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Two International Finance Centre
8 Finance Street, Central
Hong Kong

[date]

The Directors
Yuzhou Properties Company Limited
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Yuzhou Properties Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2006, 2007 and 2008 and the six-month period ended June 30, 2009 (the "Relevant Periods") and the six-month period ended June 30, 2008 (the "June 30, 2008 Financial Information"), prepared on the basis set out in note 2 of Section II below.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 23, 2008 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as detailed in note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Company's interests in its subsidiaries as at the date of this report are set out in note 1 of Section II below. The Group principally engages in property development and property investment and management in Mainland China.

Except for Kim International Realty and Development Company Limited which has adopted March 31 as its financial year end date for the financial years ended March 31, 2006 and 2007, all companies now comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as it has not been involved in any significant business transactions since incorporation other than the Reorganisation. The statutory accounts or management accounts of the subsidiaries were prepared in accordance with the relevant accounting principles applicable to these companies in their respective jurisdictions. Details of their statutory auditors during the Relevant Periods were set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the combined management accounts (the "HKFRS Combined Management Accounts") of the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The combined income statements, the combined statements of comprehensive income, the combined statements of cash flows and the combined statements of changes in equity of the Group for the Relevant Periods and the combined statements of financial position of the Group as at

December 31, 2006, 2007 and 2008 and June 30, 2009, together with the notes thereto, have been prepared based on the HKFRS Combined Management Accounts and in accordance with the basis set out in note 2 of section II below.

The directors of the Company are responsible for the preparation of the Financial Information which gives, for the purpose of this report, a true and fair view, and for the contents of the document in which this report is included. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates made are prudent and reasonable, and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion, based on our audit, on the Financial Information and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures as are necessary in accordance with applicable auditing guidelines issued by the HKICPA. No adjustments were considered necessary to adjust the HKFRS Combined Management Accounts of the Group for the Relevant Periods to conform to the Financial Information.

Procedures performed in respect of the June 30, 2008 Financial Information

For the purpose of this report, we have also performed a review of the June 30, 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the June 30, 2008 Financial Information.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information, prepared on the basis set out in note 2 of Section II below, gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and of the combined results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the June 30, 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the June 30, 2008 Financial Information does not give a true and fair view of the combined results and cash flows of the Group for the six-month period ended June 30, 2008.

I. FINANCIAL INFORMATION

(A) COMBINED INCOME STATEMENTS

		Year ended December 31,			Six-month period ended June 30,	
		2006	2007	2008	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	6	92,570	1,083,729	1,759,803	1,612,805	1,308,261
Cost of sales		(50,465)	(828,563)	(1,010,236)	(940,009)	(675,720)
Gross profit		42,105	255,166	749,567	672,796	632,541
Other income and gains	6	10,398	329,699	6,499	1,945	2,514
Selling and marketing expenses		(7,401)	(41,382)	(42,398)	(27,006)	(24,630)
Administrative expenses		(27,632)	(52,699)	(61,396)	(36,830)	(27,936)
Other expenses		(1,593)	(2,480)	(24,357)	(4,512)	(2,344)
Fair value gains on investment properties	15	840	73,396	108,088	47,910	932,094
Finance costs	8	—	(1,299)	(12,854)	(7,750)	(514)
PROFIT BEFORE TAX	7	16,717	560,401	723,149	646,553	1,511,725
Tax	11	(4,783)	(182,886)	(354,053)	(313,731)	(537,332)
PROFIT FOR THE YEAR/PERIOD		11,934	377,515	369,096	332,822	974,393
Attributable to:						
Equity holders of the Company		8,160	376,898	292,178	273,670	977,053
Minority interests		3,774	617	76,918	59,152	(2,660)
		11,934	377,515	369,096	332,822	974,393
Earnings per share attributable to equity holders of the Company	13	N/A	N/A	N/A	N/A	N/A

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
PROFIT FOR THE YEAR/PERIOD	11,934	377,515	369,096	332,822	974,393
Exchange difference on translation of foreign operations	(5,042)	35,397	3,486	3,411	(7,152)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	6,892	412,912	372,582	336,233	967,241
Attributable to:					
Equity holders of the Company	2,247	410,076	295,101	275,130	972,862
Minority interests	4,645	2,836	77,481	61,103	(5,621)
	6,892	412,912	372,582	336,233	967,241

(C) COMBINED STATEMENTS OF FINANCIAL POSITION

		At December 31,			At June 30,
		2006	2007	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	134,884	151,830	165,297	166,122
Investment properties	15	307,432	1,232,762	1,443,551	2,415,698
Prepaid land lease payments	16	—	596,124	586,930	548,583
Deferred tax assets	27	647	7,958	36,843	67,869
Total non-current assets		442,963	1,988,674	2,232,621	3,198,272
CURRENT ASSETS					
Prepaid land lease payments	16	—	102,257	63,549	63,092
Properties under development	17	1,909,847	3,191,481	3,412,056	3,046,185
Completed properties held for sale	18	988,152	959,465	836,423	951,574
Prepayments for acquisition of land		149,474	155,666	194,843	230,733
Prepayments, deposits and other receivables	19	250,686	398,812	247,197	250,072
Due from related parties	20	360,988	359,068	27,294	159,557
Prepaid corporate income tax		31,232	53,489	42,040	38,699
Prepaid land appreciation tax		—	—	12,717	16,334
Restricted cash	21	2,127	4,881	8,178	38,247
Cash and cash equivalents	21	167,678	137,967	196,547	456,847
Total current assets		3,860,184	5,363,086	5,040,844	5,251,340
CURRENT LIABILITIES					
Receipts in advance	22	2,076,278	2,550,387	1,816,212	2,209,075
Trade payables	23	677,290	688,627	807,622	832,905
Other payables and accruals	24	57,436	235,706	220,238	185,798
Interest-bearing bank and other borrowings	25	282,200	944,350	971,553	983,440
Due to related parties	20	261,545	805,792	578,506	583,767
Tax payable		5,222	76,849	101,300	196,071
Provision for land appreciation tax	26	—	30,131	182,964	311,307
Total current liabilities		3,359,971	5,331,842	4,678,395	5,302,363
NET CURRENT ASSETS/(LIABILITIES)		500,213	31,244	362,449	(51,023)
TOTAL ASSETS LESS CURRENT LIABILITIES		943,176	2,019,918	2,595,070	3,147,249
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	25	635,000	1,098,750	1,392,950	730,000
Deferred tax liabilities	27	210	142,353	188,880	436,768
Total non-current liabilities		635,210	1,241,103	1,581,830	1,166,768
Net assets		307,966	778,815	1,013,240	1,980,481
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	28	—	—	1	1
Reserves	29	262,045	671,321	879,095	1,851,957
		262,045	671,321	879,096	1,851,958
Minority interests		45,921	107,494	134,144	128,523
Total equity		307,966	778,815	1,013,240	1,980,481

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company							Minority interests	Total equity
		Issued capital	Statutory surplus reserve	Merger reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total		
		RMB'000 (Note 28)	RMB'000 (Note 29(c))	RMB'000 (Note 29(b))	RMB'000	RMB'000 (Note 29(e))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006		—	19,526	224,127	4,204	—	164,241	412,098	51,876	463,974
Total comprehensive income for the year		—	—	—	(5,913)	—	8,160	2,247	4,645	6,892
Capital contribution from the then equity owners		—	—	5,000	—	—	—	5,000	—	5,000
Deemed distribution to the then equity owners	29(d)	—	—	(157,300)	—	—	—	(157,300)	—	(157,300)
Transfer from retained profits		—	13,977	—	—	—	(13,977)	—	—	—
Dividends paid to minority shareholders		—	—	—	—	—	—	—	(12,910)	(12,910)
Acquisition of minority interests		—	—	—	—	—	—	—	(2,478)	(2,478)
Minority interests arising from acquisition of net assets		—	—	—	—	—	—	—	4,788	4,788
At December 31, 2006 and January 1, 2007		—	33,503*	71,827*	(1,709)*	—	158,424*	262,045	45,921	307,966
Total comprehensive income for the year		—	—	—	33,178	—	376,898	410,076	2,836	412,912
Deemed distribution to the then equity owners	29(d)	—	—	(800)	—	—	—	(800)	—	(800)
Transfer from retained profits		—	268	—	—	—	(268)	—	—	—
Dividends paid to minority shareholders		—	—	—	—	—	—	—	(23,873)	(23,873)
Acquisition of minority interests		—	—	—	—	—	—	—	(21,218)	(21,218)
Minority interests arising from acquisition of net assets		—	—	—	—	—	—	—	103,828	103,828
At December 31, 2007 and January 1, 2008		—	33,771*	71,027*	31,469*	—	535,054*	671,321	107,494	778,815
Total comprehensive income for the year		—	—	—	2,923	—	292,178	295,101	77,481	372,582
Issue of share on incorporation		1	—	—	—	—	—	1	—	1
Deemed distribution to the then equity owners	29(d)	—	—	(71,000)	—	—	—	(71,000)	—	(71,000)
Capital contribution from the then equity owners		—	—	1	—	—	—	1	—	1
Transfer from retained profits		—	9,256	—	—	—	(9,256)	—	—	—
Acquisition of minority interests		—	—	—	—	(16,328)	—	(16,328)	(831)	(17,159)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	(50,000)	(50,000)
At December 31, 2008		1	43,027*	28*	34,392*	(16,328)*	817,976*	879,096	134,144	1,013,240

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to equity holders of the Company							Minority interests	Total equity
		Issued capital	Statutory surplus reserve	Merger reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total		
		RMB'000 (Note 28)	RMB'000 (Note 29(c))	RMB'000 (Note 29(b))	RMB'000	RMB'000 (Note 29(e))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2009		1	43,027	28	34,392	(16,328)	817,976	879,096	134,144	1,013,240
Total comprehensive income for the period		—	—	—	(4,191)	—	977,053	972,862	(5,621)	967,241
At June 30, 2009		1	43,027*	28*	30,201*	(16,328)*	1,795,029*	1,851,958	128,523	1,980,481
(Unaudited)										
At January 1, 2008		—	33,771	71,027	31,469	—	535,054	671,321	107,494	778,815
Total comprehensive income for the period		—	—	—	1,460	—	273,670	275,130	61,103	336,233
Issue of share on incorporation		1	—	—	—	—	—	1	—	1
Deemed distribution to the then equity owners	29(d)	—	—	(71,000)	—	—	—	(71,000)	—	(71,000)
Capital contribution from the then equity owners		—	—	1	—	—	—	1	—	1
Acquisition of minority interests		—	—	—	—	(16,328)	—	(16,328)	(831)	(17,159)
Dividends paid to minority shareholders		—	—	—	—	—	—	—	(50,000)	(50,000)
At June 30, 2008		1	33,771	28	32,929	(16,328)	808,724	859,125	117,766	976,891

* These reserve accounts comprise the combined reserves of RMB262,045,000, RMB671,321,000, RMB879,096,000 and RMB1,851,957,000 in the combined statements of financial position as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

(E) COMBINED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Six-month period ended June 30,	
		2006	2007	2008	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		16,717	560,401	723,149	646,553	1,511,725
Adjustments for:						
Finance costs	8	—	1,299	12,854	7,750	514
Bank interest income	6	(1,135)	(2,179)	(1,254)	(685)	(827)
Depreciation	7	2,001	5,857	6,342	1,964	3,469
Amortisation of prepaid land lease payments	7	—	5,522	10,890	5,845	4,334
Fair value gains on investment properties	15	(840)	(73,396)	(108,088)	(47,910)	(932,094)
Loss on disposal of property, plant and equipment	7	916	—	—	—	—
Excess over the cost of a business combination	6	—	(319,882)	—	—	—
		17,659	177,622	643,893	613,517	587,121
Payment of land lease premiums		—	(703,903)	(64,006)	—	—
(Increase)/decrease in properties under development		(680,089)	(691,353)	24,327	(389,808)	424,606
(Increase)/decrease in completed properties held for sale		(790,383)	31,634	123,042	707,194	(115,151)
Increase in prepayments for acquisition of land		(66,974)	(6,192)	(39,177)	(40,132)	(35,890)
(Increase)/decrease in prepayments, deposits and other receivables		(83,909)	(136,062)	151,615	185,810	(2,875)
Increase/(decrease) in receipts in advance		1,296,323	474,109	(734,175)	(967,858)	392,863
Increase/(decrease) in trade payables		81,225	5,601	118,995	78,815	25,283
Increase/(decrease) in amounts due to related parties		—	12,479	—	—	(7,940)
(Decrease)/increase in other payables and accruals		(3,191)	55,411	(15,468)	(56,800)	30
Cash (used in)/generated from operations		(229,339)	(780,654)	209,046	130,738	1,268,047
Interest received		1,135	2,179	1,254	685	827
Interest paid		(27,729)	(87,752)	(156,738)	(80,971)	(59,249)
PRC corporate income tax paid		(49,868)	(46,072)	(100,153)	(50,560)	(23,496)
PRC land appreciation tax paid		(2,295)	(11,741)	(60,242)	(22,975)	(74,136)
Net cash inflow/(outflow) from operating activities		(308,096)	(924,040)	(106,833)	(23,083)	1,111,993
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of a subsidiary	30	—	(156,934)	—	—	—
Acquisition of minority interests		(2,478)	(321,218)	(17,159)	(17,159)	—
Purchases of items of property, plant and equipment		(130,300)	(22,168)	(19,809)	(13,323)	(4,294)
Additions of investment properties		(256,424)	(172,934)	(102,701)	(54,391)	(40,053)
Decrease/(increase) in restricted cash		(1,413)	(2,754)	(3,297)	656	(30,069)
Net cash outflow from investing activities		(390,615)	(676,008)	(142,966)	(84,217)	(74,416)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank and other borrowings		1,030,000	1,490,000	960,000	425,000	105,000
Repayment of bank and other borrowings		(252,800)	(364,100)	(638,597)	(309,930)	(756,063)
Proceeds from issuances of shares		—	—	1	1	—
(Increase)/decrease in amounts due from related parties		122,997	(98,080)	331,774	322,717	(132,263)
Increase/(decrease) in amounts due to related parties		37,844	531,768	(227,286)	(177,251)	13,201
Capital contribution from the then equity owners		5,000	—	1	1	—
Deemed distribution to the then equity owners		(157,300)	(800)	(71,000)	(71,000)	—
Dividends paid to minority shareholders		(12,910)	(23,873)	(50,000)	(50,000)	—
Net cash inflow/(outflow) from financing activities		772,831	1,534,915	304,893	139,538	(770,125)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		74,120	(65,133)	55,094	32,238	267,452
Cash and cash equivalents at beginning of year/period		98,580	167,678	137,967	137,967	196,547
Effect of foreign exchange rate changes, net		(5,022)	35,422	3,486	3,411	(7,152)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		167,678	137,967	196,547	173,616	456,847
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	21	167,678	137,967	196,547	173,616	456,847

II. NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on April 23, 2008 with limited liability. The Company and its subsidiaries (collectively referred to as the "Group") principally engage in property development, property investment and property management in Xiamen, Shanghai, Fuzhou and Hefei, the People's Republic of China (the "PRC") (collectively the "Relevant Businesses").

Pursuant to a special resolution dated June 2, 2008, the name of the Company was changed from Yuzhou International Holdings Company Limited to Yuzhou Properties Company Limited.

Prior to the incorporation of the Company, the Relevant Businesses were carried out by the subsidiaries now comprising the Group (the "Relevant Companies") which are owned either by Ms. Ye Biyun, Mr. Lin Longzhi or Mr. Lin Conghui on behalf of Mr. Lam Lung On ("Mr. Lam") and Ms. Kwok Ying Lan ("Ms. Kwok"), the spouse of Mr. Lam, (collectively the "Founders") or directly by one of the Founders. Ms. Ye Biyun is the mother of Ms. Kwok. Mr. Lin Longzhi and Mr. Lin Conghui is the brother and brother-in-law of Mr. Lam, respectively, and the directors of the Company.

In order to rationalise the current corporate structure of the Group, the following principal steps were undertaken to transfer the interests in the Relevant Companies to the Company (the "Reorganisation"):

(a) On January 5, 2005, Fung Chow Co. entered into an equity transfer agreement with Hong Kong Yuzhou Investment Co., Ltd. to acquire a 100% equity interest in Dynasty International (1993) Pte Ltd at a consideration of SG$2,400,000.

(b) On April 10, 2006, Fung Chow Co. entered into an equity transfer agreement with each of Ms. Kwok and Mr. Lin Conghui to acquire a 90% and 10% equity interest in Xiamen Ganyi Real-Estate Co., Ltd. at a consideration of RMB4,500,000 and RMB500,000, respectively.

(c) On June 29, 2006, Fung Chow Co. entered into an equity transfer agreement with Hong Kong Yuzhou Investment Co., Ltd. to acquire a 90% equity interest in Anhui Overseas City Construction & Development Co., Ltd. ("Anhui Huaqiaocheng Co.") at a consideration of US$2,700,000.

(d) On August 25, 2006, Xiamen Yuzhou Group Ltd. ("Yuzhou Co.") entered into an equity transfer agreement with each of Ms. Kwok and Mr. Lin Longzhi to acquire a 55% and 45% equity interest in Shanghai Kangtai Real Estate Development Co., Ltd. at a consideration of RMB16,500,000 and RMB13,500,000, respectively.

(e) On May 21, 2007, Yuzhou Group (H.K.) Company Limited and Mr. Lin Longzhi entered into an equity transfer agreement by which Yuzhou Group (H.K.) Company Limited acquired a 7.41% equity interest in Xiamen Yaozhou Real Estate Development Company from Mr. Lin Longzhi at a consideration of HK$824,000.

(f) On January 3, 2008, Yuzhou Co. and Ms. Ye Biyun entered into an equity transfer agreement by which Yuzhou Co. acquired a 42.37% equity interest in Xiamen Yuzhou Real Estate Development Co., Ltd. from Ms. Ye Biyun at a consideration of RMB10,000,000.

(g) On January 3, 2008, Yuzhou Co. and Mr. Lin Conghui entered into an equity transfer agreement by which Yuzhou Co. acquired a 6.67% equity interest in Xiamen Huaqiao City Real Estate Management Service Co., Ltd. from Mr. Lin Conghui at a consideration of RMB200,000.

(h) On January 27, 2008, Xiamen Ganyi Real-Estate Co., Ltd. entered into equity transfer agreements with Ms. Ye Biyun and Mr. Lin Conghui by which Xiamen Gangyi Real-Estate Co., Ltd. acquired a 95% equity interest in Xiamen Gangyi Communications Co., Ltd. from Ms. Ye Biyun at a consideration of RMB4,750,000, and a 5% equity interest in Xiamen Gangyi Communications Co., Ltd. from Mr. Lin Conghui at a consideration of RMB250,000.

(i) On January 3, 2008, Xiamen Ganyi Real-Estate Co., Ltd. and Xiamen Yaozhou Management Company Limited ("Yaozhou Management Co."), which is 95% owned by Ms. Ye Biyun and 5% owned by Mr. Lin Conghui, entered into an equity transfer agreement by which Xiamen Ganyi Real-Estate Co., Ltd. disposed of a 100% equity interest in Xiamen Zongheng Group Property Development Co., Ltd. to Yaozhou Management Co. at a consideration of RMB5,000,000.

(j) On January 7, 2008, Xiamen Richville Development Limited ("Guifeng Co.") and Mr. Lin Longzhi entered into an equity transfer agreement by which Guifeng Co. acquired a 5.02% equity interest in Yuzhou Co. from Mr. Lin Longzhi at a consideration of RMB2,800,000. On the same date, Xiamen Kim International Realty Development Co., Ltd. and Mr. Lin Conghui entered into an equity transfer agreement by which Xiamen Kim International Realty Development Co., Ltd. acquired a 5.02% equity interest in Yuzhou Co. from Mr. Lin Conghui at a consideration of RMB2,800,000. On the same date, Xiamen Ganyi Real-Estate Co., Ltd. and Ms. Ye Biyun entered into an equity transfer agreement by which Xiamen Ganyi Real-Estate Co., Ltd. acquired a 89.96% equity interest in Yuzhou Co. from Ms. Ye Biyun at a consideration of RMB50,200,000.

(k) Pursuant to a share transfer agreement dated January 24, 2008, the entire 99.96% equity interest in Xiamen Zongheng Group Co., Ltd. ("Zongheng Group") were transferred from Xiamen Gangyi Communications Co., Ltd., a wholly-owned subsidiary of the Company, to Xiamen Ganyi Capital Company Limited, which is 95% owned by Ms. Ye Biyun and 5% owned by Mr. Lin Conghui, at a consideration of approximately RMB168,224,000. Zongheng Group and its subsidiaries are principally engaged in the telecom business (the "Non-Relevant Business"), which is dissimilar to the Relevant Business of the Group.

(l) Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam and Ms. Kwok as shareholders of Hongkong Xingzhou Investment Company Limited ("Xingzhou Co.") agreed to transfer, in aggregate, their entire interests in Xingzhou Co., being 6,000 shares representing 60% shareholding interest, to Yuzhou International Holdings Company Limited ("BVI Co.") in consideration of the sum of HK$2.00. The transfer was completed on October 9, 2009.

(m) Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam and Ms. Kwok as shareholders of Yuzhou Group (H.K.) Company Limited ("Hong Kong Yuzhou Group") agreed to transfer, in aggregate, their entire interests in Hong Kong Yuzhou Group, being 100% shareholding interest, to BVI Co. in consideration of the sum of HK$2.00. The transfer was completed on October 9, 2009.

(n) Pursuant to a sale and purchase agreement dated September 21, 2009, Mr. Lam and Ms. Kwok as shareholders of Fung Chow Co. agreed to transfer, in aggregate, their entire interests in Fung Chow Co., being 100% shareholding interest, to BVI Co. in consideration of the sum of HK$406,162,968.00. The transfer was completed on October 9, 2009.

As at the date of this report, the Company is owned as to 50% by Mr. Lam and as to 50% by Ms. Kwok.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and operations	Nominal value of paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yuzhou International Holdings Company Limited	British Virgin Islands April 23, 2008	US$100	100%	—	Investment holding
Hongkong Xingzhou Investment Company Limited (香港星洲投資有限公司)	Hong Kong April 19, 2004	HK$10,000	—	60%	Investment holding
Yuzhou Group (H.K.) Company Limited (禹洲集團(香港)有限公司)	Hong Kong March 8, 2005	HK$10,000	—	100%	Investment holding
Hong Kong Fung Chow Investment Limited (香港豐洲投資有限公司)	Hong Kong November 29, 2000	HK$10,000	—	100%	Investment holding
Dynasty International (1993) Pte Ltd (新加坡國際帝元私營有限公司)	Singapore January 14, 1994	SG$2,400,000	—	100%	Investment holding
Kim International Realty And Development Company Limited (菲律賓國際地產發展有限公司)	Hong Kong August 27, 1992	HK$39,500,000	—	100%	Investment holding
Fung Chow Holdings Limited (豐洲集團有限公司)	Hong Kong December 14, 2001	HK$100,000	—	60%	Investment holding
Gangli Decoration Design Engineering Limited (港麗裝飾設計工程有限公司)	Hong Kong August 30, 2007	HK$1	—	100%	Property agency services
Goastal Greenland Development (Fujian) Limited** (沿海綠色家園發展(福建)有限公司)	The PRC January 11, 1991	US$10,000,000	—	60%	Property development
Xiamen Yaozhou Real Estate Development Company* (廈門堯洲房地產開發有限公司)	The PRC March 27, 1998	RMB10,800,000	—	100%	Property development
Xiamen Gangyi Real Estate Marketing Agent Co., Ltd.* (廈門港誼房產營銷代理有限公司)	The PRC July 4, 2007	HK$5,000,000	—	100%	Marketing
Xiamen Yuzhou Commercial Investment & Management Co., Ltd.** (廈門禹洲商業投資管理有限公司)	The PRC April 18, 2007	HK$5,000,000	—	100%	Property management
Xiamen Diyuan Bonded Storage and Distribution Co., Ltd.*** (廈門帝元保税儲運有限公司)	The PRC November 17, 1994	RMB20,000,000	—	98%	Property development
Xiamen Kim International Realty Development Co., Ltd. ("Jinguoji Co.")** (廈門金國際地產發展有限公司)	The PRC July 13, 1994	US$9,950,000	—	100%	Property development
Xiamen Richville Development Ltd.** (廈門貴豐房地產開發有限公司)	The PRC November 19, 1992	US$5,000,000	—	100%	Property development
Xiamen Ganyi Real-Estate Co., Ltd.** (廈門港誼置業有限公司)	The PRC April 8, 2005	RMB5,000,000	—	100%	Property development

Company name	Place and date of incorporation/ registration and operations	Nominal value of paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Xiamen Fengxhou Real-Estate Co., Ltd.** (廈門豐洲置業有限公司)	The PRC October 10, 2000	HK$18,000,000	—	60%	Property development
Xiamen Yuzhou Hotel Invest & Manage Co., Ltd.*** (廈門禹洲酒店投資管理有限公司)	The PRC May 24, 2006	RMB50,000,000	—	100%	Hotel operation
Xiamen Yuzhou Group Realty Invest Co., Ltd.*** (廈門禹洲集團地產投資有限公司)	The PRC June 20, 2006	RMB20,000,000	—	100%	Property development
Xiamen Skyplaz Realty & Development Co., Ltd.*** (廈門海天房地產開發有限公司)	The PRC June 16, 1993	US$6,600,000	—	100%	Property development
Hefei Yuzhou Real Estate Development Co., Ltd.** (合肥禹洲房地產開發有限公司)	The PRC August 1, 2006	US$7,677,345	—	100%	Property development
Xiamen Huaqiao City Real Estate Co., Ltd.** (廈門華僑城房地產開發有限公司)	The PRC September 6, 1999	RMB20,000,000	—	100%	Property development
Anhui Overseas City Construction & Development Co., Ltd.** (安徽華僑城建設發展有限公司)	The PRC March 31, 2004	US$3,000,000	—	100%	Property investment
Xiamen Yuzhou Group Ltd.* (廈門禹洲集團股份有限公司)	The PRC December 8, 1994	RMB55,800,000	—	100%	Property investment
Shanghai Kangtai Real Estate Development Co., Ltd.* (上海康泰房地產開發有限公司)	The PRC January 18, 1993	RMB30,000,000	—	100%	Property development
Shanghai Kangtai Property Management Co., Ltd.* (上海康泰物業管理有限公司)	The PRC July 10, 2007	RMB1,000,000	—	100%	Property management
Shanghai Yuejiang Realty Co., Ltd.* (上海悦江置業有限公司)	The PRC March 21, 2005	RMB48,000,000	—	100%	Property development
Shanghai Yanhai Real Estate Development Co., Ltd.* (上海燕海房地產開發經營有限責任公司)	The PRC December 25, 1992	RMB48,450,000	—	100%	Property development
Shanghai Liyade Property Investment Co., Ltd.* (上海利雅得投資置業有限公司)	The PRC February 12, 2004	RMB10,000,000	—	100%	Property development
Shanghai Yuzhou Hotel Management Co., Ltd.* (上海禹洲酒店管理有限公司)	The PRC March 7, 2007	RMB2,000,000	—	100%	Hotel management
Xiamen Huaqiao City Real Estate Management Service Co., Ltd.* (廈門華僑城物業經營服務有限公司)	The PRC May 22, 1997	RMB3,000,000	—	100%	Property management
Xiamen Yuzhou Property Development Co., Ltd.* (廈門禹洲房地產開發有限公司)	The PRC February 25, 1999	RMB23,600,000	—	100%	Property development
Xiamen Gangyi Communications Co., Ltd.** (廈門港誼通訊有限公司)	The PRC August 31, 2006	RMB5,000,000	—	100%	Investment holding
Fujian Yingfeng Real Estate Investment Co., Ltd.* (福建盈峰地產投資有限公司)	The PRC December 5, 2001	RMB50,000,000	—	80%	Property investment
Fujian Big World Huaxia Real Estate Development Co., Ltd.* (福建大世界華夏房地產有限公司)	The PRC January 28, 1999	RMB40,000,000	—	80%	Property development
Fujian Wanlong Property Management Co., Ltd.* (福建萬龍物業管理服務有限公司)	The PRC April 15, 2004	RMB5,000,000	—	80%	Property management
Hefei Ludong Real Estate Development Co., Ltd.* (合肥廬東房地產開發有限責任公司)	The PRC January 16, 2006	RMB80,000,000	—	100%	Property development
Hefei Kangli Realty Co., Ltd.* (合肥市康麗置業有限公司)	The PRC December 27, 2005	RMB10,080,000	—	100%	Property development

The financial statements of the following subsidiaries of the Company for each of the three years ended 31 March/December 2006, 2007 and 2008 or since their respective dates of establishment, whichever is shorter, were audited by certified public accountants either registered in the PRC or Hong Kong, as shown below:

Company name	Financial period	Auditors
Subsidiaries		
Hong Kong Fung Chow Investment Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Hongkong Xingzhou Investment Company Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Yuzhou Group (H.K.) Company Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Fung Chow Holdings Limited	Years ended December 31, 2006, 2007 and 2008	Franco Lee & Co.
Kim International Realty And Development Company Limited	Years ended March 31, 2006 and 2007	Allen Kong & Co.
	Period ended December 31, 2008	Franco Lee & Co.
Dynasty International (1993) Pte Ltd	Years ended December 31, 2006, 2007 and 2008	Law Piang Woon & Co.
Gangli Decoration Design Engineering Limited	Period ended December 31, 2008	Franco Lee & Co.
Xiamen Gangyi Communications Co., Ltd. (Note 3)#	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Group Ltd.#	Year ended December 31, 2006	Xiamen Huacheng Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Property Development Co., Ltd. (Note 1)#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yaozhou Real Estate Development Company#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Huaqiao City Real Estate Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Fengxhou Real-Estate Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Huacheng Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Skyplaz Realty & Development Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.

Company name#	Financial period	Auditors
Xiamen Diyuan Bonded Storage and Distribution Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Kim International Realty Development Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Ganyi Real-Estate Co., Ltd.#	Year ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Huacheng Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Commercial Investment & Management Co., Ltd.#	Period ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Richville Development Ltd.#	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Huaqiao City Real Estate Management Service Co., Ltd.#	Years ended December 31, 2006 and 2007	Xiamen Xuchu Registered Tax Agents Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Group Realty Invest Co., Ltd.#	Period ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Yuzhou Hotel Invest & Manage Co., Ltd.#	Period ended December 31, 2006	Xiamen Yongruihengxin Accountants Office Co., Ltd.
	Year ended December 31, 2007	Xiamen Fang Hua Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Xiamen Ganyi Real Estate Marketing Agent Co., Ltd.#	Period ended December 31, 2007	Xiamen Xinchang Certified Public Accountants Co., Ltd.
	Year ended December 31, 2008	Xiamen ZhongXing Certified Public Accountants Co., Ltd.
Goastal Greenland Development (Fujian) Limited#	Years ended December 31, 2006 and 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.

Company name	Financial period	Auditors
Fujian Yingfeng Real Estate Investment Co., Ltd.#	Year ended December 31, 2006	Fujian Guolong Certified Public Accountants Limited
	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.
Fujian Big World Huaxia Real Estate Development Co., Ltd.#	Year ended December 31, 2006	Fujian Tianhe Certified Public Accountants
	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.
Fujian Wanlong Property Management Co., Ltd.#	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
	Year ended December 31, 2008	Fuzhou Xingjia Certified Public Accountants Co., Ltd.
Fujian Oriental Venice Leisure Development Co., Ltd. (Note 2)#	Year ended December 31, 2007	Fujian Yonglichengxin Accountants Office Co., Ltd.
Anhui Overseas City Construction & Development Co., Ltd.#	Year ended December 31, 2006	Min Sheng (Hefei) CPA
	Years ended December 31, 2007 and 2008	Anhui Hezhonglihua Certified Public Accountants
Hefei Yuzhou Real Estate Development Co., Ltd.#	Period ended December 31, 2006 and years ended December 31, 2007 and 2008	Anhui Dacheng Certified Public Accountants
Hefei Kangli Realty Co., Ltd.#	Years ended December 31, 2007 and 2008	Anhui Jiahua Certified Public Accountants
Hefei Ludong Real Estate Development Co., Ltd.#	Year ended December 31, 2007	Anhui All Nations Wealth Accountant Office Co., Ltd.
	Year ended December 31, 2008	Anhui Jiahua Certified Public Accountants
Shanghai Kangtai Real Estate Development Co., Ltd.#	Year ended December 31, 2006	Shanghai GuangDa Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Yuejiang Realty Co., Ltd.#	Year ended December 31, 2006	Shanghai GuangDa Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Yanhai Real Estate Development Co., Ltd.#	Period ended December 31, 2006	Shanghai GuangDa Certified Public Accountants Co., Ltd.
	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Liyade Property Investment Co., Ltd.#	Year ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Kangtai Property Management Co., Ltd.#	Period ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership
Shanghai Yuzhou Hotel Management Co., Ltd.#	Period ended December 31, 2007	Shanghai Xinyun Certified Public Accountants
	Year ended December 31, 2008	Shanghai Saint C.P.A. Partnership

* Registered as limited liability companies under the PRC Law.

** Registered as wholly-foreign owned entities under the PRC Law.

*** Registered as Sino-foreign joint ventures under the PRC Law.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they do not register any official English names.

Note 1: No statutory financial statements were issued in respect of the year ended December 31, 2007.

Note 2: The company was deregistered during the year ended December 31, 2008.

Note 3: No statutory financial statements were issued in respect of the period ended December 31, 2006 and year ended December 31, 2007.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Since the Company and the Relevant Companies were and are ultimately controlled by the Founders both before and after the completion of the Reorganisation, the Reorganisation is considered as a business combination under common control and is accounted for using the principles of merger accounting.

The combined income statements, the combined statements of comprehensive income, the combined statements of cash flows and the combined statements of changes in equity of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition, incorporation or establishment, whichever is shorter, as further explained in note 3. The combined statements of financial position of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence and in accordance with the respective equity interest and/or the power to exercise control over the individual companies attributable to the Founders as at the respective dates.

As detailed in note 1(k) above, the Group disposed of the Non-Relevant Business pursuant to a share transfer agreement dated January 24, 2008. The Financial Information excludes the operating results and financial position of the Non-Relevant Business as the Non-Relevant Business was engaged in business dissimilar to the Relevant Business and was and will be operated autonomously both before and after the Reorganisation.

As at 30 June 2009, the current liabilities of the Group exceeded its current assets by approximately RMB51,023,000. Taking into account the existing banking facilities available to the Group and the cash flows of the operation of the Group, the directors of the Company consider that the Group will have sufficient financial resources to finance its operation in the foreseeable future and have prepared the Financial Information on a going concern basis notwithstanding the net current liability position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. It has been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after January 1, 2006, January 1, 2007, January 1, 2008 and January 1, 2009. For the purpose of preparing and presenting the Financial Information, the Group has early adopted the new and revised HKFRSs throughout the Relevant Periods.

The Group has not applied the following new and revised HKFRSs which are applicable to the Group, that have been issued but are not yet effective, in the Financial Information:

HKFRS 3 (Revised)	*Business Combinations*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[1]

1 Effective for annual periods beginning on or after July 1, 2009
2 Effective for transfers of assets from customers received on or after July 1, 2009

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs* in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after July 1, 2009 and no transitional provisions for amendments to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after January 1, 2010 although there are separate transitional provisions for each standard.

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

The significant accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform with HKFRSs and accounting principles generally accepted in Hong Kong, are set out below:

Basis of combination

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs, as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Under the purchase method of accounting, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All significant intra-group transactions and balances have been eliminated on combination.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group;

(c) the party is a close member of the family of any individual referred to in (a) or (b); or

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of lease terms and 20 years
Leasehold improvements	Over the shorter of lease terms and 5 years
Furniture, fixtures and office equipment	2 to 5 years
Motor vehicles	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

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. The Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably, therefore, the Group's investment properties under construction continue to be measured at cost until construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

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

Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that is significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, markets economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank and other borrowings)

Financial liabilities including trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured;

(b) from the rendering of services, when the services are rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the Financial Information of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date, and their income statements are translated into RMB at the weighted average exchange rates for the Relevant Periods. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the combined cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each reporting date.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square meter sold during the year multiplied by the average cost per square meter of that particular phase of the project.

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of investment properties

Investment properties are revalued at the reporting date on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the reporting date are used.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;

(c) the property management segment engages in the provision of management services to properties;

(d) the hotel operation segment engages in the development and operation of hotels; and

(e) the others segment comprises corporate income and expense items.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

During the Relevant Periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended December 31, 2006

	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	86,935	—	5,635	—	—	—	92,570
Other revenue	7,180	—	72	—	2,011	—	9,263
Total	94,115	—	5,707	—	2,011	—	101,833
Segment results	12,372	840	795	—	1,575	—	15,582
Interest income							1,135
Finance costs							—
Profit before tax							16,717
Tax							(4,783)
Profit for the year							11,934
Assets and liabilities							
Segment assets	4,336,909	307,432	3,255	124,502	1,297,443	(2,329,066)	3,740,475
Unallocated assets:							
Deferred tax assets							647
Due from related parties							360,988
Prepaid corporate income tax							31,232
Restricted cash							2,127
Cash and cash equivalents							167,678
Total assets							4,303,147
Segment liabilities	3,413,453	—	5,270	74,532	1,261,522	(1,943,773)	2,811,004
Unallocated liabilities:							
Interest-bearing bank and other borrowings							917,200
Due to related parties							261,545
Tax payable							5,222
Deferred tax liabilities							210
Total liabilities							3,995,181
Other segment information:							
Depreciation and amortisation	1,793	—	26	—	182	—	2,001
Capital expenditure	5,827	256,424	31	124,442	—	—	386,724
Fair value gains on investment properties	—	840	—	—	—	—	840

Year ended December 31, 2007

	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	1,050,052	18,407	15,270	—	—	—	1,083,729
Other revenue	3,770	1,896	65	—	1,907	—	7,638
Total	1,053,822	20,303	15,335	—	1,907	—	1,091,367
Segment results	156,844	397,457	3,797	(68)	1,491	—	559,521
Interest income							2,179
Finance costs							(1,299)
Profit before tax							560,401
Tax							(182,886)
Profit for the year							377,515
Assets and liabilities							
Segment assets	5,392,716	1,654,698	13,377	137,955	1,393,580	(1,803,929)	6,788,397
Unallocated assets:							
Deferred tax assets							7,958
Due from related parties							359,068
Prepaid corporate income tax							53,489
Restricted cash							4,881
Cash and cash equivalents							137,967
Total assets							7,351,760
Segment liabilities	3,866,295	130,880	12,082	86,990	590,352	(1,211,879)	3,474,720
Unallocated liabilities:							
Interest-bearing bank and other borrowings							2,043,100
Due to related parties							805,792
Tax payable							76,849
Provision for land appreciation tax							30,131
Deferred tax liabilities							142,353
Total liabilities							6,572,945
Other segment information:							
Depreciation and amortisation	10,791	387	31	—	170	—	11,379
Capital expenditure	240,814	647,106	59	11,026	—	—	899,005
Fair value gains on investment properties	—	73,396	—	—	—	—	73,396
Excess over the cost of a business combination	—	319,882	—	—	—	—	319,882

Year ended December 31, 2008

	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	1,716,479	21,560	21,764	—	—	—	1,759,803
Other revenue	3,613	24	7	—	1,601	—	5,245
Total	1,720,092	21,584	21,771	—	1,601	—	1,765,048
Segment results	632,936	111,081	4,384	(14)	(13,638)	—	734,749
Interest income							1,254
Finance costs							(12,854)
Profit before tax							723,149
Tax							(354,053)
Profit for the year							369,096
Assets and liabilities							
Segment assets	5,134,233	2,109,620	17,319	150,502	2,024,265	(2,486,093)	6,949,846
Unallocated assets:							
Deferred tax assets							36,843
Due from related parties							27,294
Prepaid corporate income tax							42,040
Prepaid land appreciation tax							12,717
Restricted cash							8,178
Cash and cash equivalents							196,547
Total assets							7,273,465
Segment liabilities	3,064,164	216,501	16,732	98,880	1,104,295	(1,656,500)	2,844,072
Unallocated liabilities:							
Interest-bearing bank and other borrowings							2,364,503
Due to related parties							578,506
Tax payable							101,300
Provision for land appreciation tax							182,964
Deferred tax liabilities							188,880
Total liabilities							6,260,225
Other segment information:							
Depreciation and amortisation	16,951	45	66	—	170	—	17,232
Capital expenditure	70,327	103,304	225	12,354	306	—	186,516
Fair value gains on investment properties	—	108,088	—	—	—	—	108,088

Six-month period ended June 30, 2008 (Unaudited)

	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	1,592,520	9,990	10,295	—	—	—	1,612,805
Other revenue	988	143	127	2	—	—	1,260
Total	1,593,508	10,133	10,422	2	—	—	1,614,065
Segment results	610,565	44,677	2,401	(5)	(4,020)	—	653,618
Interest income							685
Finance costs							(7,750)
Profit before tax							646,553
Tax							(313,731)
Profit for the year							332,822
Assets and liabilities							
Segment assets	4,759,874	2,158,362	13,908	150,256	2,040,596	(2,585,718)	6,537,278
Unallocated assets:							
Deferred tax assets							41,912
Due from related parties							36,351
Prepaid corporate income tax							17,840
Prepaid land appreciation tax							12,905
Restricted cash							4,225
Cash and cash equivalents							173,616
Total assets							6,824,127
Segment liabilities	2,711,888	242,121	14,298	98,380	1,064,601	(1,571,202)	2,560,086
Unallocated liabilities:							
Interest-bearing bank and other borrowings							2,158,170
Due to related parties							628,541
Tax payable							120,519
Provision for land appreciation tax							210,329
Deferred tax liabilities							169,591
Total liabilities							5,847,236
Other segment information:							
Depreciation and amortisation	7,775	14	20	—	—	—	7,809
Capital expenditure	914	54,722	71	12,007	—	—	67,714
Fair value gains on investment properties	—	47,910	—	—	—	—	47,910

Six-month period ended June 30, 2009

	Property development	Property investment	Property management	Hotel operation	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:							
Sales to external customers	1,285,343	11,704	11,214	—	—	—	1,308,261
Other revenue	1,307	258	3	1	118	—	1,687
Total	1,286,650	11,962	11,217	1	118	—	1,309,948
Segment results	572,672	939,646	1,187	(2)	(2,091)	—	1,511,412
Interest income							827
Finance costs							(514)
Profit before tax							1,511,725
Tax							(537,332)
Profit for the year							974,393
Assets and liabilities							
Segment assets	4,912,696	3,180,918	17,371	153,195	2,129,780	(2,721,901)	7,672,059
Unallocated assets:							
Deferred tax assets							67,869
Due from related parties							159,557
Prepaid corporate income tax							38,699
Prepaid land appreciation tax							16,334
Restricted cash							38,247
Cash and cash equivalents							456,847
Total assets							8,449,612
Segment liabilities	3,170,597	403,514	19,527	101,380	1,407,675	(1,874,915)	3,227,778
Unallocated liabilities:							
Interest-bearing bank and other borrowings							1,713,440
Due to related parties							583,767
Tax payable							196,071
Provision for land appreciation tax							311,307
Deferred tax liabilities							436,768
Total liabilities							6,469,131
Other segment information:							
Depreciation and amortisation	7,673	14	19	1	96	—	7,803
Capital expenditure	1,513	40,058	96	2,680	—	—	44,347
Fair value gains on investment properties	—	932,094	—	—	—	—	932,094

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties; gross rental income, net of business tax, received and receivable from investment properties and property management fee income, net of business tax, received and receivable during the Relevant Periods.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue					
Sales of properties	86,935	1,050,052	1,716,479	1,592,520	1,285,343
Rental income	—	18,407	21,560	9,990	11,704
Property management fees	5,635	15,270	21,764	10,295	11,214
	92,570	1,083,729	1,759,803	1,612,805	1,308,261
Other income and gains					
Bank interest income	1,135	2,179	1,254	685	827
Rental income from properties held for sale	6,038	4,855	2,198	607	908
Excess over the cost of a business combination (note 30)	—	319,882	—	—	—
Others	3,225	2,783	3,047	653	779
	10,398	329,699	6,499	1,945	2,514

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		Year ended December 31,			Six-month period ended June 30,	
		2006	2007	2008	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of properties sold		49,763	824,706	1,000,657	936,476	671,786
Amortisation of prepaid land lease payments	16	—	5,522	10,890	5,845	4,334
Depreciation	14	2,001	5,857	6,342	1,964	3,469
Loss on disposal of property, plant and equipment		916	—	—	—	—
Minimum lease payments under operating leases for land and buildings		722	543	1,312	475	424
Auditors' remuneration		148	211	596	119	308
Employee benefit expense (including directors' remuneration (note 9)):						
Wages and salaries		9,384	13,415	16,537	8,882	10,662
Retirement benefit scheme contributions		65	232	1,062	420	863
		9,449	13,647	17,599	9,302	11,525
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		—	2,376	2,112	1,027	1,131

8. FINANCE COSTS

Group

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank loans wholly repayable within five years	27,729	87,752	152,419	80,971	52,949
Interest on other loans	—	—	4,319	—	6,300
Total interest expense on financial liabilities not at fair value through profit or loss	27,729	87,752	156,738	80,971	59,249
Less: Interest capitalised	(27,729)	(86,453)	(143,884)	(73,221)	(58,735)
	—	1,299	12,854	7,750	514

9. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	311	377	3,300	442	1,540
Retirement benefit scheme contributions	6	8	18	2	9
	317	385	3,318	444	1,549
	317	385	3,318	444	1,549

The remuneration of each of the directors for the year ended December 31, 2006 is set out below:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Lam Lung On	—	120	—	120
Ms. Kwok Ying Lan	—	60	—	60
Mr. Lin Longzhi	—	58	3	61
Mr. Lin Conghui	—	73	3	76
	—	311	6	317
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	—	—	—	—
	—	311	6	317

The remuneration of each of the directors for the year ended December 31, 2007 is set out below:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Lam Lung On	—	120	—	120
Ms. Kwok Ying Lan	—	120	—	120
Mr. Lin Longzhi	—	63	4	67
Mr. Lin Conghui	—	74	4	78
	—	377	8	385
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	—	—	—	—
	—	377	8	385

The remuneration of each of the directors for the year ended December 31, 2008 is set out below:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Lam Lung On	—	1,500	—	1,500
Ms. Kwok Ying Lan	—	1,200	2	1,202
Mr. Lin Longzhi	—	360	8	368
Mr. Lin Conghui	—	240	8	248
	—	3,300	18	3,318
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	—	—	—	—
	—	3,300	18	3,318

The remuneration of each of the directors for the six-month period ended June 30, 2009 is set out below:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Lam Lung On	—	700	—	700
Ms. Kwok Ying Lan	—	600	1	601
Mr. Lin Longzhi	—	150	4	154
Mr. Lin Conghui	—	90	4	94
	—	1,540	9	1,549
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	—	—	—	—
	—	1,540	9	1,549

The remuneration of each of the directors for the six-month period ended June 30, 2008 is set out below:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Executive directors:				
Mr. Lam Lung On	—	120	—	120
Ms. Kwok Ying Lan	—	120	—	120
Mr. Lin Longzhi	—	110	1	111
Mr. Lin Conghui	—	92	1	93
	—	442	2	444
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henny Soon Chiang	—	—	—	—
	—	—	—	—
	—	442	2	444

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID INDIVIDUALS

During the Relevant Periods, the five highest paid individuals included four directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, highest paid employee for the Relevant Periods are as follows:

Group

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	58	94	153	47	450
Pension scheme contributions	—	—	8	—	—
	58	94	161	47	450

The remuneration of the non-director, highest paid employee for the Relevant Periods fell within the band of nil to HK$1,000,000.

11. TAX

	Year ended December 31,			Six-month period ended June 30,	
	2006	2007	2008	2008	2009
Group:	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current:					
PRC corporate income tax	2,595	80,458	136,053	130,179	121,608
PRC land appreciation tax (note 26)	2,295	41,872	200,358	190,268	198,862
	4,890	122,330	336,411	320,447	320,470
Deferred (note 27):					
Current year	(107)	60,556	17,642	(6,716)	216,862
Total tax charge for the year	4,783	182,886	354,053	313,731	537,332

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

PRC corporate income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to then applicable PRC national and local tax laws, the Group's subsidiaries in Xiamen and Shanghai Pudong New Districts were entitled to a preferential CIT rate of 15% during the two years ended December 31, 2006 and 2007. All other subsidiaries located in Mainland China were subject to CIT at the statutory rate of 33% during the two years ended December 31, 2006 and 2007. For each of the PRC subsidiaries of the Group, CIT was provided at the applicable rates of the profits for the purpose of the PRC statutory financial reporting, adjusted for those items which are not assessable or deductible.

During the 5th session of the 10th National People's Congress, which was concluded on March 16, 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on January 1, 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises, which results in a reduction of income tax rate from 33% to 25%. The effect of this change has been reflected in the calculation of deferred taxes as at December 31, 2007.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from January 27, 1995 (the "LAT Regulations"), all gains arising from the sale or transfer of real estate in Mainland China with effect from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

Pursuant to a circular dated December 18, 2005 issued by the local government of Xiamen on the implementation of LAT Regulations, namely the Approval on Starting Imposing Land Appreciation Tax of Xiamen (《廈門市人民政府關於開徵我市土地增值稅的批復》), the gains arising from the sale or transfer of real estate in the companies in Xiamen are subject to LAT from January 1, 2006 in which the implementation will be in accordance with the Provisional Regulations of the PRC on LAT.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates for each of the Relevant Periods, are as follows:

Group

	Year ended December 31,						Six-month period ended June 30,			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Profit before tax	16,717		560,401		723,149		646,553		1,511,725	
At the statutory income tax rate	5,517	33.0	184,932	33.0	180,787	25.0	161,638	25.0	377,931	25.0
Lower tax rate for specific provinces or local authority	(3,115)	(18.6)	(92,586)	(16.5)	(42,476)	(5.9)	(44,048)	(6.8)	(37,343)	(2.4)
Tax losses utilised from previous periods	—	—	—	—	(2,534)	(0.3)	(2,534)	(0.4)	—	—
Effect on deferred tax of increase in rates	—	—	49,518	8.8	—	—	—	—	—	—
Income not subject to tax	(515)	(3.0)	(47,982)	(8.6)	(1,532)	(0.2)	(152)	—	(1,892)	(0.1)
Expenses not deductible for tax	274	1.6	47,879	8.5	26,299	3.6	22,736	3.5	6,365	0.4
Tax losses not recognised	671	4.0	6,790	1.2	13,718	1.9	8,406	1.3	22,294	1.4
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	—	—	—	—	19,505	2.7	15,471	2.4	14,865	1.0
LAT	2,295	13.7	41,872	7.5	200,358	27.7	190,268	29.4	198,862	13.1
Tax effect of LAT	(344)	(2.1)	(7,537)	(1.3)	(40,072)	(5.5)	(38,054)	(5.9)	(43,750)	(2.9)
Tax charge at the Group's effective rate	4,783	28.6	182,886	32.6	354,053	49.0	313,731	48.5	537,332	35.5

12. DIVIDENDS

No dividend has been declared by the Company since its incorporation.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods being made on a combined basis as disclosed in notes 1 and 2 of Section II above.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2006	3,080	—	2,694	8,033	—	13,807
Additions	—	254	663	4,941	124,442	130,300
Disposals	(1,280)	—	—	(294)	—	(1,574)
Exchange realignment	—	—	—	(27)	—	(27)
At December 31, 2006 and January 1, 2007	1,800	254	3,357	12,653	124,442	142,506
Additions	—	638	4,394	6,110	11,026	22,168
Acquisition of a subsidiary	—	—	2,656	—	—	2,656
Exchange realignment	—	—	—	(49)	—	(49)
At December 31, 2007 and January 1, 2008	1,800	892	10,407	18,714	135,468	167,281
Additions	2,685	768	3,649	353	12,354	19,809
Disposals	—	—	—	(1,074)	—	(1,074)
Exchange realignment	—	—	—	(31)	—	(31)
At December 31, 2008 and January 1, 2009	4,485	1,660	14,056	17,962	147,822	185,985
Additions	478	—	157	979	2,680	4,294
Exchange realignment	—	—	—	(8)	—	(8)
At June 30, 2009	4,963	1,660	14,213	18,933	150,502	190,271
Accumulated depreciation:						
At December 31, 2005 and January 1, 2006	(1,006)	—	(1,597)	(3,683)	—	(6,286)
Depreciation provided during the year	(70)	—	(350)	(1,581)	—	(2,001)
Disposals	433	—	—	225	—	658
Exchange realignment	—	—	—	7	—	7
At December 31, 2006 and January 1, 2007	(643)	—	(1,947)	(5,032)	—	(7,622)
Depreciation provided during the year	(590)	(47)	(2,097)	(3,123)	—	(5,857)
Acquisition of a subsidiary	—	—	(1,996)	—	—	(1,996)
Exchange realignment	—	—	—	24	—	24
At December 31, 2007 and January 1, 2008	(1,233)	(47)	(6,040)	(8,131)	—	(15,451)
Depreciation provided during the year	(100)	(397)	(1,979)	(3,866)	—	(6,342)
Disposals	—	—	—	1,074	—	1,074
Exchange realignment	—	—	—	31	—	31
At December 31, 2008 and January 1, 2009	(1,333)	(444)	(8,019)	(10,892)	—	(20,688)
Depreciation provided during the period	(35)	(153)	(1,346)	(1,935)	—	(3,469)
Exchange realignment	—	—	—	8	—	8
At June 30, 2009	(1,368)	(597)	(9,365)	(12,819)	—	(24,149)
Net book value:						
At December 31, 2006	1,157	254	1,410	7,621	124,442	134,884
At December 31, 2007	567	845	4,367	10,583	135,468	151,830
At December 31, 2008	3,152	1,216	6,037	7,070	147,822	165,297
At June 30, 2009	3,595	1,063	4,848	6,114	150,502	166,122

The Group's leasehold land and buildings included above are situated in Mainland China under the long lease terms.

15. INVESTMENT PROPERTIES

Group

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2006	3,895	46,273	50,168
Additions	—	256,424	256,424
Transfers	7,160	(7,160)	—
Net gains from fair value adjustments	840	—	840
At December 31, 2006 and January 1, 2007	11,895	295,537	307,432
Acquisition of a subsidiary (note 30)	679,000	—	679,000
Additions	—	172,934	172,934
Transfers	25,709	(25,709)	—
Net gains from fair value adjustments	73,396	—	73,396
At December 31, 2007 and January 1, 2008	790,000	442,762	1,232,762
Additions	—	102,701	102,701
Transfers	34,212	(34,212)	—
Net gains from fair value adjustments	108,088	—	108,088
At December 31, 2008 and January 1, 2009	932,300	511,251	1,443,551
Additions	—	40,053	40,053
Transfers	170,906	(170,906)	—
Net gains from fair value adjustments	932,094	—	932,094
At June 30, 2009	2,035,300	380,398	2,415,698

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Long term leases	197,955	263,293	284,914	270,912
Medium term leases	109,477	969,469	1,158,637	2,144,786
At end of year/period	307,432	1,232,762	1,443,551	2,415,698

At each of the reporting dates of the Relevant Periods, the Group's completed investment properties were revalued by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis. The Group's investment properties under construction were measured at cost until such time as fair value can be determined reliably or construction is completed as the Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably.

At December 31, 2007, December 31, 2008 and June 30, 2009, certain of the Group's completed investment properties of RMB782,000,000, RMB834,000,000 and RMB984,000,000, respectively, were pledged to banks to secure the loans granted to the Group (note 25).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a).

16. PREPAID LAND LEASE PAYMENTS

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	—	—	698,381	650,479
Addition/(reduction) during the year/period	—	703,903	64,006	(34,470)
Amortised during the year/period	—	(5,522)	(10,890)	(4,334)
Transferred to properties under development	—	—	(101,018)	—
Carrying amount at end of year/period	—	698,381	650,479	611,675
Current portion	—	(102,257)	(63,549)	(63,092)
Non-current portion	—	596,124	586,930	548,583

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Long term leases	—	572,987	527,479	524,342
Medium term leases	—	125,394	123,000	87,333
	—	698,381	650,479	611,675

Included in the Group's non-current balance of prepaid land lease payments are certain parcels of land held for property development projects for which the Group has experienced delays in commencing construction due to the uncertainty over the designated land use purpose or the plot ratio of the land. As of the date of this report, the Group has begun the application process for the permits required to commence construction of the relevant projects, and the Group has not received any warning notice or been fined any idle land fee for its delay in commencing construction from the local land bureau. Based on its understanding of current PRC laws and regulations and its consultation with the relevant government authorities, the Company's PRC legal advisor is of the opinion that the Group has begun the application process for the permits required for the commencement of construction of the relevant projects in accordance with normal procedures and will not be required to pay idle land fees or forfeit the land for such projects. Accordingly, the directors of the Company consider that no provision for idle land fees or land forfeiture is required for the land included in the non-current balance of prepaid land lease payments up to the date of this report.

17. PROPERTIES UNDER DEVELOPMENT

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development expected to be completed:				
Within normal operating cycle included under current assets	1,909,847	3,191,481	3,412,056	3,046,185
Properties under development expected to be completed within normal operating cycle and recoverable:				
—Within one year	504,128	1,086,140	1,960,714	2,173,105
—After one year	1,405,719	2,105,341	1,451,342	873,080
	1,909,847	3,191,481	3,412,056	3,046,185

All the Group's properties under development are located in Mainland China and are held under long term leases.

At December 31, 2006, 2007 and 2008 and June 30, 2009, certain of the Group's properties under development of RMB716,605,000, RMB1,254,482,000, RMB994,072,000 and RMB1,405,475,000, respectively, were pledged to banks to secure the loans granted to the Group (note 25).

18. COMPLETED PROPERTIES HELD FOR SALE

All the Group's properties held for sale are located in Mainland China and were held under long term leases. All the properties held for sale are stated at cost.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	115,963	162,969	116,764	128,910
Deposits and other receivables	134,723	235,843	130,433	121,162
	250,686	398,812	247,197	250,072

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in the Group's other receivables as at 31 December 2006, 2007 and 2008 and 30 June 2009 are amounts due from the minority shareholders of the Group's subsidiaries of RMB87,824,000, RMB124,324,000, RMB15,527,000 and RMB15,543,000, respectively. The balances with the minority shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

20. DUE FROM/TO RELATED PARTIES

An analysis of the balances with related parties is as follows:

		At December 31,			At June 30,
		2006	2007	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties:					
Mr. Lam		2,892	2,892	2,892	2,892
Ms. Kwok		151,791	94,841	24,402	145,365
Mr. Lin Longzhi	(i)	18,513	43,543	—	—
Mr. Lin Conghui	(i)	200	200	—	—
Ms. Ye Biyun	(ii)	9	9	—	—
Zongheng Group	(iii)	162,813	192,813	—	—
Yaozhou Management Co.	(iv)	24,770	24,770	—	—
Xiamen Gangyi Capital Company Limited ("Gangyi Capital Co.")	(vi)	—	—	—	900
Xiamen Zongheng Group Technology Co., Ltd ("Zongheng Technology Co.")	(iii)	—	—	—	10,400
		360,988	359,068	27,294	159,557
Due to related parties:					
Ms. Kwok		144,308	362,982	549,033	567,238
Ms. Ye Biyun	(ii)	—	—	4,750	—
Mr. Guo Wengu	(ii)	30,000	422,413	—	—
Mr. Lin Conghui	(i)	—	—	250	—
Mr. Lam Wang Yu	(v)	1,989	50	1,642	1,642
Zongheng Group	(iii)	55,000	—	10,348	10,348
Gangyi Capital Co.	(vi)	—	—	4	—
Yaozhou Management Co.	(iv)	5,248	5,248	—	—
Xiamen Zongheng Group Property Development Co., Ltd ("Zongheng Co")	(iii)	25,000	2,620	—	—
Xiamen Zongheng Group Communication Management Co., Ltd ("Zongheng Communication Management Co.")	(iii)	—	12,479	12,479	4,539
		261,545	805,792	578,506	583,767

Notes:

(i) Mr. Lin Longzhi and Mr. Lin Conghui are the directors of the Company.

(ii) Ms. Ye Biyun and Mr. Guo Wengu are the parents of Ms. Kwok.

(iii) Zongheng Group, Zongheng Co, Zongheng Technology Co. and Zongheng Communication Management Co. are companies controlled by the Founders. Zongheng Co. is a subsidiary of Yaozhou Management Co.

(iv) Yaozhou Management Co. is a company controlled by the Founders.

(v) Mr. Lam Wang Yu is the son of the Founders.

(vi) Gangyi Capital Co. is a company controlled by Ms. Ye Biyun and Mr. Lin Conghui.

Save as the amounts due to Zongheng Communication Management Co. which is trade in nature and repayable according to the terms of the relevant contract, the above balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from/to related parties approximate to their fair values.

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

Save as an amount of RMB355,368,000 due to Ms. Kwok as at June 30, 2009 which has been capitalised for the allotment and issue of shares by the Company to the Founders as part of the Reorganisation, the directors of the Company confirm that the outstanding balances due from/to related parties as at June 30, 2009 will be settled before the completion of the Reorganization.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	169,805	142,848	204,725	495,094
Less: Restricted cash (notes)	(2,127)	(4,881)	(8,178)	(38,247)
Cash and cash equivalents	167,678	137,967	196,547	456,847

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

At December 31, 2006, 2007 and 2008 and June 30, 2009, the cash and bank balances of the Group denominated in RMB amounted to RMB166,934,000, RMB138,973,000, RMB198,116,000 and RMB490,301,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

(a) According to relevant documents issued by the Xiamen Municipal Land and Housing Administrative Bureau, certain property management companies of the Group are required to place part of their management fees received at banks as guarantee deposits for public maintenance fund of the related properties. The deposits can only be used for the maintenance of the relevant properties. At December 31, 2006, 2007 and 2008 and June 30, 2009, such guarantee deposits amounted to RMB1,148,000, RMB2,827,000, RMB2,258,000 and RMB1,413,000, respectively.

(b) According to the relevant mortgage facility agreement signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificate of the relevant property has been passed to the bank. As at December 31, 2006, 2007 and 2008 and June 30, 2009, such deposits amounted to RMB979,000, RMB53,000, RMB50,000 and RMB53,000, respectively.

(c) According to the relevant loan facility agreements signed by certain subsidiaries of the Group with the banks, the subsidiaries are required to place the pre-sale proceeds of their properties at designated bank accounts. The deposits can only be used for the payment of property development cost incurred by the subsidiary and the repayment of the relevant loan. As at 31 December 2007 and 2008 and 30 June 2009, such deposits amounted to RMB2,001,000, RMB5,870,000, and RMB36,781,000, respectively.

22. RECEIPTS IN ADVANCE

Receipts in advance represented amounts received from buyers in connection with the pre-sale of properties during the Relevant Periods.

23. TRADE PAYABLES

An aged analysis of the trade payables as at each reporting date of the Relevant Periods, based on the invoice date, is as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due within 1 year or on demand	524,860	314,793	498,578	513,036
Due within 1 to 2 years	152,430	373,834	309,044	319,869
	677,290	688,627	807,622	832,905

The trade payables are non-interest-bearing and unsecured. The carrying amounts of these balances approximate to their fair values.

24. OTHER PAYABLES AND ACCRUALS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals	1,348	1,146	1,164	3,990
Other payables	56,088	234,560	219,074	181,808
	57,436	235,706	220,238	185,798

The carrying amounts of other payables approximate to their fair values.

Included in the Group's other payables as at December 31, 2006, 2007 and 2008 and June 30, 2009 are amounts due to the minority shareholders of the Group's subsidiaries of RMB24,911,000, RMB12,000,000, RMB12,631,000 and RMB12,631,000, respectively. The balances with the minority shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	At December 31,									At June 30,		
	2006			2007			2008			2009		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current												
Bank loans —unsecured . . .			—	7.56%	2008	230,000	7.56%	2009	69,691			—
Bank loans — secured	6.3%	2007	282,200	7.56%	2008	714,350	7.56%	2009	756,862	5.4%-7.56%	2009-2010	893,440
Other loans —unsecured . . .			—			—	8.69%	2009	145,000	8.69%	2009	90,000
			282,200			944,350			971,553			983,440
Non-current												
Bank loans —unsecured . . .	6.3%	2008	230,000			—			—			—
Bank loans — secured	6.3%	2008-2009	405,000	7.56%	2009-2010	1,098,750	7.56%-8.32%	2010-2011	1,392,950	5.4%-8.32%	2010-2011	730,000
			635,000			1,098,750			1,392,950			730,000
			917,200			2,043,100			2,364,503			1,713,440

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	282,200	944,350	826,553	893,440
In the second year	560,000	728,750	1,167,950	700,000
In the third to fifth years, inclusive	75,000	370,000	225,000	30,000
	917,200	2,043,100	2,219,503	1,623,440
Other loans repayable:				
Within one year or on demand	—	—	145,000	90,000
	917,200	2,043,100	2,364,503	1,713,440

(a) Certain of the Group's bank loans are secured or guaranteed by:
   (i) mortgages over the Group's properties under development with an aggregate carrying values at December 31, 2006, 2007 and 2008 and June 30, 2009 of approximately RMB716,605,000, RMB1,254,482,000, RMB994,072,000 and RMB1,405,475,000 respectively;
   (ii) pledges over the Group's investment properties with an aggregate carrying value at December 31, 2007 and 2008 and June 30, 2009 of approximately RMB782,000,000, RMB834,000,000 and RMB984,000,000, respectively;
   (iii) corporate guarantees executed by certain subsidiaries of the Group to the extent of RMB430,000,000, RMB700,000,000, RMB1,000,000,000 and RMB960,000,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively; and
   (iv) personal guarantee executed by a former minority shareholder of the Group's subsidiary to the extent of RMB90,000,000 as at December 31, 2007. The loan was repaid by the Group in April 2008.

(b) All bank borrowings of the Group are denominated in RMB.

(c) The carrying amounts of the Group's borrowings approximate to their fair values.

(d) Other loans represented entrusted loans obtained from Zongheng Group through a financial institution. The loans were unsecured, bore interest at 8.69% per annum and were repayable within one year. The other loans have been fully repaid by the Group in July 2009.

26. PROVISION FOR LAND APPRECIATION TAX

	Group
	RMB'000
At January 1, 2006	—
Charged to the combined income statement during the year (note 11)	2,295
Payment for the year	(2,295)
At December 31, 2006 and January 1, 2007	—
Charged to the combined income statement during the year (note 11)	41,872
Payment for the year	(11,741)
At December 31, 2007 and January 1, 2008	30,131
Charged to the combined income statement during the year (note 11)	200,358
Payment for the year	(47,525)
At December 31, 2008 and January 1, 2009	182,964
Charged to the combined income statement during the period (note 11)	198,862
Payment for the period	(70,519)
At June 30, 2009	311,307

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from January 27, 1995, all gains arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

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

27. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the combined statements of financial position are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	647	7,958	36,843	67,869
Deferred tax liabilities	(210)	(142,353)	(188,880)	(436,768)
	437	(134,395)	(152,037)	(368,899)

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

	Withholding tax	Tax losses	Revaluation on investment properties	Provision of LAT	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	330	—	—	330
Credited/(charged) to the combined income statement during the year (note 11)	—	317	(210)	—	107
At December 31, 2006 and January 1, 2007	—	647	(210)	—	437
Credited/(charged) to the combined income statement during the year (note 11)	—	1,887	(18,349)	5,424	(11,038)
Acquisition of a subsidiary (note 30)	—	—	(74,276)	—	(74,276)
Effect on deferred tax of increase in rates	—	—	(49,518)	—	(49,518)
At December 31, 2007 and January 1, 2008	—	2,534	(142,353)	5,424	(134,395)
Credited/(charged) to the combined income statement during the year (note 11)	(19,505)	(2,534)	(27,022)	31,419	(17,642)
At December 31, 2008 and January 1, 2009	(19,505)	—	(169,375)	36,843	(152,037)
Credited/(charged) to the combined income statement during the period (note 11)	(14,865)	—	(233,023)	31,026	(216,862)
At June 30, 2009	(34,370)	—	(402,398)	67,869	(368,899)

The Group had unutilised tax losses of approximately RMB15,360,000, RMB73,207,000, RMB132,524,000 and RMB243,994,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of related benefits through future taxable profits is probable. The Group did not recognise deferred tax assets on unutilised tax losses arising in the PRC of RMB11,047,000, RMB56,313,000, RMB132,524,000 and RMB243,994,000, as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, due to the unpredictability of future profit streams.

Pursuant to the New Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. ISSUED CAPITAL

The Company was incorporated on April 23, 2008 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each, 100 shares of which was allotted and issued for cash at par on the same day.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity.

(b) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in note 1 above.

(c) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC, and were approved by the respective boards of directors.

(d) Deemed distribution to the then equity owners upon the Reorganisation

For the purpose of this report, deemed distribution to the then equity owners represents the costs paid by the Group to the equity owners in respect of the acquisition of subsidiaries pursuant to the Reorganisation.

(e) Other reserve

Certain amount of goodwill arising on the acquisition of minority interests was recognised as other reserve.

30. BUSINESS COMBINATION

On February 7, 2007, Fung Chow Co. acquired the entire share capital of Guifeng Co. from certain independent third parties at a cash consideration of RMB258,402,000. Following the acquisition, Guifeng Co. became a wholly-owned subsidiary of the Group. Guifeng Co. principally engages in property development in Mainland China. Part of the consideration amounting to RMB193,402,000 was paid by February 8, 2007 and the remaining consideration of RMB65,000,000 remained unsettled as at June 30, 2009.

The fair values of the identifiable assets and liabilities of Guifeng Co. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition 2007 RMB'000	Previous carrying amount 2007 RMB'000
Net assets acquired:			
Property, plant and equipment	14	660	660
Investment properties	15	679,000	183,824
Completed properties held for sale		2,947	2,947
Prepayments, deposits and other receivables		12,064	12,064
Cash and bank balances		36,468	36,468
Trade payables		(5,736)	(5,736)
Other payables and accruals		(57,859)	(57,859)
Tax payable		(14,984)	(14,984)
Deferred tax liabilities	27	(74,276)	—
		578,284	157,384
Excess over the cost of a business combination recognised in the income statement		(319,882)	
		258,402	
Satisfied by:			
Cash		193,402	
Other payables		65,000	
		258,402	

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

	RMB'000
Cash consideration	(193,402)
Cash and bank balances acquired	36,468
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(156,934)

Since its acquisition, Guifeng Co. contributed RMB18,266,000 to the Group's turnover and contributed a net profit of RMB59,138,000, which included fair value gains on investment properties, net of deferred tax effect, of RMB55,047,000, to the combined profit for the year ended December 31, 2007.

Had the combination taken place at the beginning of the year, there would have been no significant impact on the revenue and profit of the Group for the year ended December 31, 2007.

31. NOTES TO THE COMBINED CASH FLOW STATEMENTS

Major non-cash transaction

On August 15, 2007, Fung Chow Co. entered into an agreement with certain third parties to acquire the remaining 40% equity interest in Kim International Realty and Development Company Limited at a consideration of RMB400,000,000. Kim International Realty and Development Company Limited became a wholly-owned subsidiary of the Group following the acquisition. The consideration was in the form of cash of RMB300,000,000 and the offset of an amount of RMB100,000,000 due by a director of the Company to the Group against an amount due by one of the vendors to that director.

32. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at each of the reporting dates of the Relevant Periods:

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	1,241,036	1,688,829	1,719,307	2,220,160

At December 31, 2006, 2007 and 2008 and June 30, 2009, the Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as security on the mortgage loans. Upon default on mortgage payments by these purchasers, the banks are entitled to take over the legal titles and can realise the pledged properties through open auction. The Group is obliged to repay the banks for the shortfall if the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans, and ends upon the earlier of (i) the issuance of real estate ownership certificates to the purchasers, which will generally be 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.

The directors of the Company consider that the fair value of the guarantees is not significant, and in the case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the Financial Information.

33. PLEDGE OF ASSETS

Details of the Group's banks loans which are secured by the assets of the Group, are included in note 25(a) to the Financial Information.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions.

At each of the reporting dates of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	408	22,020	22,257	35,188
In the second to fifth years, inclusive	—	68,346	62,655	88,268
After five years	—	28,383	13,173	33,474
	408	118,749	98,085	156,930

(b) As lessee

The Group leases certain of the office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At each of the reporting dates of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	530	339	1,229	1,348
In the second to fifth years, inclusive	26	—	1,963	1,429
	556	339	3,192	2,777

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at each of the reporting dates of the Relevant Periods:

Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	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
	1,103,197	2,067,537	1,295,825	938,475

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods.

		Year ended December 31,			Six-month period ended June 30,	
		2006	2007	2008	2008	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of properties to:						
Mr. Lam	(i),(ii)	—	39,509	—	—	—
Ms. Kwok	(i),(ii)	—	3,850	—	—	—
Mr. Chan Kam Lit (1)	(i),(ii)	—	2,497	—	—	—
Ms. Lam Yu Fong (2)	(i),(ii)	—	4,814	—	—	—
Mr. Lam Wang Yu (2)	(i),(ii)	3,192	53,164	—	—	—
Ms. Huang Shunu (3)	(i),(ii)	—	28,684	—	—	—
		3,192	132,518	—	—	—
Purchase of properties from Ms. Kwok	(i),(ii)	—	—	2,538	—	—
Interest expense paid to Zongheng Group	(iii)	—	—	4,319	—	6,300
Services fees paid to:						
Zongheng Communication Management Co.	(iv)	—	12,479	—	—	—
Xiamen Zongheng Group Communication Development Co., Ltd ("Zongheng Communication Development Co.")	(v)	541	320	3,148	168	859
		541	12,799	3,148	168	859

Notes:

(1) Mr. Chan Kam Lit is a minority shareholder of the Group's subsidiary.

(2) Mr. Lam Wang Yu and Ms. Lam Yu Fong are the son and daughter of the Founders, respectively.

(3) Ms. Huang Shunu is the sister-in-law of Ms. Kwok.

(i) Properties were sold or purchased at prices mutually agreed by the relevant parties.

(ii) In the opinion of the directors of the Company, the transactions were entered into in the ordinary course of business of the Group.

(iii) The interest expense is charged on the entrusted loans obtained from Zongheng Group as further detailed in note 25(d) to the Financial Information.

(iv) The service fees were incurred for the decoration services provided by Zongheng Communication Management Co. in relation to properties held for sale, at rate determined in accordance with terms and conditions set out in the contract entered into between the relevant parties.

(v) The service fees were incurred for the design, installation and testing of intelligence systems provided by Zongheng Communication Development Co. in relation to properties held for sale, at rate determined in accordance with terms and conditions set out in the contracts entered into between the relevant parties.

(b) Compensation of key management personnel of the Group

In the opinion of the Company's directors, the directors of the Company represented the key management personnel of the Group and details of the compensation of which are set out in note 9 to the Financial Information.

(c) Subsequent to June 30, 2009, the Founders have entered into a deed of indemnity dated October 9, 2009 with and in favour of the Company pursuant to which the Founders provided certain taxation related indemnities in favour of the Company, details of which are set out in the sub-section headed "E. Other information — 1. Estate duty, tax and other indemnities" in Appendix VII of the document.

37. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated as Yuzhou Properties Company Limited in the Cayman Islands on April 23, 2008 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The Company was incorporated with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. 50 shares of US$1 each were issued and allotted to Mr. Lam and 50 shares of US$1 each were issued and allotted to Ms. Kwok on April 23, 2008. The financial position of the Company as at December 31, 2008 and June 30, 2009 is as follows:

	December 31, 2008	June 30, 2009
	RMB'000	RMB'000
CURRENT ASSET		
Amount due from shareholders	1	1
EQUITY		
Issued capital	1	1

The Company's authorised share capital was subsequently increased and the nominal value of its shares were re-denominated from US$1.00 each to HK$0.10 each.

Pursuant to written resolutions passed by Mr. Lam and Ms. Kwok, shareholders of the Company, on September 14, 2009 the authorised share capital of the Company was increased by HK$5,000 by the creation of 50,000 shares of HK$0.10 each. The Company allotted and issued 50 shares and 50 shares, respectively, credited as fully paid, to Mr. Lam and Ms. Kwok. Immediately after the increase in its authorised share capital and the above issue of shares, the Company repurchased all 100 existing issued shares of US$1.00 each in the capital of the Company in issue and cancelled such shares. The authorised share capital of the Company was diminished by the cancellation of 50,000 shares of US$1.00 each in the capital of the Company.

Upon completion of all the above steps, the authorised share capital of the Company became HK$5,000 divided into 50,000 shares of HK$0.10 each. On October 9, 2009, the authorised share capital of the Company was further increased from HK$5,000 to HK$10,000,000,000 by the creation of 99,999,950,000 shares of HK$0.10 each.

Pursuant to a written resolution passed by Mr. Lam and Ms. Kwok, shareholders of the Company, on October 9, 2009, the then outstanding amount of HK$809,362,447 due by the Company to Mr. Lam and Ms. Kwok in equal proportions, was settled in full by the Company by the issue of 403,199,479 shares to Mr. Lam and 403,199,479 shares to Ms. Kwok, respectively.

38. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Company and the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 are loans and receivables and financial liabilities stated at amortised cost, respectively.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's assets are predominantly in the form of prepaid land lease payments, investment properties, properties under development and completed properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in Mainland China at the same saving rate of unrestricted deposits throughout the Relevant Periods. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Since the Group has mainly entered into floating interest rate loans, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

A reasonably possible change of 50 basis point in interest rate, with all other variables held constant, would have no material impact on the Group's profit during the Relevant Periods and there would be no material impact on other components of the Group's equity.

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under the existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for the Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including payment of dividends to the Company, without prior approval of the State Administration for Foreign Exchange Bureau. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from the Company.

The Group's financial assets and liabilities including certain amounts due from/to related parties denominated in Hong Kong dollars and certain short term deposits denominated in Hong Kong dollars are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

A reasonably possible change of 5% in the exchange rate between the Hong Kong dollar and the Renminbi would have no material impact on the Group's profit during the Relevant Periods and there would be no material impact on other components of the Group's equity.

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. There is no significant concentration of credit risk within the Group.

On top of the credit risk arising from the financial guarantees provided by the Group as detailed in note 32, the credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities are available for contingency purposes.

The maturity profile of the Group's financial liabilities as at each of the reporting dates of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	At December 31, 2006			
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	282,200	587,993	79,324	949,517
Trade payables	524,860	152,430	—	677,290
Other payables	56,088	—	—	56,088
Due to related parties	261,545	—	—	261,545
	1,124,693	740,423	79,324	1,944,440

	At December 31, 2007			
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	944,350	788,878	385,323	2,118,551
Trade payables	314,793	373,834	—	688,627
Other payables	234,560	—	—	234,560
Due to related parties	805,792	—	—	805,792
	2,299,495	1,162,712	385,323	3,847,530

	At December 31, 2008			
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	1,125,223	1,227,844	233,732	2,586,799
Trade payables	498,578	309,044	—	807,622
Other payables	219,074	—	—	219,074
Due to related parties	578,506	—	—	578,506
	2,421,381	1,536,888	233,732	4,192,001

	At June 30, 2009			
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing 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
	2,347,085	1,039,429	31,034	3,417,548

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and other payables, accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. The gearing ratios as at each of the reporting dates of the Relevant Periods were as follows:

Group

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings	917,200	2,043,100	2,364,503	1,713,440
Trade payables	677,290	688,627	807,622	832,905
Other payables and accruals	57,436	235,706	220,238	185,798
Less: Cash and cash equivalents	(167,678)	(137,967)	(196,547)	(456,847)
Net debt	1,484,248	2,829,466	3,195,816	2,275,296
Equity attributable to equity holders of the Company	262,045	671,321	879,096	1,851,958
Capital and net debt	1,746,293	3,500,787	4,074,912	4,127,254
Gearing ratio	85%	81%	78%	55%

III. SUBSEQUENT EVENTS

In addition to the subsequent events detailed elsewhere in this report, the Group had the following significant subsequent events:

(a) The Company underwent the Reorganisation which was completed on October 9, 2009, further details of which are set out in notes 1 and 37 of Section II of this report.

(b) In September 2009, a subsidiary of the Company entered into a land grant contract to acquire a parcel of land located in Xiamen through a government-organised listing-for-sale. The consideration for the land is RMB1,500.0 million, of which the subsidiary has paid RMB164.0 million as of the date of this report.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to June 30, 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong