs represent costs incurred for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs are affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. Most of the costs of construction materials are accounted for as part of the contractor's fees upon settlement with the relevant contractors.

In the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our average construction costs per sq.m. of GFA delivered were RMB2,287, RMB4,812, RMB3,701, RMB3,645 and RMB2,589, respectively, as measured by dividing the aggregate construction costs by the aggregate saleable GFA of properties delivered within these periods.

Land costs. Land costs include costs relating to acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with a land grant from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. In addition to general property market conditions in the PRC and PRC economic development, our costs of land use rights are affected by the locations of the property projects, the timing of acquisitions, the project's plot ratios as well as the method of acquisition.

In the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our average land costs per sq.m. of GFA delivered were RMB768, RMB780, RMB1,362, RMB1,362 and RMB1,738, respectively, as measured by dividing the aggregate land costs by the aggregate saleable GFA of properties delivered within these periods.

Capitalized interest expenses. We capitalize our borrowing costs as part of the cost of sales for a project or project phase to the extent that such costs are directly attributable to the construction of such project or project phase.

Selling and marketing costs

Selling and marketing costs include advertising and promotion expenses relating to sales and rental of our properties (including advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events), commissions of sales agents and other selling expenses. Our selling and marketing costs in any period are affected by the proportion of newly-introduced developments in that period.

Administrative expenses

Administrative expenses include primarily staff salaries and benefits at our principal executive offices in Xiamen (excluding commissions of sales agents, which are recorded as selling and marketing costs, and salaries and benefits of project managers, which are recorded as cost of sales), office and business expenses and other administrative expenses. Our amortization costs and bad debt expenses are also booked under administrative expenses.

Fair Value Gains on Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at their fair value at each reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The fair value was based on a valuation on these properties conducted by the Property Valuer using property valuation techniques which involve certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the combined income statement.

The following table sets forth the components of the fair value gains on investment properties (before deferred tax effect) for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	
			(RMB'000)		
Kindergarten at Phase II of Yuzhou Overseas City	840	—	(1,700)	—	—
The Mall at Phase I of Yuzhou World Trade Center	—	73,396	56,000	12,000	146,000
The Mall at Phase II of Yuzhou World Trade Center	—	—	—	—	588,062
Phase I of Yuzhou Jinqiao International	—	—	53,788	35,910	—
Phase II of Yuzhou Jinqiao International	—	—	—	—	54,688
Yuzhou Golden Seacoast	—	—	—	—	143,344
Total	840	73,396	108,088	47,910	932,094

Finance costs

Finance costs primarily comprise interest costs net of capitalized interest relating to properties for sale. Please see "— Key Factors Affecting Our Performance — Borrowing costs" for more details. Since the construction period for a project or project phase does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project or project phase can be capitalized. Further, in the future our Company may borrow offshore loans which may not be fully capitalized. As a result, our finance costs may fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period.

Taxation

Taxation represents PRC corporate income tax and LAT payable by our subsidiaries in China. The corporate income tax rate that was generally applicable in China during the three years ended December 31, 2008 and the six months ended June 30, 2009 was 33% of taxable income (except for certain subsidiaries). Our subsidiaries in Xiamen and our property development subsidiaries in Shanghai Pudong New District had been entitled to a preferential corporate income tax rate of 15% during the three years ended December 31, 2008 and the six months ended June 30, 2009 pursuant to then applicable PRC national and local tax laws. Our subsidiary Fujian Yanhai Co. has been entitled to income tax exemption for the first two years commencing in 2004, which was the first year of profit-making, and income tax reduction by 50% for the subsequent three years pursuant to then applicable PRC national tax laws and approvals received from local tax authorities. As a result of the EIT Law enacted by the National People's Congress on March 16, 2007 and effective on January 1, 2008, the uniform enterprise income tax rate of 25% applies to some of our subsidiaries in Xiamen and Fujian Yanhai Co. after certain transition period as stipulated by applicable PRC laws and regulations. All other subsidiaries located in China are subject to corporate income tax at a rate of 25% commencing on January 1, 2008. Please see "— Key Factors Affecting Our Performance — Taxation — Corporate income tax" for more details.

We operate as an overseas company for Cayman Islands regulatory purposes and are not subject to Cayman Islands income tax.

Minority interests

Minority interests represent our profit or loss after taxation that is attributable to the other shareholders of our non-wholly owned subsidiaries.

SUMMARY COMBINED INCOME STATEMENTS

The following table sets forth, for the periods indicated, certain items derived from our combined income statements and their respective percentages of our total revenue.

	For the year ended December 31,						Six-month period ended June 30,			
	2006		2007		2008		2008		2009	
							(Unaudited)			
	(RMB'000, except percentages)									
Revenue	92,570	100.0%	1,083,729	100.0%	1,759,803	100%	1,612,805	100%	1,308,261	100%
Cost of sales	(50,465)	(54.5)	(828,563)	(76.5)	(1,010,236)	(57.4)	(940,009)	(58.3)	(675,720)	(51.6)
Gross profit	42,105	45.5	255,166	23.5	749,567	42.6	672,796	41.7	632,541	48.4
Other income and gains	10,398	11.2	329,699	30.4	6,499	0.4	1,945	0.1	2,514	0.2
Selling and marketing expenses	(7,401)	(8.0)	(41,382)	(3.8)	(42,398)	(2.4)	(27,006)	(1.7)	(24,630)	(1.9)
Administrative expenses	(27,632)	(29.9)	(52,699)	(4.9)	(61,396)	(3.5)	(36,830)	(2.2)	(27,936)	(2.1)
Other expenses	(1,593)	(1.7)	(2,480)	(0.2)	(24,357)	(1.4)	(4,512)	(0.3)	(2,344)	(0.2)
Fair value gains on investment properties	840	0.9	73,396	6.8	108,088	6.1	47,910	3.0	932,094	71.2
Finance costs	—	—	(1,299)	(0.1)	(12,854)	(0.7)	(7,750)	(0.5)	(514)	(0.0)
Profit before tax	16,717	18.0	560,401	51.7	723,149	41.1	646,553	40.1	1,511,725	115.6
Tax	(4,783)	(5.1)	(182,886)	(16.9)	(354,053)	(20.1)	(313,731)	(19.5)	(537,332)	(41.1)
Profit for the year	11,934	12.9%	377,515	34.8%	369,096	21.0%	332,822	20.6%	974,393	74.5%
Attributable to:										
Our equity holders	8,160	8.8	376,898	34.7	292,178	16.6	273,670	16.9	977,053	74.7
Minority interests	3,774	4.1	617	0.1	76,918	4.4	59,152	3.7	(2,660)	(0.2)
	11,934	12.9%	377,515	34.8%	369,096	21.0%	332,822	20.6%	974,393	74.5%
Earnings per share attributable to our equity holders	N/A		N/A		N/A		N/A		N/A	

Six months ended June 30, 2009 compared to six months ended June 30, 2008

Revenue. Our revenue decreased by RMB304.5 million, or 18.9%, to RMB1,308.3 million for the six months ended June 30, 2009 from RMB1,612.8 million for the six months ended June 30, 2008, primarily due to an decrease of RMB307.2 million, or 19.3%, in revenue generated from property development to RMB1,285.3 million for the six months ended June 30, 2009 from RMB1,592.5 million for the six months ended June 30, 2008.

The decrease in revenue generated from property development was primarily due to a decrease of 46,534 sq.m., or 25.4%, in GFA delivered by us to 137,013 sq.m. in the six months ended June 30, 2009 from 183,547 sq.m. in the six months ended June 30, 2008, partially offset by an increase of RMB705, or 8.1%, in the average selling price per sq.m. to RMB9,381 in the six months ended June 30, 2009 from RMB8,676 in the six months ended June 30, 2008.

The decrease in GFA delivered in the six months ended June 30, 2009 primarily resulted from the fact that in such period, under our normal construction and delivery schedules, we completed and delivered units in two property development projects, whereas in the six months ended June 30, 2008, we completed and delivered units in three property development projects. During the six months ended June 30, 2009, an aggregate GFA of 135,201 sq.m. and revenue of RMB1,269.4 million were attributable to the sales of units in Phase I of Yuzhou World Trade Center, Yuzhou Golden Seacoast and Galaxy Garden, which accounted for 98.7% of total GFA delivered by us and 98.8% of our total revenue generated from property development, respectively, during the same period.

The increase in average selling price per sq.m. in the six months ended June 30, 2009 primarily reflected an increase in the average selling price per sq.m. for residential properties delivered by us during such period. The average selling price per sq.m. for residential properties increased by RMB508, or 5.7%, reflecting, among other things, the relatively high average selling price for units in Phase I of Yuzhou World Trade Center, which was partially attributable to the attractive location of Yuzhou World Trade Center in Xiamen's central train station commercial district as well as a general increase in demand and prices for properties in Xiamen.

The following table sets forth sales information relating to the type of properties we delivered for the six months ended June 30, 2008 and 2009, respectively.

	For the six months ended June 30,					
	2008			2009		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price
	(RMB'000)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)
Residential	1,509,136	170,022	8,876	1,284,052	136,828	9,384
Retail and commercial	40,522	1,363	29,730	—	—	—
Car park space	42,862	12,162	3,524	1,291	185	6,986
Total	1,592,520	183,547	8,676	1,285,343	137,013	9,381

The following table sets forth, for each project or project phase indicated, the revenue generated from such project or project phase, the percentage of our total revenue it represented, the GFA sold and the average selling price per sq.m. for the six months ended June 30, 2008 and 2009, respectively.

	For the six months ended June 30,							
	2008				2009			
Project	Revenue	Percentages of revenue	GFA delivered	Average selling price	Revenue	Percentages of revenue	GFA delivered	Average selling price
	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)
Yuzhou World Trade Center - Phase I	—	—	—	—	616,038	47.9%	43,053	14,309
Yuzhou Golden Seacoast - Phase I	—	—	—	—	346,728	27.0%	55,846	6,209
Galaxy Garden	—	—	—	—	306,675	23.9%	36,302	8,448
Yuzhou Jinqiao International - Phase I	283,415	17.8%	21,579	13,134	5,345	0.4%	391	13,670
Yuzhou Harbour City - Phase II	814,826	51.2%	100,291	8,125	1,750	0.1%	427	4,098
Yuzhou Hai Tian Plaza	473,473	29.7%	57,042	8,300	—	0.0%	—	—
Others	20,806	1.3%	4,635	4,489	8,807	0.7%	994	8,860
	1,592,520	100.0%	183,547	8,676	1,285,343	100.0%	137,013	9,381

Our revenue from property management increased by RMB0.9 million, or 8.7%, to RMB11.2 million for the six months ended June 30, 2009 from RMB10.3 million for the six months ended June 30, 2008.

Our revenue generated from property investment increased by RMB1.7 million, or 17.0%, to RMB11.7 million for the six months ended June 30, 2009 from RMB10.0 million for the six months ended June 30, 2008, primarily comprising rental income from leasing the retail and commercial properties in The Mall at Yuzhou World Trade Center.

Cost of sales. Cost of sales decreased by RMB264.3 million, or 28.1%, to RMB675.7 million for the six months ended June 30, 2009 from RMB940.0 million for the six months ended June 30, 2008, primarily due to a decrease of RMB264.7 million, or 28.2%, in costs we incurred directly for our property development activities. The decrease in costs we incurred directly for our property development activities was due to the combination of a decrease in the GFA delivered in the six months ended June 30, 2009 and a decrease in average costs per sq.m. during the same period. The costs per sq.m. decreased by RMB199, or 3.9%, to RMB4,903 in the six months ended June 30, 2009 from RMB5,102 in the six months ended June 30, 2008, primarily due to a decrease of RMB1,056, or 28.9%, in construction cost per sq.m. to RMB2,589 in the six months ended June 30, 2009 from RMB3,645 in the six months ended June 30, 2008. The decrease in construction costs per sq.m. reflected, among other things, the fact that construction costs for the six months ended June 30, 2008 included relatively high construction costs per sq.m. for the units in Phase I of Yuzhou Jinqiao International primarily due to their high ceiling design, while the construction costs for the six months ended June 30, 2009 included relatively low construction costs per sq.m. for the units in Yuzhou Golden Seacoast and Galaxy Garden. The decrease in construction costs per sq.m. was partially offset by an increase of RMB376, or 27.6%, in land costs per sq.m. to RMB1,738 in the six months ended June 30, 2009 from RMB1,362 in the six months ended June 30, 2008, which reflected, among other things, the relatively high land costs per sq.m. in respect of Galaxy Garden and Yuzhou Golden Seacoast.

Gross profit. Gross profit decreased by RMB40.3 million, or 6.0%, to RMB632.5 million for the six months ended June 30, 2009 from RMB672.8 million for the six months ended June 30, 2008. Our gross profit margin increased to 48.4% for the six months ended June 30, 2009 from 41.7% for the six months ended June 30, 2008, as a result of the combination of an increase in average selling price per sq.m. and a decrease in the average costs per sq.m. during the same period.

Other income and gains. Other income and gains increased to RMB2.5 million for the six months ended June 30, 2009 from RMB1.9 million for the six months ended June 30, 2008.

Selling and marketing expenses. Our selling and marketing costs decreased by RMB2.4 million to RMB24.6 million for the six months ended June 30, 2009 from RMB27.0 million for the six months ended June 30, 2008, primarily due to a decrease of RMB4.6 million in commissions for sales agents, which in turn was primarily attributable to the decrease in recognized revenue in the six months ended June 30, 2009. The decrease in commissions for sales agents was partially offset by an increase of RMB2.3 million in advertising and promotion expenses as we introduced more new projects or project phases for pre-sale in the six months ended June 30, 2009.

Administrative expenses. Administrative expenses decreased by RMB8.9 million to RMB27.9 million for the six months ended June 30, 2009 from RMB36.8 million for the six months ended June 30, 2008, in part due to a decrease of RMB4.5 million in donations, and a decrease of RMB1.5 million in amortization of land use rights as we received the work commencement permit for Phase I of Yuzhou Huaqiao City in 2008 and reclassified the land parcel for such project from prepaid land lease payments to properties under development.

Fair value gains on investment properties. Our fair value gains on investment properties increased significantly to RMB932.1 million for the six months ended June 30, 2009 from RMB47.9 million for the six months ended June 30, 2008. Our fair value gains on investment properties in the six months ended June 30, 2009 were primarily attributable to the investment properties in the Mall at Phase II of Yuzhou World Trade Center, Yuzhou Golden Seacoast and Phase II of Yuzhou Jinqiao International, which were completed and thus added to our investment properties in the six months ended June 30, 2009, and, to a lesser extent, the investment properties in The Mall at Phase I of Yuzhou World Trade Center.

Finance costs. The finance costs of RMB0.5 million in the six months ended June 30, 2009 primarily represented interest expenses incurred by us which were not directly attributable to land acquisition or construction and therefore could not be capitalized.

Taxation. Taxation increased by RMB223.6 million to RMB537.3 million for the six months ended June 30, 2009 from RMB313.7 million for the six months ended June 30, 2008, primarily as a result of an increase in deferred tax of RMB223.6 million, which in turn was primarily attributable to the significant increase in fair value gains on investment properties in the six months ended June 30, 2009. In the tax reconciliation for the six months ended June 30, 2008 presented in the Accountants' Report in Appendix I to this document, the expenses not deductible for tax mainly represented the costs of construction deemed not tax deductible by the local tax authorities upon the tax audit for the completed projects.

Profit for the period. Profit for the period increased by RMB641.6 million to RMB974.4 million in the six months ended June 30, 2009 from RMB332.8 million in the six months ended June 30, 2008, as a result of the cumulative effect of the foregoing factors.

2008 compared to 2007

Revenue. Our revenue increased by RMB676.1 million, or 62.4%, to RMB1,759.8 million for 2008 from RMB1,083.7 million for 2007, primarily due to an increase of RMB666.5 million, or 63.5%, in revenue generated from property development to RMB1,716.5 million for 2008 from RMB1,050.0 million for 2007.

The increase in revenue generated from property development was (i) primarily due to an increase of 49,591 sq.m., or 34.6%, in GFA delivered by us to 193,030 sq.m. in 2008 from 143,439 sq.m. in 2007 and (ii) to a lesser extent, due to an increase of RMB1,571, or 21.5%, in the average selling price per sq.m. to RMB8,892 in 2008 from RMB7,321 in 2007.

The increase in GFA delivered in 2008 was primarily due to the completion and delivery of units in Phase II of Yuzhou Harbour City, Yuzhou Hai Tian Plaza and Phase I of Yuzhou Jinqiao International during such period, which contributed more GFA delivered as compared to 2007. In 2008, an aggregate GFA of 181,694 sq.m. and revenue of RMB1,614.3 million were attributable to the sales of units in Phase II of Yuzhou Harbour City, Yuzhou Hai Tian Plaza and Phase I of Yuzhou Jinqiao International, which accounted for 94.1% of total GFA delivered by us and 94.0% of our total revenue generated from property development, respectively, during the same period.

The increase in average selling price per sq.m. in 2008 primarily reflected increases in average selling prices per sq.m. for residential properties and retail and commercial properties delivered by us during such period. The average selling price per sq.m. for residential properties increased by RMB1,392, or 18.0%, reflecting, among other things, a general increase in demand and prices for properties in Xiamen as well as the relatively high average selling price for units in Phase I of Yuzhou Jinqiao International, which is located in the Pudong district of Shanghai. The average selling price for residential properties in Shanghai has been generally higher than that in Xiamen. The average selling price per sq.m. for retail and commercial properties increased by RMB26,581 or 351.9%, primarily reflecting that the retail and commercial properties in Yuzhou Hai Tian Plaza and Phase II of Yuzhou Harbour City sold and delivered in 2008 were generally at more desirable floors or locations and commanded higher average selling prices.

The following table sets forth sales information relating to the type of properties we delivered for 2007 and 2008, respectively.

	For the year ended December 31,					
	2007			2008		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price
	(RMB'000)	(sq. m.)	(RMB)	(RMB'000)	(sq. m.)	(RMB)
Residential	787,690	101,749	7,742	1,614,444	176,745	9,134
Retail and commercial	192,706	25,513	7,553	43,283	1,268	34,135
Car park space	69,656	16,177	4,306	58,752	15,017	3,912
Total	1,050,052	143,439	7,321	1,716,479	193,030	8,892

The following table sets forth, for each project or project phase indicated, the revenue generated from such project or project phase, the percentage of our total revenue it represented, the GFA sold and the average selling price per sq.m. for 2007 and 2008, respectively.

	For the year ended December 31,							
	2007				2008			
Project	Revenue	Percentages of revenue	GFA delivered	Average selling price	Revenue	Percentages of revenue	GFA delivered	Average selling price
	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)
Yuzhou Harbour City - Phase II	—	—	—	—	837,009	48.8%	101,057	8,283
Yuzhou Hai Tian Plaza	—	—	—	—	474,873	27.7%	57,706	8,229
Yuzhou Jinqiao International - Phase I	—	—	—	—	302,375	17.6%	22,931	13,186
Galaxy Garden	—	—	—	—	65,327	3.8%	4,447	14,690
Yuzhou Harbour City - Phase I	50,742	4.8%	10,989	4,618	21,237	1.2%	3,992	5,320
Yuzhou Overseas City - Phase I	45,794	4.4%	9,337	4,905	5,319	0.3%	831	6,401
Yuzhou Overseas City - Phase II	758,210	72.2%	95,295	7,956	4,530	0.3%	825	5,491
Shuilian Manor	186,454	17.8%	26,166	7,126	926	0.1%	137	6,759
Others	8,852	0.8%	1,652	5,358	4,883	0.2%	1,104	4,423
	1,050,052	100.0%	143,439	7,321	1,716,479	100.0%	193,030	8,892

Our revenue from property management increased by RMB6.5 million, or 42.5%, to RMB21.8 million for 2008 from RMB15.3 million for 2007, primarily due to an increase in GFA under our management, which partially reflected the increase in cumulative GFA sold and delivered by us.

Our revenue generated from property investment increased by RMB3.2 million, or 17.4%, to RMB21.6 million for 2008 from RMB18.4 million for 2007, primarily comprising rental income from leasing the retail and commercial properties in The Mall at Phase I of Yuzhou World Trade Center.

Cost of sales. Cost of sales increased by RMB181.6 million, or 21.9%, to RMB1,010.2 million for 2008 from RMB828.6 million for 2007, primarily due to an increase of RMB176.0 million, or 21.3%, in costs we incurred directly for our property development activities. The increase in costs we incurred directly for our property development activities was primarily due to the increase in the GFA delivered in 2008, partially offset by a decrease in average costs per sq.m. during the same period. The costs per sq.m. decreased by RMB566, or 9.8%, to RMB5,184 in 2008 from RMB5,750 in 2007, primarily due to a decrease of RMB1,111, or 23.1%, in construction cost per sq.m. to RMB3,701 in 2008 from RMB4,812 in 2007, partially offset by an increase of RMB582, or 74.6%, in land costs per sq.m. to RMB1,362 in 2008 from RMB780 in 2007. The decrease in construction costs per sq.m. reflected, among other things, the fact that construction costs per sq.m. for 2007 included relatively high construction costs for the units in Phase II of Yuzhou Overseas City due to certain premium features such as indoor gardens and computerized security systems and for the units in Shuilian Manor due to their high ceiling design. The decrease in construction costs per sq.m. was partially offset by increases in the costs of construction materials, such as steel and cement, and labor. The increase in land costs per sq.m. reflected, among other things, the relatively high land costs per sq.m. in respect of Phase I of Yuzhou Jinqiao International and Yuzhou Hai Tian Plaza.

Gross profit. Gross profit increased by RMB494.4 million to RMB749.6 million for 2008 from RMB255.2 million for 2007. Our gross profit margin increased to 42.6% for 2008 from 23.5% for 2007, primarily as a result of the combination of an increase in average selling price per sq.m. and a decrease in the average costs per sq.m. during the same period.

Other income and gains. Other income and gains decreased significantly to RMB6.5 million for 2008 from RMB329.7 million for 2007, primarily due to a one-time gain of RMB319.9 million in 2007 reflecting the difference between the fair value of the assets acquired and the consideration we paid for the entire interest in Guifeng Co. The consideration of approximately RMB258.4 million was arrived at after arm's length negotiation with the sellers, who were Independent Third Parties, and were based on normal commercial terms. As Guifeng Co. suffered losses in prior years due to inefficiencies on the part of its then management team, we were able to bargain for a lower price for the acquisition. Part of the consideration amounting to approximately RMB193.4 million was paid by February 7, 2007.

Selling and marketing expenses. Our selling and marketing costs increased by RMB1.0 million to RMB42.4 million for 2008 from RMB41.4 million for 2007, primarily due to an increase of RMB10.6 million in commissions for sales agents to RMB22.9 million in 2008 from RMB12.3 million in 2007, which in turn was primarily attributable to the increase in recognized revenue in 2008, partially offset by a decrease of RMB12.9 million in advertising and promotion expenses to RMB14.4 million in 2008 from RMB27.3 million in 2007 as we introduced less new projects or project phases for pre-sale in 2008.

Administrative expenses. Administrative expenses increased by RMB8.7 million to RMB61.4 million for 2008 from RMB52.7 million for 2007, in part due to (i) donations in the amount of RMB5.5 million in 2008 in connection with, among other things, the earthquake in Sichuan, China in May 2008, (ii) amortization of land use rights in the amount of RMB10.9 million with respect to the land parcels for Phase IV of Yuzhou Jinqiao International and Yuzhou Huaqiao City in 2008, and (iii) non-interest bank fees and expenses in the amount of RMB2.9 million in 2008, partially offset by a decrease of RMB2.0 million in office and business expenses as we incurred more office and business expenses in 2007 in expanding our scale of operations during such period.

Other expenses. Other expenses increased by RMB21.9 million to RMB24.4 million for 2008 from RMB2.5 million for 2007, primarily due to an increase of approximately RMB19.8 million in legal and professional fees in connection with the Reorganization.

Fair value gains on investment properties. Our fair value gains on investment properties increased to RMB108.1 million for 2008 from RMB73.4 million for 2007. Our fair value gains on investment properties in 2008 were primarily attributable to the investment properties in The Mall at Phase I of Yuzhou World Trade Center and Phase I of Yuzhou Jinqiao International.

Finance costs. The finance costs of RMB12.9 million in 2008 primarily represented interest expenses incurred by us which were not directly attributable to land acquisition or construction and therefore could not be capitalized.

Taxation. Taxation increased by RMB171.2 million to RMB354.1 million for 2008 from RMB182.9 million for 2007, as a result of (i) an increase in corporate income tax of RMB55.6 million and (ii) an increase in provisions for LAT of RMB158.5 million, partially offset by a decrease in deferred tax of RMB42.9 million. Our effective tax rate increased significantly to 49.0% for 2008 from 32.6% for 2007, primarily due to a higher applicable marginal LAT rate for 2008, which in turn was primarily attributable to the higher appreciation rates of the projects sold in 2008. LAT is payable on the appreciation of land value calculated as the proceeds of the sales of properties less deductible expenditures. Please see "— Key Factors Affecting Our Performance — Taxation — LAT" for more details. In the tax reconciliation for the year ended December 31, 2008 presented in the Accountants' Report in Appendix I to this document, the expenses not deductible for tax mainly represented the costs of construction deemed not tax deductible by the local tax authorities upon the tax audit for the completed projects.

Profit for the period. Profit for the period decreased by RMB8.4 million to RMB369.1 million in 2008 from RMB377.5 million in 2007, as a result of the cumulative effect of the foregoing factors.

2007 compared to 2006

Revenue. Our revenue increased by RMB991.1 million to RMB1,083.7 million in 2007 from RMB92.6 million in 2006, primarily due to an increase of RMB963.2 million in revenue generated from property development to RMB1,050.1 million in 2007 from RMB86.9 million in 2006.

The increase in revenue generated from property development was (i) primarily due to a significant increase of 127,312 sq.m. in GFA delivered by us to 143,439 sq.m. in 2007 from 16,127 sq.m. in 2006 and (ii) to a lesser extent, due to an increase of RMB1,930, or 35.8%, in the average selling price per sq.m. to RMB7,321 in 2007 from RMB5,391 in 2006.

The significant increase in GFA delivered in 2007 was primarily due to the completion and delivery of Phase II of Yuzhou Overseas City and Shuilian Manor during the first quarter of 2007, whereas we did not complete and deliver any new project or project phase in 2006. In 2007, an aggregate GFA of 121,461 sq.m. and revenue of RMB944.7 million were attributable to the sales of units in Phase II of Yuzhou Overseas City and Shuilian Manor, which accounted for 84.7% of the total GFA delivered by us and 90.0% of our total revenue generated from property development in 2007, respectively.

The increase in average selling price per sq.m. in 2007 was (i) primarily due to a significant increase of RMB2,144, or 38.3%, in average selling price per sq.m. for residential properties delivered by us to RMB7,742 in 2007 from RMB5,598 in 2006, reflecting, among other things, a general increase in demand and prices for properties in Xiamen and the innovative design for the units in Shuilian Manor which enjoy higher ceilings and (ii) to a lesser extent, due to an increase in average selling price per sq.m. for car park spaces in 2007, reflecting a general increase in demand and prices for car park spaces in Xiamen, which was partially offset by a decrease in average selling price per sq.m. for retail and commercial properties in 2007. The decrease in the average selling price per sq.m. for retail and commercial properties in 2007 as compared with 2006 primarily reflected, among other things, that certain retail and commercial properties in Phase I of Yuzhou Overseas City and Shuilian Manor sold and delivered in 2007 were at basement levels or other less desirable floors compared to the retail and commercial properties sold and delivered in 2006. In 2007, the retail and commercial properties in Yuzhou Overseas City were sold and delivered to our related parties at a negotiated price with reference to the then prevailing market price. Our Directors believe such transactions were entered into in the ordinary course of business. Please see Note 36 to the Accountants' Report in Appendix I to this document.

The following table sets forth sales information relating to the type of properties we delivered in 2006 and 2007, respectively.

	For the year ended December 31,					
	2006			2007		
	Revenue	GFA delivered	Average selling price	Revenue	GFA delivered	Average selling price
	(RMB'000)	(sq.m.)	(RMB)	(RMB'000)	(sq.m.)	(RMB)
Residential	37,746	6,743	5,598	787,690	101,749	7,742
Retail and commercial	32,234	3,797	8,489	192,706	25,513	7,553
Car park spaces	16,955	5,587	3,035	69,656	16,177	4,306
Total	86,935	16,127	5,391	1,050,052	143,439	7,321

The following table sets forth, for each project or project phase indicated, the revenue generated from such project or project phase, the percentage of our total revenue it represented, the GFA sold and the average selling price per sq.m. for 2006 and 2007, respectively.

	For the year ended December 31,							
	2006				2007			
Project	Revenue	Percentages of revenue	GFA delivered	Average selling price	Revenue	Percentages of revenue	GFA delivered	Average selling price
	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)
Yuzhou Overseas City - Phase II	—	—	—	—	758,210	72.2%	95,295	7,956
Shuilian Manor	—	—	—	—	186,454	17.8%	26,166	7,126
Yuzhou Harbour City - Phase I	43,222	49.7%	5,955	7,258	50,742	4.8%	10,989	4,618
Yuzhou Overseas City - Phase I	19,706	22.7%	4,794	4,111	45,794	4.4%	9,337	4,905
Yuzhou New City - Phase II	14,830	17.1%	2,529	5,864	4,127	0.4%	827	4,990
Others	9,177	10.5%	2,849	3,221	4,725	0.4%	825	5,727
	86,935	100.0%	16,127	5,391	1,050,052	100.0%	143,439	7,321

Our revenue from property management increased by RMB9.7 million, or 173.2%, to RMB15.3 million in 2007 from RMB5.6 million in 2006, primarily due to the increase in GFA under our management, which partially reflected the increase in cumulative GFA sold and delivered by us.

In 2007, we recognized revenue generated from property investment of RMB18.4 million, primarily comprising rental income from leasing the retail and commercial properties in Phase I of Yuzhou World Trade Center. We purchased 100% of the equity interests in Guifeng Co. from several third parties in February 2007.

Cost of sales. Cost of sales increased significantly by RMB778.1 million to RMB828.6 million in 2007 from RMB50.5 million in 2006, primarily due to a significant increase of RMB775.0 million in costs we incurred directly for our property development activities, which in turn was (i) primarily due to the increase in the GFA delivered in 2007 and (ii) to a lesser extent, due to an increase in the average costs per sq.m. in 2007. The costs per sq.m. increased by RMB2,664, or 86.3%, to RMB5,750 in 2007 from RMB3,086 in 2006, (i) primarily due to an increase of RMB2,525, or 110.4%, in construction costs per sq.m. to RMB4,812 in 2007 from RMB2,287 in 2006, and (ii) to a lesser extent, due to an increase of RMB12, or 1.6%, in land costs per sq.m. to RMB780 in 2007 from RMB768 in 2006. The increase in construction costs per sq.m. reflected, among other things, (i) the decrease in car park spaces delivered in 2007 as a percentage of the total GFA delivered in 2007 as the construction costs per sq.m. for car park spaces are generally lower than those for residential, retail and commercial properties, (ii) the relatively high construction costs for the units in Yuzhou Overseas City due to certain premium features such as indoor gardens and computerized security systems and for the units in Shuilian Manor due to their high ceiling design, and (iii) the increases in the costs of construction materials, such as steel and cement, and labor. The increase in land costs per sq.m. reflected, among other things, (i) the decrease in car park spaces delivered in 2007 as a percentage of total GFA delivered in 2007 as we did not allocate land costs to car park spaces in Yuzhou Overseas City and Yuzhou Harbour City consistent with relevant PRC regulations, and (ii) the relatively high land costs per sq.m. in respect of Shuilian Manor, which we began to deliver in 2007.

Gross profit. Gross profit increased by RMB213.1 million to RMB255.2 million in 2007 from RMB42.1 million in 2006. Our gross profit margin decreased to 23.5% in 2007 from 45.5% in 2006, primarily due to an increase in residential properties delivered in 2007 as a percentage of the total GFA delivered in 2007. Our profit margin in respect of residential properties was lower than the profit margins for retail and commercial properties and car park spaces.

Other income and gains. Other income and gains increased by RMB319.3 million to RMB329.7 million in 2007 from RMB10.4 million in 2006, primarily due to a one-time gain of RMB319.9 million in 2007 reflecting the difference between the fair value of the assets acquired and the consideration we paid for the entire interest in Guifeng Co. The consideration of approximately RMB258.4 million was arrived at after arm's length negotiation with the sellers, who were Independent Third Parties, based on normal commercial terms. As Guifeng Co. suffered losses in prior years due to inefficiencies on the part of its then management team, we were able to bargain for a lower price for the acquisition. Part of the consideration amounting to approximately RMB193.4 million was paid by February 7, 2007.

Selling and marketing expenses. Our selling and marketing costs increased by RMB34.0 million to RMB41.4 million in 2007 from RMB7.4 million in 2006, primarily due to (i) an increase of RMB22.2 million in advertising expenses to RMB27.3 million in 2007 from RMB5.1 million in 2006, largely attributable to increased advertising for the newly introduced projects or project phases for pre-sale in 2007, and (ii) an increase of RMB11.5 million in commissions for sales agents to RMB12.3 million in 2007 from RMB0.8 million in 2006, which in turn was primarily attributable to the increase in recognized revenue in 2007.

Administrative expenses. Administrative expenses increased by RMB25.1 million to RMB52.7 million in 2007 from RMB27.6 million in 2006, in part due to (i) an increase in total salaries and benefits resulting from increased headcount and average salary and benefits, and (ii) an increase in office and business expenses partially resulting from the expansion of our scale of operations.

Fair value gains on investment properties. Our fair value gains on investment properties increased to RMB73.4 million in 2007 from RMB0.8 million in 2006. Our fair value gains on investment properties in 2007 were primarily attributable to the investment properties in The Mall at Phase I of Yuzhou World Trade Center which we acquired in February 2007.

Finance costs. The finance costs of RMB1.3 million in 2007 primarily represented interest expenses incurred by us which were not directly attributable to land acquisition or construction and therefore could not be capitalized.

Taxation. Taxation increased by RMB178.1 million to RMB182.9 million in 2007 from RMB4.8 million in 2006, as a result of (i) an increase in corporate income tax of RMB77.9 million, primarily reflecting an increase in profit before tax, (ii) an increase in provisions for LAT of RMB39.6 million, and (iii) an increase in deferred tax of RMB60.6 million primarily due to an increase in the tax rate for our fair value gains investment properties attributable to The Mall at Phase I of Yuzhou World Trade Center. In the tax reconciliation for the year ended December 31, 2007 presented in the Accountants' Report in Appendix I to this document, the income not subject to tax mainly represented the excess over the cost of business combination in respect of the acquisition of Guifeng Co. in 2007, whereas the expenses not deductible for tax mainly represented the costs of construction deemed to be not tax deductible by the local tax authorities upon the tax audit for the completed projects.

Profit for the year. Profit for the year increased by RMB365.6 million to RMB377.5 million in 2007 from RMB11.9 million in 2006, as a result of the cumulative effect of the foregoing factors.

DESCRIPTION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

Investment Properties

Investment properties are interests in land and buildings held to earn recurring income and/or for capital appreciation, comprising completed investment properties and investment properties under construction. The values of our completed investment properties were arrived at on the basis of valuations carried out by the Property Valuer, an independent professional property valuer. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. We have concluded that the fair value of our investment properties under construction cannot be measured reasonably, therefore, in accordance with HKFRS, our investment properties under construction continue to be measured at cost until construction is completed. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had investment properties of RMB307.4 million, RMB1,232.8 million, RMB1,443.6 million and RMB2,415.7 million, respectively. Our completed investment properties as of June 30, 2009 primarily comprised investment properties in The Mall at Phases I and II of Yuzhou World Trade Center, kindergarten at Phase I of Yuzhou Overseas City, Phases I and II of Yuzhou Jinqiao International, and Yuzhou Golden Seacoast.

Prepaid Land Lease Payments and Prepayments for Acquisition of Land

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Group has entered into a number of contracts to acquire land for property development projects and has made deposits in accordance with the terms of such contracts. These deposits are recorded as prepayments for acquisition of land before the rights to use the land are obtained, and are recorded as prepaid land lease payments after the rights to use the land are obtained but before the commencement of construction of the projects. As of December 31, 2006, construction had commenced for all of the land acquired in or before 2006, and therefore no prepaid land lease payments were recorded because the related prepaid land lease payments had been transferred to properties under development prior to December 31, 2006. As of June 30, 2009, we had prepaid land lease payments of RMB611.7 million in respect of land parcels for Phase III of Oriental Venice, Phase IV of Yuzhou Jinqiao International and a part of Phase II of Yuzhou Huaqiao City.

As of June 30, 2009, we had prepayments for acquisition of land of RMB230.7 million in respect of land parcels for F1 Plaza and a part of Phase II of Yuzhou Huaqiao City. Our prepayments for the land parcel for a part of Phase II of Yuzhou Huaqiao City as of June 30, 2009 were aged over one year because the local government had not fulfilled its obligations such as leveling of land, electricity and water supplies and the construction of pavements from the city to the land under the respective agreements with our Group. We received the land use rights certificate for such land in August 2009.

Properties under Development

Properties under development are stated at the lower of cost and net realizable value. Completed properties remaining unsold are recorded on our combined statements of financial position as completed properties held for sale. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had properties under development of approximately RMB1,909.8 million, RMB3,191.5 million, RMB3,412.1 million and RMB3,046.2 million, respectively.

Land costs comprise the costs of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods. As of December 31, 2006, 2007, 2008 and June 30, 2009, we had land costs of approximately RMB1,451.0 million, RMB2,031.9 million, RMB1,902.5 million and RMB1,645.4 million, respectively.

Prepayments, Deposits and Other Receivables

Prepayments, deposits other receivables, as detailed below, consist of prepayments, deposits and other receivables and amounts due from minority shareholders of subsidiaries.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)			
Prepayments				
Other taxes and surcharges	78,814	136,349	95,102	102,783
Sales commission	20,203	18,733	7,684	13,146
Others	16,946	7,887	13,978	12,981
	115,963	162,969	116,764	128,910
Deposits and other receivables				
Advances to contractors	29,771	78,080	69,236	32,385
Loans to minority shareholders	87,824	124,324	15,527	15,543
Others	17,128	33,439	45,670	73,234
Total	250,686	398,812	247,197	250,072

Prepayments. Prepayments primarily represent certain prepaid business tax and government surcharges and prepaid selling and marketing expenses. The increase in prepayments as of December 31, 2007 as compared to that as of December 31, 2006 was primarily due to the increase in prepaid business tax resulting from the increase in pre-sales of properties. The decreases in prepayments as of June 30, 2009 and December 31, 2008 as compared to December 31, 2007 were primarily due to decreases in prepaid business tax resulting from the delivery of properties.

Deposits and other receivables. Deposits and other receivables primarily represent advances to contractors and loans to minority shareholders. The increase in deposits and other receivables from 2006 to 2007 was partially due to the increase in deposits paid to government authority on behalf of the contractors in advance of constructions, which in turn reflected the increase in the number of property projects commenced by us. The deposits were paid for the purpose of safeguarding the payroll and welfare of the construction workers. The decreases in deposits and other receivables as of June 30, 2009 and December 31, 2008 as compared to those of December 31, 2007 were primarily due to the settlement of loans to minority shareholders, which mainly represented the funds advances to minority shareholders for advanced distribution of profits. The advances were interest-free and repayable on demand and were settled through declaration of dividends to minority shareholders and repayments from the minority shareholders.

Amounts Due from Related Parties

Amounts due from related parties represent non-trade receivables due from related parties that are unsecured, interest free and are payable on demand. The amounts due from related parties during the three years ended December 31, 2008 and the six months ended June 30, 2009 primarily comprised (i) fund advances to our Controlling Shareholders and (ii) fund advances to a related company. All the advances were sourced from our internal resources. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had amounts due from related parties of RMB361.0 million, RMB359.1 million, RMB27.3 million and RMB159.6 million, respectively. All such receivables will be settled prior to the completion of the Reorganization.

The following table sets forth, as of the dates indicated, the components of amounts due from related parties.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
		(RMB'000)		
Lam Lung On	2,892	2,892	2,892	2,892
Kwok Ying Lan	151,791	94,841	24,402	145,365
Lin Longzhi	18,513	43,543	—	—
Lin Conghui	200	200	—	—
Ye Biyun	9	9	—	—
Zongheng Group	162,813	192,813	—	—
Yaozhou Management Co.	24,770	24,770	—	—
Gangyi Capital Co.	—	—	—	900
Zongheng Technology Co.	—	—	—	10,400
	360,988	359,068	27,294	159,557

Trade Payables

As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had trade payables of RMB677.3 million, RMB688.6 million, RMB807.6 million and RMB832.9 million, respectively.

The following table sets forth, as of the dates indicated, the aging analysis of trade payables.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
		(RMB'000)		
Due within one year or on demand	524,860	314,793	498,578	513,036
Over one year	152,430	373,834	309,044	319,869
Total	677,290	688,627	807,622	832,905

For the purchases of construction materials and machines such as lifts directly procured by us, we are typically required to pay approximately 20% to 40% of the full purchase price upon the execution of the sales contract and settle the remaining purchase price upon acceptance of delivery if the supplier provides full warranty. We typically retain 2% to 5% of the full purchase price during the warranty period, which is typically two to three years, if the supplier does not provide a full warranty. Contractor's fees are paid by installments according to the progress of construction. An itemized contract is initially drawn up by a contractor based on anticipated work. After the final designs are approved by us, the contractor will audit the deliverables and work together with us to agree on the milestone payment schedule. Our construction contracts generally provide for progressive payments according to milestones reached, until a specified maximum percentage of the total contract sum is paid. We typically withhold 3% of the prices of construction contracts for two years after completion of the construction to apply against any expenses incurred as a result of any construction defects.

Receipts in Advance

Receipts in advance represent proceeds received from pre-sales of our property developments and consist of payments made at various stages prior to delivery. We recognize such proceeds on our combined statements of financial position as current liabilities. Consistent with industry practice, we typically enter into pre-sale contracts with customers while the properties are still under development and after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. Please see "Business — Project Development — Pre-sale" for more details. We recognize these proceeds as revenue on our combined income statement only when we have completed the construction of the relevant project and have delivered the property to the purchasers. In our experience, it generally takes approximately nine to 24 months for revenue to be recognized from the date of receipt of the pre-sale deposits. As our revenue from sales of properties is recognized upon the delivery of properties, the timing of such delivery may affect the amount and growth rate of our revenue.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our receipts in advance arising from various development projects amounted to approximately RMB2,076.3 million, RMB2,550.4 million, RMB1,816.2 million and RMB2,209.1 million, respectively.

The table below sets forth, for the projects indicated, receipts in advance received from customers as of June 30, 2009.

	As of June 30, 2009
	(RMB'000)
Yuzhou Harbour City — Phase II	265
Yuzhou Overseas City — Phase II	2,254
Yuzhou Hai Tian Plaza	28,715
Yuzhou World Trade Center	309,705
Yuzhou Jinqiao International — Phase II	715,218
Yuzhou Jinqiao International — Phase III	226,056
Galaxy Garden	239,515
Yuzhou Golden Seacoast	231,030
Yuzhou Garden — Phase III	483
Yuzhou Yuanbo City	434,740
Shuilian Manor	803
Yuzhou New City — Phase II	945
Oriental Venice	19,205
Other	141
Total	2,209,075

The total amount of receipts in advance as of June 30, 2009 was RMB2,209.1 million, of which RMB507.0 million, all from receipts in advance from the sales of units in Phase II of Yuzhou Jinqiao International, will be recognized in the second half of 2009 and the remaining RMB1,702.1 million will be recognized in 2010.

The table below sets forth the contracted sales information for the projects and periods indicated.

	For the year ended December 31,								For the three months ended March 31, 2009				For the three months ended June 30, 2009			
	2007				2008											
	Contracted sales	Units contractually sold	GFA contractually sold	Average selling price	Contracted sales	Units contractually sold	GFA contractually sold	Average selling price	Contracted sales	Units contractually sold	GFA contractually sold	Average selling price	Contracted sales	Units contractually sold	GFA contractually sold	Average selling price
	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)	(RMB'000)		(sq.m.)	(RMB)
Residential and Office																
Yuzhou World Trade Center Phase I	548,568	526	32,035	17,124	110,970	150	8,089	13,719	80,874	148	8,134	9,943	681	1	70	9,690
Yuzhou World Trade Center Phase II	0	0	0	0	56,852	78	4,357	13,049	64,036	61	5,531	11,577	168,896	162	13,094	12,899
Yuzhou Golden Seacoast	134,263	138	15,978	8,403	262,531	296	33,549	7,825	196,522	307	35,661	5,511	21,815	30	3,477	6,275
Galaxy Garden	110,542	51	6,462	17,107	111,746	84	10,519	10,624	384,826	360	45,673	8,426	84,424	65	8,269	10,210
Yuzhou Yuanbo City	0	0	0	0	44,339	126	10,533	4,209	259,589	743	65,177	3,983	304,943	756	69,779	4,370
Yuzhou Jinqiao International Phase I	321,124	477	23,044	13,935	3,224	4	215	15,021	530	1	42	12,664	1,230	2	96	12,797
Yuzhou Jinqiao International Phase II	127,554	131	6,579	19,389	450,238	460	25,072	17,958	74,709	104	5,683	13,147	75,889	98	5,530	13,722
Yuzhou Jinqiao International Phase III	0	0	0	0	17,543	23	1,187	14,781	51,356	69	3,672	13,987	205,928	284	15,492	13,292
Yuzhou Harbour City Phase II	125,404	71	12,207	10,273	8,225	6	1,226	6,709	0	0	0	0	0	0	0	0
Others[1]	263,300	364	41,934	6,279	43,188	69	5,366	8,048	50,563	34	4,434	11,404	7,007	11	948	7,393
Total	1,630,753	1,758	138,238	11,797	1,108,857	1,296	100,112	11,076	1,163,005	1,827	174,005	6,684	870,815	1,409	116,755	7,458

Note:

(1) Others include retail and car park spaces contractually sold for the projects listed above and residential, retail and car park spaces contractually sold for our other projects.

Following a period of rising property prices and transaction volume in most major cities in China from 2003 to 2007, the property market of China experienced a downturn in 2008 which continued into the first quarter of 2009. In addition, in February 2009, immediately after the Chinese New Year, we increased our marketing activities and efforts and offered price discounts for many of our projects. As a result of the foregoing, the average selling prices and GFA of a majority of our properties contractually sold experienced a decrease in 2008 and the first quarter of 2009 and rebounded in the second quarter of 2009.

Other Payables and Accruals

The following table sets forth, as of the dates indicated, the components of other payables and accruals.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)			
Accruals	1,348	1,146	1,164	3,990
Other payables				
Payables for acquisition of equity interests in subsidiaries	17,841	129,033	121,391	87,540
Other tax payables	6,118	33,121	35,379	34,688
Deposits received	1,463	11,372	8,685	11,124
Amount due to minority shareholders of subsidiaries	24,911	12,000	12,631	12,631
Others	5,755	49,034	40,988	35,825
Total	57,436	235,706	220,238	185,798

Other payables primarily represent payables for the acquisition of equity interests in subsidiaries, business tax payables, rental deposits and advances from a minority interest in a subsidiary. The increase in other payables as of December 31, 2007 was partially due to the consideration payable for the acquisitions of Guifeng Co., Liyade Co. and Kangli Co. amounting to approximately RMB65.0 million, RMB52.0 million and RMB11.4 million, respectively, as of December 31, 2007. RMB7.0 million of the payables for the acquisition of equity interests in Kangli Co. has been settled up to December 31, 2008. The payables for the acquisition of equity interests in subsidiaries as of June 30, 2009 include consideration payables for the acquisitions of Guifeng Co., Liyade Co. and Kangli Co. of approximately RMB65.0 million, RMB17.5 million and RMB4.4 million, respectively. The decrease in the payable balance with respect to Liyade Co. as of June 30, 2009 as compared with that as of December 31, 2008 was due to a reduction in the consideration by RMB34.5 million as certain conditions in the relevant acquisition agreement could not be fulfilled. RMB16.5 million of the payables for the acquisition of equity interests in Liyade Co. had been settled up to August 31, 2009.

According to the acquisition agreement with respect to Guifeng Co., retention money in the amount of approximately RMB65 million as of June 30, 2009 was withheld by us in connection with certain potential liabilities (if any) including, without limitation, tax in connection with property sales and expenses and compensation arising from or related to late delivery of individual property ownership certificates with respect to certain units. We expect to pay the sellers an amount equal to the excess of the retention money over any liabilities allocatable to sellers after the properties in Yuzhou World Trade Center are sold and delivered and Guifeng Co. has settled the liabilities, which we expect to occur prior to the end of 2011. Outstanding payables for the acquisition of Liyade Co. in the amount of RMB1.0 million as of August 31, 2009 will be payable when the sellers deliver to us certain original tax invoices and receipts related to Liyade Co., which we expect to occur prior to March 31, 2010. Outstanding payables for the acquisition of Kangli Co. in the amount of approximately RMB4.4 million as of August 31, 2009 are payable on demand and we expect to pay such amount to the sellers on the earlier of March 31, 2010 or the date on which the sellers request for such payment.

Amounts Due to Related Parties

Amounts due to related parties represent non-trade payables due to related parties that are unsecured, interest free and are payable on demand. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had amounts due to related parties of RMB261.5 million, RMB805.8 million, RMB578.5 million and RMB583.8 million, respectively. The sources of funding for Ms. Kwok Ying Lan and her father, Mr. Guo Wengu, to make advances to our Group were from Ms. Kwok's personal resources. Our PRC legal advisor has advised us that the advances from Ms. Kwok Ying Lan and Mr. Guo Wengu to our Group during the three years ended December 31, 2008 and the six months ended June 30, 2009 were made in compliance with relevant PRC laws and regulations. Save for an amount of RMB355.4 million due to Ms. Kwok Ying Lan as of June 30, 2009 which has been capitalized for the allotment and issue of our shares to the Controlling Shareholders as part of the Reorganization, all other amounts due to related parties will be settled prior to the completion of the Reorganization.

The following table sets forth, as of the dates indicated, the components of amounts due to related parties.

	As of December 31,			As of June 30, 2009
	2006	2007	2008	
	(RMB'000)			
Kwok Ying Lan	144,308	362,982	549,033	567,238
Guo Wengu	30,000	422,413	—	—
Ye Biyun	—	—	4,750	—
Lam Wang Yu	1,989	50	1,642	1,642
Lin Conghui	—	—	250	—
Zongheng Group	55,000	—	10,348	10,348
Zongheng Co.	25,000	2,620	—	—
Yaozhou Management Co.	5,248	5,248	—	—
Gangyi Capital Co.	—	—	4	—
Zongheng Communication Management Co.	—	12,479	12,479	4,539
	261,545	805,792	578,506	583,767

Minority interests

During the three years ended December 31, 2008 and the six months ended June 30, 2009, the minority interests recorded on our statements of financial position primarily represented minority interests in Yingfeng Co., Fengzhou Group Co., Hefei Yuzhou Co. and Ludong Co. In 2006 and 2007, we acquired the majority equity interests in Ludong Co. and Yingfeng Co. at percentages ranging from 80% to 95%. Ludong Co. possessed only land use rights at the time of acquisition. Ying Geng Co., through its subsidiaries Dashijie Co., possessed only land use rights and only pre-construction work, such as planning, had been completed at the time of acquisition. The business operations of the acquired companies were not transferred to us because the operating structures and staff of these companies were retained by their original holding companies. Pursuant to HKFRS 3 "Business Combinations", the aforesaid acquisitions do not constitute a business combination and are accounted for an acquisition of net assets and not a business combination. Therefore, the minority interests arising from these acquisitions are accounted for as minority interests arising from the acquisition of net assets in the Accountants' Report in Appendix I to this document.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at banks, including term deposits, which are not restricted as to use. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had cash and cash equivalents of RMB167.7 million, RMB138.0 million, RMB196.5 million and RMB456.8 million, respectively. The cash and cash equivalents as of June 30, 2009 increased from those as of December 31, 2008, in part due to an increase in receipts in advance of RMB392.9 million in the six months ended June 30, 2009 and a decrease in properties under development of RMB424.6 million in the six months ended June 30, 2009. These were partially offset by our repayment of bank and other borrowings amounting to RMB756.1 million in the six months ended June 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for land acquisition costs, construction costs and finance costs and to fund working capital and normal recurring expenses. To date we have funded our growth principally from shareholder contributions, internally generated cash flows, including proceeds from the sales and pre-sales of our properties, and bank loans. Going forward, we believe our liquidity requirements will be satisfied using a combination of bank loans, cash provided by operating activities including proceeds from the sales and pre-sales of our properties and other funds raised from the capital markets from time to time.

Financing of Our Projects

During the three years ended December 31, 2008 and the six months ended June 30, 2009 and at present, we finance our projects primarily through shareholder contributions, internally generated cash flows, including proceeds from the pre-sale and sale of our projects, and bank loans. The following summarizes our main sources of financing for our projects:

- **Shareholder contributions**. Historically, we partially used shareholder contributions to fund our project development. Under PRC laws and regulations, shareholders can make capital contributions in the form of registered capital or, in case they are shareholders of a foreign invested company in China, shareholders' loans to finance part of the funding needs of our project developments. After June 1, 2007, shareholder contributions by way of shareholder loan became restricted by applicable PRC regulations. Our PRC project companies are required to make a capital contribution of at least 35% of the total investment of a project (principally in the form of registered capital) when they apply for loans from banks for the development of the project.

- **Bank loans**. As of August 31, 2009, we had RMB1,273.4 million in bank loans outstanding. All of our bank loans are project specific. Once we start to pre-sell the projects, we gradually repay the bank loans using the pre-sale proceeds received. We are often required to secure our bank loans with properties under development or other assets. For more information on our bank loans, see "— Indebtedness".

- **Proceeds from the pre-sale and sale of properties**. We conduct the sale of our properties primarily by way of pre-sale. Pre-sale proceeds are the sales proceeds we receive when we sell properties prior to their completion. Pre-sale proceeds of one phase of a project or one whole project can be used to fund further construction of the same phase or project. Under PRC law, the following conditions must be fulfilled before the pre-sale of a particular property can commence: (i) the land premium must be paid in full and the land use rights certificates 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 shall 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 enter into sales contracts with our customers. For those purchasers who finance their purchases with mortgage financing, we generally require them to pay a minimum down payment of at least 20% to 30% of the purchase price for residential property at the execution of the pre-sale contract, and receive the remaining purchase price from the bank with which the purchaser has entered into a mortgage agreement typically within six months after the execution of the pre-sale contract. For the purchasers who do not require mortgage financing, we generally require the full purchase price to be paid upon the execution of the sales contract. In addition to proceeds from the pre-sale of properties, we also generate proceeds from the sale of completed properties.

In the future, we expect to use funds from a combination of sources to fund new projects, including bank loans, internally generated cash flow and other funds raised from the capital markets from time to time.

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2006	2007	2008	2008	2009
			(RMB'000)	(Unaudited)	
Net cash inflow/(outflow) from operating activities	(308,096)	(924,040)	(106,833)	(23,083)	1,111,993
Net cash outflow from investing activities	(390,615)	(676,008)	(142,966)	(84,217)	(74,416)
Net cash inflow/(outflow) from financing activities	772,831	1,534,915	304,893	139,538	(770,125)
Cash and cash equivalents at the end of the year	167,678	137,967	196,547	173,616	456,847

Cash flows from operating activities

We derive our cash inflow from operating activities principally from the pre-sale and sale of properties and cash from our other operating activities. Our cash outflow from operating activities is principally for investments in properties under development and purchase of land. We had a net cash outflow of RMB308.1 million, RMB924.0 million and RMB106.8 million in 2006, 2007 and 2008, respectively, and a net cash inflow of RMB1,112.0 million in the six months ended June 30, 2009. Our property development business experiences net operating cash outflows from time to time, particularly when imbalances occur between the timing of our cash inflows relating to the pre-sale and sale of properties and our cash outflows relating to the construction and development of properties and the purchases of land. Our historical net cash outflows from operating activities were primarily due to increases in properties under development and completed properties held for sale while other developments were being prepared for pre-sale. We expanded our property development business, including acquisition of land and construction of projects, and incurred cash outflows at a more rapid rate than cash return from pre-sale and sale of our projects which were eligible for pre-sale or sale in 2006, 2007 and 2008. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future.

In the six month ended June 30, 2009, we had a net cash inflow from operating activities in the amount of approximately RMB1,112.0 million. This net cash inflow was primarily attributable to (i) cash inflows from operating activities before changes in working capital of RMB587.1 million, (ii) a decrease in properties under development of RMB424.6 million and (iii) an increase in receipts in advance of RMB392.9 million.

In 2008, we had a net cash outflow from operating activities in the amount of approximately RMB106.8 million. This net cash outflow was primarily attributable to (i) a decrease in receipts in advance of RMB734.2 million and (ii) interest paid of RMB156.7 million, partially offset by (i) cash inflows from operating activities before changes in working capital of RMB643.9 million and (ii) a decrease in prepayments, deposits and other receivables of RMB151.6 million.

In 2007, we had a net cash outflow from operating activities in the amount of approximately RMB924.0 million. This net cash outflow was primarily attributable to (i) an increase in properties under development of RMB691.4 million, (ii) an increase in prepayments, deposits and other receivables of RMB136.1 million and (iii) the payment of land lease premium with respect to the lands for Phase III of Oriental Venice, Phase I of Yuzhou Huaqiao City and Phase IV of Yuzhou Jinqiao International of RMB703.9 million, partially offset by (i) an increase in receipts in advance of RMB474.1 million and (ii) cash inflows from operating activities before changes in working capital of RMB177.6 million.

In 2006, we had a net cash outflow from operating activities in the amount of approximately RMB308.1 million. This net cash outflow was primarily attributable to (i) an increase in properties under development of RMB680.1 million, (ii) an increase in completed properties held for sale of RMB790.4 million and (iii) an increase in prepayments, deposits and other receivables of RMB83.9 million, partially offset by an increase in receipts in advance of RMB1,296.3 million.

Cash flows from investing activities

Our investing activities mainly comprise investments in property, plant and equipment, and payments for acquisitions of a subsidiary and minority interests.

Our net cash outflow from investing activities was RMB390.6 million, RMB676.0 million, RMB143.0 million and RMB74.4 million in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively.

In the six months ended June 30, 2009, we had a net cash outflow from investing activities in the amount of RMB74.4 million. This net cash outflow was primarily attributable to a RMB40.1 million cash outflow for additions of investment properties and an increase in restricted cash of RMB30.1 million. The increase in restricted cash was primarily attributable to a new bank loan facility agreement entered into by a subsidiary of us with its bank, under which the subsidiary is required to place the pre-sale proceeds of its properties at designated bank accounts, which can only be used for the payment of property development cost incurred by the subsidiary and the repayment of the loan.

In 2008, we had a net cash outflow from investing activities in the amount of RMB143.0 million. This net cash outflow was primarily attributable to a RMB102.7 million cash outflow for additions of investment properties.

In 2007, we had a net cash outflow from investing activities in the amount of RMB676.0 million. This net cash outflow was primarily attributable to (i) a RMB321.2 million cash outflow for the payment for our acquisition of 40% equity interests in Jinguoji Co. in 2007, (ii) a RMB172.9 million cash outflow for additions of investment properties and (iii) a RMB156.9 million cash outflow for the payment for our acquisition of Guifeng Co. in 2007.

In 2006, we had a net cash outflow from investing activities in the amount of RMB390.6 million. This net cash outflow was primarily attributable to (i) a RMB256.4 million cash outflow for additions of investment properties and (ii) a RMB130.3 million cash outflow for the purchase of property, plant and equipment.

Cash flows from financing activities

Our cash inflow from financing activities is mainly generated from bank loans, capital contributions and changes in amounts due from/to related parties. Our cash outflow from financing activities primarily reflects repayments of bank loans and deemed distributions to shareholders.

We had a net cash inflow from financing activities of RMB772.8 million, RMB1,534.9 million and RMB304.9 million in 2006, 2007 and 2008, respectively. We had a net cash outflow from financing activities of RMB770.1 million in the six months ended June 30, 2009.

In the six months ended June 30, 2009, we had net cash outflow from financing activities in the amount of RMB770.1 million. This net cash outflow was primarily attributable to (i) a RMB756.1 million cash outflow for repayment of bank and other borrowings and (ii) an increase in amounts due from related parties of RMB132.3 million, partially offset by a RMB105.0 million cash inflow for new bank and other borrowings.

In 2008, we had net cash inflow from financing activities in the amount of RMB304.9 million. This net cash inflow was primarily attributable to (i) the proceeds from banking and other loans of RMB960.0 million and (ii) a decrease in amounts due from related parties of RMB331.8 million, partially offset by (i) a cash outflow of RMB638.6 million in respect of repayment of bank and other loans and (ii) a decrease in amounts due to related parties of RMB227.3 million.

In 2007, we had net cash inflow from financing activities in the amount of RMB1,534.9 million. This net cash inflow was primarily due to (i) the proceeds from banking loans of RMB1,490.0 million and (ii) an increase in amounts due to related parties of RMB531.8 million, partially offset by a cash outflow of RMB364.1 million in respect of repayments of bank loans.

In 2006, we had net cash inflow from financing activities in the amount of RMB772.8 million. This net cash inflow was primarily due to (i) the proceeds from bank loans of RMB1,030.0 million and (ii) a decrease in amounts due from related parties of RMB123.0 million, partially offset by (i) a cash outflow of RMB252.8 million in respect of repayments of bank loans and (ii) deemed distributions to shareholders of RMB157.3 million.

Net Current Assets/Liabilities

We had net current assets of RMB500.2 million, RMB31.2 million and RMB362.4 million as of December 31, 2006, 2007 and 2008, respectively. We had net current liabilities of RMB51.0 million as of June 30, 2009 as compared to net current assets of RMB362.4 million as of December 31, 2008, partially attributable to the reclassification of non-current bank loans to current liabilities which become repayable within one year from June 30, 2009 and increased expenditure for investment properties under construction during the six months ended June 30, 2009. Our net current liabilities increased to RMB365.7 million as of August 31, 2009 as compared to RMB51.0 million as of June 30, 2009, partially attributable to the early repayment of non-current bank loans due to surplus cash and increased expenditure for investment properties under construction. The table below sets forth the breakdown of our net current liabilities as of August 31, 2009.

	As of August 31, 2009
	(RMB'000) (Unaudited)
Current assets	
Prepaid land lease payments	327,714
Properties under development	3,141,848
Completed properties held for sale	953,352
Prepayments for acquisition of land	67,800
Prepayments, deposits and other receivables	297,401
Due from related parties	70,791
Prepaid corporate income tax	36,041
Prepaid LAT	18,278
Restricted cash	1,218
Cash and cash equivalents	383,589
	5,298,032
Current liabilities	
Receipts in advance	2,817,448
Trade payables	769,027
Other payables and accruals	171,352
Interest-bearing bank borrowings	823,440
Due to related parties	594,371
Tax payables	183,241
Provision for LAT	304,854
	5,663,733
Net current liabilities	365,701

Indebtedness

Our borrowings as of December 31, 2006, 2007, 2008, June 30, 2009 and August 31, 2009, respectively, are as follows:

	As of December 31,			As of June 30,	As of August 31,
	2006	2007	2008	2009	2009
			(RMB'000)		(Unaudited)
Current					
Bank loans					
unsecured	—	230,000	69,691	—	—
secured	282,200	714,350	756,862	893,440	823,440
Other loans[1]					
unsecured	—	—	145,000	90,000	—
	282,200	944,350	971,553	983,440	823,440
Non-current					
Bank loans					
unsecured	230,000	—	—	—	—
secured	405,000	1,098,750	1,392,950	730,000	450,000
	635,000	1,098,750	1,392,950	730,000	450,000
Total	917,200	2,043,100	2,364,503	1,713,440	1,273,440

Note:

(1) Represented entrusted loans obtained from Zongheng Group through a financial institution. Our PRC legal advisor is of the opinion that the entrusted loans are in compliance with all applicable PRC regulations.

The outstanding bank and other borrowings as at 31 December 2006, 2007, 2008, as at June 30, 2009 and as at August 31, 2009 bore a weighted average annual interest of 6.3%, 7.6%, 7.9%, 6.5% and 6.6% respectively. As of August 31, 2009, a substantial part of our borrowings were secured by properties of our Group and guaranteed by Group companies. As of December 31, 2006, 2007 and 2008, June 30, 2009 and August 31, 2009, our assets under pledge to secure bank borrowings by the Group were RMB716.6 million, RMB2,036.5 million, RMB1,828.1 million, RMB2,389.5 million and RMB2,166.6 million, respectively. As of December 31, 2006, 2007 and 2008, June 30, 2009 and August 31, 2009, our bank loans guaranteed by our Group companies amounted to RMB430.0 million, RMB700.0 million, RMB1,000.0 million, RMB865.0 million and RMB865.0 million, respectively, A former minority shareholder of one of our subsidiaries provided a personal guarantee for our bank loans in the amount of RMB90 million as of December 31, 2007. The guarantee executed by this former minority shareholder was not in proportion to her shareholding interest in that subsidiary. The bank loan was repaid in April 2008.

As of August 31, 2009, we had aggregate bank facilities of RMB5,085.0 million, of which RMB1,273.4 million was utilized and RMB3,811.6 million remained unutilized.

All of our bank loans are project specific loans and their repayment schedules are consistent with the pre-sale schedules of our projects. According to the repayment schedules set out in the relevant loan contracts, we are only required to gradually repay the outstanding amount of such loans after the scheduled commencement of pre-sales of the relevant property, i.e. through the additional cash flow generated from the projects. Substantially all of our outstanding bank loans do not contain material covenants on our ability to undertake additional debt or equity financing or pay dividends. As of the Latest Practicable Date, we had not defaulted on any debt service obligations and were not aware of any existing circumstance which may render us unable to service such indebtedness.

The maturity of our bank and other borrowings as of the dates indicated are as follows:

	As of December 31,			As of June 30,	As of August 31,
	2006	2007	2008	2009	2009
	(RMB'000)				(Unaudited)
Bank loans repayable:					
Within one year or on demand	282,200	944,350	826,553	893,440	823,440
After one year but within two years	560,000	728,750	1,167,950	700,000	450,000
After two years but within five years	75,000	370,000	225,000	30,000	—
Sub-total	917,200	2,043,100	2,219,503	1,623,440	1,273,440
Other loans repayable:(1)					
Within one year or on demand	—	—	145,000	90,000	—
Sub-total	—	—	145,000	90,000	—
Total	917,200	2,043,100	2,364,503	1,713,440	1,273,440

Note:
(1) Represented entrusted loans obtained from Zongheng Group through a financial institution.

Contractual commitments and obligations

As of June 30, 2009, our contractual commitments in connection with our property development activities amounted to RMB938.5 million, primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)			
Contracted, but not provided for:				
Investment properties under construction and properties under development	949,109	1,905,949	1,235,825	738,365
Acquisition of land use rights	154,088	161,588	60,000	200,110
Total	1,103,197	2,067,537	1,295,825	938,475

In addition, under various agreements we were obligated to make future cash payments in fixed amounts. The following table summarizes such contractual obligations by maturity, including interest payments, calculated using contractual rates or, if floating, based on rates as of June 30, 2009.

	As of June 30, 2009			
	Payment Due by Period			
	Less than 1 year	1-2 Years	3-5 Years	Total
	(RMB'000)			
Bank and other borrowings	1,064,484	719,560	31,034	1,815,078
Trade payables	513,036	319,869	—	832,905
Other payables	185,798	—	—	185,798
Due to related parties	583,767	—	—	583,767
Total	2,347,085	1,039,429	31,034	3,417,548

Contingent liabilities

As of June 30, 2009 and August 31, 2009, we provided guarantees of approximately RMB2,220.2 million and RMB2,470.4 million, respectively, to PRC banks in respect of the mortgage loans provided by the banks to purchasers of our developed properties. Our guarantees are issued from the dates of grant of the relevant mortgage loans and released upon the earlier of (i) the issuance of property ownership certificates, which are generally available within one to two years after the purchasers take possession of the relevant properties and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers.

Warranty against construction defects in properties

We provide warranties to purchasers of our properties with terms varying from one to five years against certain construction defects as stipulated under PRC laws and regulations. There were no expenses incurred by us in connection with the provision of warranties during the three years ended December 31, 2008 and the six months ended June 30, 2009 because we received corresponding warranties from the relevant contractors who have constructed the relevant properties.

Legal contingencies

In the normal course of business, we are involved in lawsuits and other proceedings. Please see "Risk Factors — Risks Relating to Our Business — We provide guarantees over mortgage loans given by banks to purchasers of our properties which may materially and adversely affect our results of operations and financial condition if we are required to honor the guarantees." While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, we believe that no liabilities resulting from these proceedings will have a material adverse effect on our financial position, liquidity, or operating results.

Off-balance sheet arrangements

Except for the contingent liabilities set forth above, as of June 30, 2009 and the Latest Practicable Date, we did not have any off-balance sheet arrangements with unconsolidated entities.

Financial resources and working capital

As of June 30 and August 31, 2009, we had aggregate cash and cash equivalents of RMB456.8 million and RMB383.6 million, respectively. As of June 30, 2009 and August 31, 2009, we had undrawn credit facilities granted by PRC banks in an aggregate amount of RMB3,531.6 million and RMB3,811.6 million, respectively. Once we start to pre-sell the projects, we are required to repay these loans gradually according to the schedules set out in the relevant loan agreements. The utilization of such undrawn facilities will enable us to obtain additional cash to finance part of the construction costs of our projects. This will have a positive impact on our cash flow. We intend to use pre-sale proceeds from the relevant projects to service any indebtedness under such project-specific facilities after their utilization.

We receive cash inflows from pre-sales of our properties and project-specific bank loans. We are permitted to pre-sell our properties under development when we obtain the relevant pre-sale permits. In accordance with our development plan, we have: (i) two projects comprising Oriental Venice and Yuzhou Yuanbo City for which we have commenced pre-sales in 2008 and continued pre-sales in 2009; (ii) two projects comprising Yuzhou Gu Shan No. One and Yuzhou Huaqiao City that we expect will be available for pre-sale in the second half of 2009; and (iii) one project comprising Yuzhou Diyuan Manor that we expect will be available for pre-sale in 2010, in each case subject to market conditions and construction progress.

The following table sets forth certain information in relation to the expected pre-sale schedule and total saleable GFA of such projects as August 31, 2009, in each case subject to market condition, construction progress and other factors which may be outside our control.

Project	As of August 31, 2009 Pre-sale Commencement Date	Total Saleable GFA (sq.m.)	Total Saleable GFA Unsold (sq.m.)
Projects under development			
Yuzhou Jinqiao International			
Phase I	Q1 2007	33,911	10,589
Phase II	Q3 2007	56,628	13,825
Phase III	Q4 2008	71,162	40,678
Phase IV	Q2 2010	69,803	69,803
Yuzhou World Trade Center			
Phase I	Q2 2007	119,192	52,181
Phase II	Q2 2008	64,180	37,479
Yuzhou Golden Seacoast			
Phase I	Q3 2007	115,977	27,433
Phase II	Q3 2009	117,374	100,917
Yuzhou Yuanbo City			
Phase I	Q4 2008	458,609	297,216
Oriental Venice			
Phase I	Q4 2008	73,397	16,931
Phase II	Q3 2008	60,899	55,963
Phase III	Q1 2011	220,558	220,558
Yuzhou Huaqiao City			
Phase I	Q3 2009	175,360	175,360
Phase II	Q2 2010	968,900	968,900
Yuzhou Gu Shan No. One	Q4 2009	83,224	83,224
Yuzhou Diyuan Manor	Q2 2010	176,525	176,525

Please see "Business — Description of Our Property Developments" where we set forth the details of these projects. In addition to cash inflows from pre-sales, we typically obtain project-specific bank loans once we receive the work commencement permits for our projects or project phases, using the relevant land use rights and properties as security. We may also in the future access the international capital markets and raise additional funds through debt or equity offerings. Furthermore, in the event of an unexpected need for liquidity, we could market our investment properties and properties under development for sale.

We expect that a significant factor negatively affecting our working capital for the 12 months following the date of this document to be our contractual commitments in connection with our property development activities. As of June 30, 2009, our commitments for construction expenditure was approximately RMB738.4 million and commitments for acquisition of land use rights was approximately RMB200.1 million. Please see "— Contractual commitments and obligations" for more details. We expect to fund our working capital for the 12 months following the date of this document with the following sources of funding:

- cash inflows from pre-sale and sale of our properties in accordance with our sales plan;
- proceeds from project-specific bank loans and facilities;

- cash and cash equivalents on hand; and
- proceeds from our property investment.

Based on the above, our Directors are satisfied that we have sufficient working capital to meet our present requirements and for at least 12 months from the date of this document because we expect to receive sufficient cash inflows from the pre-sales of our properties and project-specific bank loans. We are permitted to pre-sell our properties under development when we obtain the relevant pre-sale permits. We have a number of projects that we expect will be available for pre-sale in 2010 in accordance with our development plan. In addition to obtaining cash inflows from pre-sales, we obtain project-specific bank loans to finance the development of our projects. Given the cash inflows from our operating and financing activities, our Directors are satisfied that we have sufficient capital to meet our needs for at least 12 months from the date of this document.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

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

Interest rate

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. On October 28, 2004, the PBOC raised both its benchmark lending and deposit interest rates by 0.27% to 5.58% for one-year Renminbi loans and 2.25% for one-year deposits, respectively, with effect from October 29, 2004. This increase was the first time lending and deposit interest rates had been raised since July 1995 and July 1993, respectively. The PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. On April 28 and August 19, 2006, the PBOC raised its benchmark one-year interest rates by 0.27%, to 5.85% and 6.12%, respectively. On March 18, May 19, July 21, August 22, September 15 and December 21, 2007, respectively, the PBOC further increased these rates to 6.39%, 6.57%, 6.84%, 7.02%, 7.29% and 7.47%, respectively. The lending rates for various other terms were also raised accordingly. Each of these increases had a negative influence on the property market in China and therefore on our operations. On September 16, October 9, October 30, November 27, and December 25, 2008, respectively, the PBOC lowered the benchmark one-year lending rate to 7.20%, 6.93%, 6.66%, 5.58% and 5.31%, respectively. We do not currently use any derivative instruments to manage our interest rate risks.

Foreign exchange

We conduct our business primarily in Renminbi. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC Government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to our Shareholders, if any, outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. Please see "Risk Factors — Risks Relating to Business Operations in the PRC — We are subject to risks presented by fluctuations in foreign currencies" for more details.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.5% in 2006, 4.8% in 2007 and 5.9% in 2008. We cannot make any assurance that we will not be adversely affected by inflation or deflation in China in the future.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, including the interests in properties that are attributable to us, as valued by our Property Valuer, as of August 31, 2009, were approximately RMB16.0 billion. Please see Appendix V to this document for further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by our Property Valuer.

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

	(RMB'000)
Net book value of the Group's properties as of June 30, 2009	
Property, plant and equipment[(1)]	154,097
Investment properties	2,415,698
Properties under development	3,046,185
Completed properties held for sale	951,574
Prepaid land lease payments	611,675
Movement for the period from July 1, 2009 to August 31, 2009 (unaudited)	
Additions	389,517
Amortization of prepaid land lease payments	(858)
Depreciation	(12)
Net book value of the Group's properties as of August 31, 2009 subject to valuation as set out in the Property Valuation in Appendix V to this document (unaudited)	7,567,876
Valuation surplus, before corporate income tax, LAT and minority interests (unaudited)	9,769,641
Valuation of the Group's properties as of August 31, 2009	17,337,517
Attributable to the Group	15,974,957
Attributable to minority interests	1,362,560

Note:

(1) The net book value of property, plant and equipment amounted to an aggregate of approximately RMB166.1 million as of June 30, 2009. However, the net book value of property, plant and equipment (other than construction in progress and buildings) which amounted to approximately RMB12.0 million was excluded from the Property Valuation in Appendix V to this document and was therefore also excluded from this reconciliation.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Profit Forecast for the Year Ending December 31, 2009

The Directors believe that, on the basis and assumptions set out in "Profit Forecast" in Appendix III to our document and in the absence of unforeseen circumstances, our forecast combined profit attributable to shareholders of the Company for the year ending December 31, 2009 after fair value gains on investment properties, net of deferred tax effect is unlikely to be less than RMB1,072.4 million (HK$1,217.4 million). The profit forecast has been prepared by the Directors based on (i) the audited combined results of the Group for the six months ended June 30, 2009, (ii) the unaudited combined results of the Group for the two months ended August 31, 2009 and (iii) our forecast of the combined results of the Group for the remaining four months ending December 31, 2009 on the basis that the current Group structure had been in existence throughout the whole financial year ending December 31, 2009.

Substantially all of our forecast revenue for the four months ending December 31, 2009 is attributable to sale of properties in Phase II of Yuzhou Jinqiao International. The construction of Phase II of Yuzhou Jinqiao International was completed in May 2009 and we began delivering properties in such project phase in the second half of 2009. All properties in such project phase delivered or to be delivered during the four months ending December 31, 2009 were delivered or are expected to be delivered pursuant to sale agreements executed on or prior to June 30, 2009.

Forecast	RMB (in millions)
Combined profit attributable to our equity holders (before fair value gains on investment properties (net of deferred tax effect))	373.3
Fair value gains on investment properties	932.1
Provision for deferred tax liabilities	233.0
Fair value gains on investment properties (net of deferred tax effect)	699.1
Combined profit attributable to our equity holders after fair value gains on investment properties, net of deferred tax effect	1,072.4

Bases and Assumptions on Forecast Fair Value Gains on Investment Properties

The forecast profit, after forecast fair value gains on our investment properties (net of deferred tax effect) of RMB699.1 million, is RMB1,072.4 million. Such fair value gains on our investment properties have been estimated on the basis of projected valuations at December 31, 2009 estimated by the Directors according to a basis of valuation which is, as far as practicable, consistent with the basis of valuation which has been adopted by our Property Valuer in valuing our properties for the purposes of our audited combined financial information for the six-month period ended June 30, 2009 and the Property Valuation in Appendix V to this document. The investment properties were valued by our Property Valuer as of August 31, 2009.

In valuing our investment properties, the Directors have used the investment method by capitalizing the current rent passing derived from the existing tenancies with due provisions for reversionary income potential, or where appropriate, the direct comparison method by making reference to comparable sales evidence as available in the relevant market.

Accordingly, we have forecasted the fair value of our investment properties as of December 31, 2009 to be RMB2,035.3 million. We expect that the fair value of our investment properties as of December 31, 2009, and in turn any fair value gains on investment properties, will continue to be dependent on market conditions and other factors that are beyond our control, and are based on the valuation performed by an independent professional property valuer of which fair value gains are forecast, involves the use of assumptions that are, by their nature, subjective and uncertain.

Material assumptions we have adopted include:

- There will be no material changes in the bases or rates of taxation or the policies with respect to imposition of such taxation, in the countries or territories in which our Group operates.
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as of the date of this document.
- The current financial, economic and political conditions which prevail in the PRC and in the neighboring cities/provinces and which are material to the rental income generated by the investment properties are expected to remain unchanged.

Such specific assumptions are consistent with the approach undertaken by our Property Valuer in Appendix V to this document.

Changes in the fair value of our investment properties are dependent on market conditions and factors that are beyond our control at the relevant time. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our investment properties as of December 31, 2009, and our Property Valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any fair value gains or losses on investment properties as of the relevant time may differ materially from (and may be materially higher or lower than) our estimate. The bases and assumptions on which our profit forecast has been arrived are set out in the Profit Forecast in Appendix III to this document.

Fair Value Gains on Investment Properties by Projects

The forecast profit of RMB1,072.4 million for the year ending December 31, 2009 includes the forecast fair value gains on our investment properties. The forecast fair value gains on our investment properties, net of deferred tax effect, for the year ending December 31, 2009 is RMB699.1 million. No cash inflow will be generated from any such fair value gains.

	For the six-month period ended June 30, 2009	For the year ending December 31, 2009
	(RMB'000)	
The Mall at Phase I of Yuzhou World Trade Center	109,500	109,500
The Mall at Phase II of Yuzhou World Trade Center	441,047	441,047
Phase II of Yuzhou Jinqiao International	41,016	41,016
Yuzhou Golden Seacoast	107,508	107,508
Change in fair value recognized during the year/period	699,071	699,071

Sensitivity Analysis

The following table illustrates the sensitivity of the forecast net profit attributable to equity holders of our Company to levels of revaluation increase/(decrease) on investment properties (net of deferred tax effect) for the year ending December 31, 2009:

Changes in valuation of investment properties compared to the estimated revaluation increase/(decrease) on investment properties of RMB2,035.3 million	5%	10%	15%	(5)%	(10)%	(15)%
Impact on the forecast combined profit attributable to equity holders of our Company (RMB'000)	76,324	152,647	228,971	(76,324)	(152,647)	(228,971)

If the estimated fair value of investment properties rises/declines by 5%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,148.7 million/RMB996.1 million, respectively, i.e. 7.1% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of investment properties rises/declines by 10%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,225.1 million/RMB919.8 million, respectively, i.e. 14.2% higher/lower, respectively, than the targeted forecast profit.

If the estimated fair value of investment properties rises/declines by 15%, the forecast profit attributable to our equity holders for the year ending December 31, 2009 will be not less than RMB1,301.4 million/RMB843.4 million, respectively, i.e. 21.4% higher/lower, respectively, than the targeted forecast profit.

DIVIDENDS

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

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

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

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

Future dividend payments will also depend upon the availability of dividends received from our subsidiary companies in China. 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 and the generally accepted accounting principles in the U.S. 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 subsidiary companies 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 subsidiary companies may enter into in the future.

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

Considering our financial position, our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our shareholders approximately 30% of any distributable profit (excluding net fair value gains or losses on investment properties) for the financial year ending December 31, 2009. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in such year or in any given year.

During the three years ended December 31, 2008 and the six months ended June 30, 2009, our Company did not distribute any dividends to our shareholders.

As of June 30, 2009, our reserves available for distribution to the equity holders of our Company amounted to approximately RMB1,795.0 million.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial or trading condition in the last 12 months. We confirm that there has not been any material adverse change in our financial or trading position since June 30, 2009 (being the date as of which our latest audited combined information was prepared as set out in the Accountants' Report in Appendix I to this document).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.