The following discussion should be read in conjunction with our consolidated financial information together with the accompanying notes. See the Accountants' Report in Appendix I to this document. The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in "Risk Factors" and "Business" and elsewhere in this document.

OVERVIEW

We are engaged in the property development, property investment and property management businesses in China. In Chongqing, the largest and most populous municipality in China, we were the market leader in terms of both contract sales and GFA sold of residential properties in 2006, 2007 and 2008, according to the China Index Academy[1]. Leveraging our premium brand and management capabilities, we expanded into Chengdu in 2005 and Xi'an in the second half of 2007, two of the most populous and affluent cities in western China, and into Beijing in late 2005 and Shanghai in the second half of 2007. In Chengdu and Beijing, we have quickly established ourselves as a leading player in the residential property market. In Chengdu, we were ranked third in 2007 and 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In Beijing, we were ranked second in 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In 2009, we entered the Wuxi, Shenyang and Changzhou markets and we plan to continue to expand our national footprint in other selected high growth areas throughout China, including the Pan Bohai Rim and the Yangtze River Delta. Our aim is to become one of the most respected and trustworthy national market leaders in the property industry in China.

For the years ended December 31, 2006, 2007 and 2008, and for the six months ended June 30, 2009, the Group has recorded an upward change in the fair value of investment properties that amounted to approximately RMB482.2 million, RMB901.1 million, RMB125.1 million and RMB561.0 million, respectively, in its consolidated statements of comprehensive income. According to IAS 40, the International Accounting Standard for investment properties issued by the IASB, investment properties may be recognized by using either the fair value model or the cost model. The directors have selected the fair value model to report the value of investment properties because they are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that the Group's financial statements present a more updated picture of the fair value of the Group's investment properties. However, prospective investors should be aware that an upward change in the fair value, which reflects unrealized capital gain of the Group's investment properties at the relevant statement of financial position dates and not profit generated from day to day rentals of the investment properties of the Group, are largely dependent on the prevailing property markets and do not generate cash inflow to the Group for dividend distribution to Shareholders of the Company until such investment properties are disposed. Moreover, prospective investors should be aware

1 Based on a report dated September 9, 2009. We commissioned the report by China Index Academy and paid a total of RMB150,000 for its services. China Index Academy derived this information based on data from the Housing Administration, Real Estate Exchange Centres of Chongqing, Chengdu, Xi'an, Beijing and Shanghai, and annual reports and corporate returns of listed real estate companies. According to its website, China Index Academy is a Chinese property research institution, which was integrated in 2004 with a number of China research resources, including China Real Estate Index System, Soufun Research Institute, China Villa Index System and China Real Estate Top 10 Research Team. China Index Academy is independent of our Group, its connected persons and the [●].

that property values are subject to market fluctuation and there can be no assurance that the Group will continue to record an upward change in the fair value of investment properties in the future. Should there be any material downward change in the fair value of the Group's investment properties in the future, the Group's results may be adversely affected.

BASIS OF PRESENTATION

In preparation for the [●], the Company was incorporated in the Cayman Islands on December 21, 2007.

For the purposes of this document, the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flows and consolidated statements of changes in equity and other consolidated financial and operational data of our Group and the companies now comprising our Group as a result of the Reorganization as of or for each of 2006, 2007, 2008 and the six months ended June 30, 2009, to which the following discussion relates, have been prepared as if our Group's structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is the shorter period, except for those subsidiaries acquired during the Track Record Period as set out in note 33 of the notes to the Accountants' Report in Appendix I to this document. All significant intra-group transactions and balances between the companies now comprising our Group have been eliminated. However, the consolidated financial and operational data of our Group presented in this document does not purport to be indicative of what our Group's actual financial and operational data would have been if our Group in its current structure had been in existence since January 1, 2006.

CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue represents (i) gross proceeds, net of business tax, from the sales and delivery of completed properties and from the pre-sales of properties completed and delivered to purchasers in the current period, (ii) gross recurring revenue received and receivable from property rental and (iii) other proceeds received during the Track Record Period. We categorize our revenue into three segments, namely, property development (which represents sales of properties held for sale in that period and proceeds collected from our properties under development in previous periods if the properties are delivered to purchasers in such period), property investment (which represents rental income from investment properties), and property management income and related services.

The following table sets forth revenue by business segments and their percentage of the total revenue for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB in thousands, except percentages)									
Property development	1,991,442	94.8%	3,334,339	95.3%	4,216,172	93.9%	2,123,425	94.9%	5,718,444	97.2%
Property investment	67,311	3.2	101,734	2.9	158,785	3.5	62,726	2.8	86,266	1.5
Property management and related services	41,913	2.0	61,967	1.8	116,524	2.6	51,533	2.3	80,179	1.4
Total	2,100,666	100.0%	3,498,040	100.0%	4,491,481	100.0%	2,237,684	100.0%	5,884,889	100.0%

During the Track Record Period, we derived substantially all of our revenue from property development. In the near future, we expect to continue to derive substantially all of our revenue from property development.

Property Development

Revenue from property development represents consideration received or receivable from sales of our properties held for sale in that period and proceeds collected from our properties under development if the properties are delivered to purchasers in such period. Revenue from property development is recognized when a binding sales contract has been executed and the properties have been delivered to purchasers.

Consistent with industry practice, we typically enter into sales contracts with purchasers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See "Business — Project Development — Sales and Marketing." Before the delivery of the property, payments received from purchasers are recorded as deposits received and receipt in advance from property sales and are included in current liabilities. As of December 31, 2006, 2007, 2008 and June 30, 2009, our deposits received and receipt in advance from property sales amounted to RMB2,666.2 million, RMB7,180.7 million, RMB10,959.7 million and RMB10,792.0 million, respectively. We recognize revenue from the pre-sales of our properties after the property has been delivered to purchasers. See "— Critical Accounting Policies — Revenue Recognition."

For 2006, 2007, 2008 and the six months ended June 30, 2009, we recognized revenue of RMB2,100.7 million, RMB3,498.0 million, RMB4,475.2 million and RMB5,875.8 million, respectively, in connection with an aggregate GFA of 429,125 sq.m., 830,404 sq.m., 853,843 sq.m. and 567,840 sq.m., respectively, representing an average realized selling price (calculated as the revenue of the properties sold divided by the aggregate GFA sold) of RMB4,641 per sq.m., RMB4,015 per sq.m., RMB4,938 per sq.m. and RMB10,071 per sq.m., respectively. We expect that our revenue from property development will increase over time as we expand our business.

Property Investment

Revenue from property investment represents recurring revenue from our investment properties, such as rental income, and is recognized on a straight-line basis over the relevant lease period. For 2006, 2007, 2008 and the six months ended June 30, 2009, our revenue from property investment was RMB67.3 million, RMB101.7 million, RMB158.8 million and RMB86.3 million, respectively.

Property management and related services

Revenue from property management and related services is recognized over the period when property management and related services are rendered. For 2006, 2007, 2008 and the six months ended June 30, 2009, our revenue from property management and related services was RMB41.9 million, RMB62.0 million, RMB116.5 million and RMB80.2 million, respectively. We expect that our revenue from property management and related services will increase over time due to the cumulative growth of our portfolio of residential and commercial properties under management.

Cost of Sales

The table below sets forth information relating to cost of sales for each year during the Track Record Period.

	Year Ended December 31,						Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB in thousands, except percentages)									
Cost of property development										
Construction costs	985,493	71.4%	1,659,562	71.9%	2,159,855	65.0%	1,127,408	70.4%	1,886,783	46.8%
Costs of land use rights	314,050	22.8	496,608	21.5	808,578	24.3	349,749	21.8	1,769,794	43.9
Capitalized costs	39,420	2.9	87,909	3.8	206,230	6.2	69,134	4.3	310,351	7.7
Cost of property investment	2,129	0.1	6,491	0.3	43,594	1.4	17,149	1.1	17,418	0.3
Cost of property management and related services	39,045	2.8	56,669	2.5	102,938	3.1	38,432	2.4	51,397	1.3
Total	1,380,137	100.0%	2,307,239	100.0%	3,321,192	100.0%	1,601,873	100.0%	4,035,743	100.0%

Cost of sales primarily represents the costs we incur directly for our property development activities, which includes construction costs, costs of land use rights and capitalized costs.

We recognize the cost of property development for a given period to the extent that revenue from such properties have been recognized in such period. Prior to their completion, properties under development are included in our consolidated statements of financial position at cost, less any identified impairment losses.

Construction Costs

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Our construction costs are affected by a number of factors such as price fluctuations in construction materials (particularly steel and cement), the location and design characteristics of a property, the choice of materials and investments in ancillary facilities.

Costs of Land Use Rights

Costs of land use rights include costs relating to the acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land use rights are influenced by a number of factors, including the location of the property, the timing of the acquisition, and the project's plot ratios. Costs of land use rights are also affected by our method of acquisition, whether by PRC Government-organized tenders, auctions or listings-for-sale, through private sale transactions and cooperative agreements with third parties in the secondary market or through the acquisition of other companies that hold land use rights. We may also be required to pay demolition and resettlement costs. Our costs of land use rights are also vulnerable to changes in PRC policies and regulations.

Capitalized Costs

Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Capitalization of such costs ceases when the assets are substantially ready for their intended use or sale.

Other Income

Other income primarily comprises interest income, consultancy fee income, gain on disposal of partial interest in a subsidiary, gain on disposal of partial interest in a jointly controlled entity, discount on acquisition of additional interest in a subsidiary, income generated from primary land development and sundry income.

Change in Fair Value of Investment Properties

Investment properties are interests in land and buildings held to earn recurring income. Before the completion of construction of these properties, such interests are recorded as non-current assets under properties under development on our consolidated statements of financial position and, upon their completion, are transferred to investment properties on our consolidated statements of financial position.

Gains or losses arising from changes in the fair values of investment properties are included in our consolidated statements of comprehensive income in the year in which they arise. See the Property Valuation in Appendix IV to this document. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated statements of financial position, recognized fair value gains or losses on investment properties on our consolidated statements of comprehensive income and recognized the relevant deferred tax under income tax expense on our consolidated statements of comprehensive income.

As of December 31, 2006, 2007, 2008 and June 30, 2009, the fair value of our investment properties was RMB2,466.9 million, RMB3,634.0 million, RMB3,759.1 million and RMB4,320.1 million, respectively. For 2006, 2007, 2008 and the six months ended June 30, 2009, the net change in fair value (net of deferred tax) on our investment properties was RMB362.3 million, RMB559.0 million, RMB93.8 million and RMB420.8 million, respectively. The fair value of each of our investment properties is likely to fluctuate from time to time and the fair value of our investment properties may decrease in the future. Any such decrease in the fair value of our investment properties would reduce our profits.

Distribution Expenses

Distribution expenses primarily include promotional expenses relating to sales and rentals of our properties (including advertisements in print media, on billboards and on television, promotional offers made directly to our customers and certain other promotional events, publicity and exhibitions), selling and marketing staff costs and other selling expenses. Our distribution expenses in any period are affected by the number of newly introduced developments in that period.

Administrative Expenses

Administrative expenses primarily include salaries and benefits for our personnel, service fees, consulting, auditing and litigation expenses, travel expenses and general office expenses.

Share of Results of Jointly Controlled Entities

Share of results of jointly controlled entities represents our profit or loss after taxation that is attributable to our interest in jointly controlled entities pursuant to the joint venture agreements. During the Track Record Period, we had six jointly controlled entities, namely, Longhu Land, which was established in July 2005, and Chengdu Jia'nan, Chengdu Tuosheng, Chengdu Jinghui and Chengdu Huixin, which were established in October 2007, and Shanghai Hengrui, which was established in January 2008.

Income Tax Expense

Our income tax expense for a given year includes provisions made for PRC enterprise income tax and land appreciation tax, or LAT, during the year. For 2006, 2007, 2008 and the six months ended June 30, 2009, our effective tax rate was 34.6%, 44.6%, 41.3% and 34.8%, respectively.

PRC Enterprise Income Tax

The PRC enterprise income tax accrued by our operating subsidiaries has been calculated at the applicable tax rate on the assessable profits for each period during the Track Record Period. For 2006 and 2007, the enterprise income tax rate generally applicable in the PRC was 33%. According to the PRC Enterprise Tax Law enacted by the National People's Congress on March 16, 2007, which became effective on January 1, 2008, a uniform income tax rate of 25% has been applied towards both PRC domestic enterprises and foreign investment and foreign enterprises that have set up production and operation facilities in the PRC. However, some of our subsidiaries have been, and some of our subsidiaries will be, subject to income tax at lower tax rates than the general enterprise income tax rate due to their being eligible for a preferential tax rate. Our PRC operating subsidiaries are also subject to local government taxation. See note 8 of the notes to the Accountants' Report in Appendix I to this document.

In addition, a portion of our PRC enterprise income tax consists of deferred tax. See note 32 of the notes to the Accountants' Report in Appendix I to this document.

LAT

Under PRC laws and regulations, our PRC subsidiaries that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sales of commercial properties are not eligible for such an exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and sales price. Sales of higher-end properties and commercial properties are generally assessed at higher appreciation values, and are therefore generally subject to higher LAT rates. On December 28, 2006, the PRC State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises, which took effect on February 1, 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. On May 12, 2009, the State Administration of Taxation issued the Administrative Rules on the Settlement of Land Appreciation Tax《土地增值税清算管理规程》effective on June 1, 2009, which further clarifies the specific conditions and procedures for the settlement of LAT. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only prepay 0.6% to 1.5% of the pre-sale proceeds each year as required by the local tax authorities under prevailing practice. For each of the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, we made a provision for LAT in the amount of RMB98.8 million, RMB147.2 million, RMB55.5 million and RMB219.4 million, respectively.

Hong Kong and Cayman Islands Tax

During the Track Record Period, no provision for Hong Kong Profits Tax has been made. Based on the Cayman Islands' tax regulations, we are not subject to Cayman Islands income tax because we operate as an exempted company.

Minority Interests

From January 1, 2006 to October 2007, our minority interests mainly represented the 40% equity interest in Chongqing Longhu Development, one of our largest subsidiaries, held by Madam Wu and Mr. Cai. In October 2007, the equity holdings of Madam Wu and Mr. Cai decreased to 8.7% and were transferred to Chongqing Xuke in February 2008.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. See "Risk Factors." Some of the key factors include the following:

PRC Economic Condition and Regulatory Environment

Our results of operations are subject to general political, economic, fiscal, legal and social developments in Chongqing, Chengdu, Beijing, Xi'an, Shanghai, Wuxi, Shenyang, Changzhou and other parts of the PRC, including:

- continued growth in the PRC's economy and population and urbanization rate, which drives the demand for purchase or rental of residential, retail, and office properties. For example, the recent global economic crisis, which intensified during the second half of 2008, resulted in a tightening of access of credit, both globally and in the PRC, an increased level of commercial and consumer delinquencies, a lack of consumer confidence and an increase in market volatility. These factors contributed to a severe deterioration in the performance of the PRC property industry, including a decrease in the average selling price of, and demand for, real estate properties in the PRC during the second half of 2008. Specifically as it relates to our operations, this decrease in demand in part led to a delay in the completion of two of our projects, Beijing Chianti and Three Thousand Lane. These projects were originally scheduled to be completed by the end of 2008. We decided to complete these projects in Spring 2009 after considering the effects of the global economic crisis;

- the regulatory and fiscal environment of the PRC, in particular, the regulatory and fiscal environment affecting the property development industry, including tax policies (e.g., the preferential income tax policy and LAT policies), land grant policies, pre-sale policies, policies on interest rates and the availability of mortgages and other macro-economic polices designed to slow down the growth of the PRC property market; and

- the performance of the PRC's property market, in particular, the supply and demand for residential properties and pricing trends in the medium- to high-end property sector in Chongqing, Chengdu, Beijing, Xi'an, Shanghai, Wuxi, Shenyang and Changzhou.

From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. In recent years, the PRC Government has instituted a variety of measures designed to stabilize and dampen any potential over-heating of the real estate market, with a particular focus on the residential sector. These policies have led, and may continue to lead, to changes in market conditions, including changes in price stability, costs of ownership, costs of development and the balance of supply and demand in respect of residential properties. In response to the recent global economic crisis, the PRC Government has implemented a stimulus plan and other measures which have resulted in a significant rise in the volume of bank loans. PRC regulators have expressed concern about excessive lending for real estate investments. Excessive development fueled by cheap credit could cause an oversupply of property inventory leading to a significant market correction, which could adversely affect the sales volumes and selling prices of our projects. On the other hand, any efforts by bank regulators to curb excessive lending, if taken too far, might prevent developers like us from raising funds that we need to start new projects. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

Ability to Acquire Suitable Land for Future Development

Our continuing growth will depend in large part on our ability to secure quality land at prices that can yield reasonable returns. Based on our current development plans, we have sufficient land reserves for property developments for the next several years. As the PRC economy continues to grow and demand for residential properties remains relatively strong, we expect that competition among developers for land reserves that are suitable for property development will intensify. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to increase competition for development land and land acquisition costs as a result.

Access to Adequate Financing and Capital Resources

Bank and other borrowings are an important source of funding for our property developments. As of December 31, 2006, 2007, 2008, and June 30, 2009, our outstanding bank and other borrowings amounted to RMB3,099.4 million, RMB7,928.5 million, RMB12,839.8 million and RMB12,498.0 million, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property development.

Pre-sales

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

Timing of Property Development

Our results of operations tend to fluctuate from period to period. According to our accounting policy for revenue recognition, we recognize revenue from the sale of a property upon, among other things, the completion and delivery of the property to the purchaser, which is when we believe the significant risks and rewards of ownership are transferred to the purchaser. The timing for the completion and delivery of a property is, however, subject to numerous factors, some of which are beyond our control. Any of these factors may therefore affect the recognition of revenue from sales of our properties and, as a result, our results of operations may vary significantly from period to period.

Periods in which we complete more GFA and more frequently deliver completed properties to purchasers will typically generate a higher level of revenue than periods in which, for example, we pre-sell a large aggregate GFA but such properties are not completed and delivered within the same period that the properties were pre-sold. The effect of the timing of project completion on our operational results is accentuated by the fact that we can only undertake a limited number of projects during any particular period due to the substantial capital requirements of land acquisitions and construction as well as the limited supply of land. Significant time is required for property developments and it may take many months or probably years before pre-sales of a property development can occur. In addition, as market demand is not stable, revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected launch time for completion of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the timetables of our projects.

The Size and Product Mix of Our Properties

We have in the past and intend in the future to retain mainly our mid- to large-scale shopping malls for recurring income and to sell units of our residential properties, small retail shop units and car park spaces to individual purchasers. As a result, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending on the type and GFA of our completed properties that we sell or rent during the Track Record Period, and when our projects in various stages of development are to be completed. Our results of operations and cash flows will also vary depending on the market demand at the time we sell or lend our properties, the rental and occupancy rates of our investment properties and the selling prices for units in our residential properties, small retail shop units and car park spaces. The recurring income and selling prices we receive from, and the occupancy levels of, our property developments depend on local market prices which in turn depend on local supply and demand conditions, as well as the type of property being developed.

Price Volatility of Construction Materials

Our results of operations are affected by the price volatility of construction materials such as steel and cement. We procure the construction materials we use for our property development and, therefore, we are exposed to the price volatility of construction materials to the extent that we are not able to pass any increased costs on to our purchasers. Further, we typically pre-sell our properties prior to their completion and we will be unable to pass the increased costs on to our purchasers if construction costs increase subsequent to the time of such pre-sale. See "— Certain Consolidated Statements of Comprehensive Income Items — Cost of Sales — Construction Costs."

Valuation of Our Investment Properties

Our investment properties include the North Paradise Walk Mall, Chongqing Fairy Castle, Crystal Constellation of Crystal Town and West Paradise Walk projects. Our investment properties are stated at their fair value on our consolidated statements of financial position as non-current assets as of each statement of financial position date on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as change in fair value of investment properties in our consolidated statements of comprehensive income, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The bases and assumptions which the valuer uses for the valuation typically use the direct comparison approach by making references to comparable sales transactions available in the relevant market and where appropriate, on the basis of the capitalization of the net rental income derived from the existing tenancies with due allowance for recurring income potential of the respective properties. The fair value of our investment properties may have been higher or lower if the valuer had used a different set of bases or assumptions or if the valuation had been conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant statement of financial position dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any cash inflow to us for potential dividend distribution to our Shareholders until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may go down as well as up. There can be no assurance that we will continue to record similar levels of fair value gains in the future.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that reflect significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions. The critical accounting policies adopted and estimates made in preparation of our financial statements include the following:

Revenue Recognition

Revenue comprises primarily the fair value of the consideration received or receivable from property development, property investment and property management and related services. Revenue from the sale of properties in the ordinary course of business is recognized when the relevant properties are completed and delivered to the purchasers, which is when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties is retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received on properties sold prior to the date of revenue recognition, including deposits and pre-sale proceeds, are included in the consolidated statements of financial position as accounts payable, deposits received and accrued charges and are presented as current liabilities. Revenue arising from property investment is recognized on a straight-line basis over the relevant lease period. Other revenue is recognized over the period when the related services are rendered.

Properties Under Development, Cost of Sales and Properties Held for Sales

We recognize the cost of property development for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their completion, properties under development are included on our consolidated statements of financial position at cost, less any identified impairment losses.

Cost of property development includes construction costs, costs of land use rights and capitalized costs, which are allocated to each property based on the actual investment in each property. We make such estimates based on the information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project.

When the leasehold land and buildings are in the course of development for production, for rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease term. During the construction period, the amortization charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development that are intended for sale are classified as current assets. Properties under development that are intended to be held for our own use or their investment potential are classified as non-current assets. Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value and classified as properties held for sale under current assets.

Income Tax Expense

Income tax expense represents the sum of the tax currently payable and deferred taxation.

Deferred taxation is recognized on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. The realizability of the deferred taxation assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors determine the deferred taxation assets based on the enacted or substantially enacted tax rates and laws and the best knowledge of profit projections of our Group for coming years during which the deferred taxation assets are expected to be utilized.

The directors will review the assumptions and profit projections by the statements of financial position date. The carrying amount of deferred taxation assets is reviewed at each statements of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Recognition of Share-based Payment Expenses

Our Group adopted Pre-[●] Share Award Schemes on November 30, 2007 and July 31, 2009 and the Pre-[●] Option Scheme on November 30, 2007. Our Group engaged an independent appraiser to assist in determining the fair value of the Shares awarded and options granted. The determination of fair value was made after considering a number of factors, all of which are subject to uncertainty, including: our Group's financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting our Group's business; the nature and prospect of the PRC property market; our Group's business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate shares.

The total fair value of options granted is measured on the grant date based on the fair value of the underlying Shares of our Company. In addition, our Group is required to estimate the expected percentage of grantees that will remain in the employment with our Group at the end of the vesting period. Our Group only recognizes an expense for those options expected to vest over the vesting period during which the grantees become unconditionally entitled to the options. At each relevant statement of financial position date, our Group revises its estimates of the number of options that are expected to ultimately vest. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share-based compensation expenses.

Investment Properties

Our investment properties are stated at fair value based on the valuation performed by independent property valuers. In determining fair value, the valuers have based this on a method of valuation that involves certain estimates of market conditions. In relying on the valuation report, our directors have exercised their judgment and are satisfied that assumptions used in the valuation reflect current market conditions. See "— Certain Consolidated Statements of Comprehensive Income Items — Change in Fair Value of Investment Properties" and note 13 of the notes to the Accountants' Report in Appendix I to this document.

Capitalized Costs

See "— Certain Consolidated Statements of Comprehensive Income Items — Cost of Sales — Capitalized Costs."

LAT

We are subject to LAT in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. We have recognized LAT based on management's best estimates. See "— Certain Consolidated Statements of Comprehensive Income Items — Income Tax Expense — LAT." The final tax outcome, however, could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalized with local tax authorities.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of comprehensive income.

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
				unaudited	
	(RMB in thousands)				
Revenue	2,100,666	3,498,040	4,475,199	2,230,128	5,875,808
Cost of sales	(1,380,137)	(2,307,239)	(3,321,192)	(1,601,873)	(4,035,743)
Gross profit	720,529	1,190,801	1,154,007	628,255	1,840,065
Other income	13,843	113,315	132,068	58,047	344,159
Change in fair value of investment properties	482,177	901,113	125,100	71,200	561,000
Distribution expenses	(131,351)	(210,187)	(323,910)	(133,285)	(105,975)
Administrative expenses	(108,755)	(335,370)	(408,286)	(169,201)	(84,822)
Loss on disposal of investment held for trading	—	(131)	—	—	—
Finance costs	—	(20,579)	(61,525)	(33,415)	(41,634)
Share of results of jointly controlled entities	602	(13,681)	63,225	(1,938)	32,570
Profit before taxation	977,045	1,625,281	680,679	419,663	2,545,363
Income tax expense	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)
Profit for the year/period	639,468	901,200	399,481	236,770	1,659,984
Other comprehensive expense for the year/period					
Exchange differences arising on translation	(1,310)	—	—	—	—
Total comprehensive income for the year/period	638,158	901,200	399,481	236,770	1,659,984
Attributable to:					
Equity owners of the Company	370,969	749,990	331,590	198,158	1,456,061
Minority interests	268,499	151,210	67,891	38,612	203,923
Profit for the year/period	639,468	901,200	399,481	236,770	1,659,984
Attributable to:					
Equity owners of the Company	369,659	749,990	331,590	198,158	1,456,061
Minority interests	268,499	151,210	67,891	38,612	203,923
Total comprehensive income for the year/period	638,158	901,200	399,481	236,770	1,659,984
Earnings per share, in RMB cents					
Basic	9.3	18.7	8.3	5.0	36.4

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Revenue

Our revenue increased by 1.6 times to RMB5,875.8 million for the six months ended June 30, 2009 from RMB2,230.1 million for the same period in 2008, primarily due to an increase in revenue generated from property development.

- *Property Development*. Revenue generated from property development increased by 1.7 times to RMB5,718.4 million for the six months ended June 30, 2009 from RMB2,123.4 million for the same period in 2008, primarily due to an increase in the average realized selling prices of the properties we sold and an increase in the total GFA sold. Our average realized selling price per sq.m. for the properties we sold increased by 1.1 times to RMB10,071 for the six months ended June 30, 2009 from RMB4,732 for the same period in 2008, primarily due to the sale of properties at our Beijing Rose and Ginkgo Villa and Beijing Chianti projects, which commanded higher average realized selling prices. Our total GFA sold increased by 26.5% to 567,840 sq.m. for the six months ended June 30, 2009 from 448,778 sq.m. for the same period in 2008.

  The following table sets forth revenue generated, GFA sold, and the average realized selling prices for each listed project for the six months ended June 30, 2008 and 2009, respectively.

Project	Revenue		GFA Sold		Average Realized Selling Price	
	Six Months Ended June 30,					
	2008	2009	2008	2009	2008	2009
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Blue Lake County	95,249	10,782	9,762	2,147	9,757	5,022
Chongqing Fairy Castle	349,197	671	80,831	263	4,320	2,551
River View	331,611	1,434	87,516	520	3,789	2,758
Peace Hill County	—	454,046	—	37,758	—	12,025
Sunshine Riverside	—	335,973	—	47,705	—	7,043
Crystal Town	86,761	4,783	21,157	2,344	4,101	2,041
West Paradise Walk	358,734	7,087	79,654	1,317	4,504	5,381
Hill of Good Hope	26,221	562	8,854	194	2,961	2,897
King Land	862,620	35,512	155,412	5,156	5,551	6,888
Charming Port	—	33,670	—	5,512	—	6,108
Three Thousand Lane	—	1,722,578	—	287,707	—	5,987
Beijing Rose and Ginkgo Villa	—	1,859,008	—	73,739	—	25,211
Beijing Chianti	—	1,243,140		101,302	—	12,272
Others	13,032	9,198	5,592	2,176	2,331	4,206
Total	2,123,425	5,718,444	448,778	567,840	4,732	10,071

- *Property Investment*. Revenue generated from property investment increased by 37.6% to RMB86.3 million for the six months ended June 30, 2009 from RMB62.7 million for the same period in 2008, primarily due to an increase in total GFA leased and an increase in rental prices at the North Paradise Walk Mall project in the six months ended June 30, 2009.

- *Property management and related services.* Revenue generated from property management and related services increased by 55.8% to RMB80.2 million for the six months ended June 30, 2009 from RMB51.5 million for the same period in 2008, primarily due to the increase in the number of properties under management.

Cost of Sales

Cost of sales increased by 1.5 times to RMB4,035.7 million for the six months ended June 30, 2009 from RMB1,601.9 million for the same period in 2008, primarily due to a significant increase in our average costs per sq.m., particularly relating to our Beijing Rose and Ginkgo Villa project, which incurred higher costs to obtain the requisite land use rights, and an increase in the total GFA sold of our properties that resulted in a corresponding increase in the construction costs recognized.

Gross Profit

Gross profit increased by 1.9 times to RMB1,840.1 million for the six months ended June 30, 2009 from RMB628.3 million for the same period in 2008. Our gross profit margin slightly increased to 31.3% for the six months ended June 30, 2009 from 28.2% for the same period in 2008. The increase in our gross profit margin was primarily due to sales of properties of our Beijing Rose and Gingko Villa and Beijing Chianti projects for the six months ended June 30, 2009, which commanded high gross profit margins.

Other Income

Other income increased by 4.9 times to RMB344.2 million for the six months ended June 30, 2009 from RMB58.0 million for the same period in 2008. This increase was primarily due to the compensation received from primarily development project in the amount of RMB306.0 million at the Hong'en Si project.

Change in Fair Value of Investment Properties

Fair value gains on investment properties increased by 6.9 times to RMB561.0 million for the six months ended June 30, 2009 from RMB71.2 million for the same period in 2008, primarily due to our efforts to enhance the value of the North Paradise Walk Mall project through property improvements and adjustments in our tenant mix, which enabled us to charge higher rents and which, as a result, increased the fair value of the properties.

The following table sets forth, for the periods indicated, the fair value gains on our investment properties.

Investment Property	Six Months Ended June 30, 2008		2009	
	(RMB in thousands, except percentages)			
North Paradise Walk Mall	37,000	52.0%	455,000	81.1%
Chongqing Fairy Castle	9,400	13.2	5,100	0.9
Crystal Constellation of Crystal Town	2,800	3.9	4,900	0.9
West Paradise Walk	22,000	30.9	96,000	17.1
Total	71,200	100.0%	561,000	100.0%

Distribution Expenses

Distribution expenses decreased by 20.4% to RMB106.0 million for the six months ended June 30, 2009 from RMB133.3 million for the same period in 2008. The decrease in distribution expenses was primarily a result of the fact that we did not introduce any new project during the six months ended June 30, 2009. The absence of new projects resulted in, among other things, fewer promotional expenses relating to advertisement, marketing and related costs. We do not believe that the decrease in distribution expenses during this period will have any long term material adverse effect on us.

Administrative Expenses

Administrative expenses decreased by 49.9% to RMB84.8 million for the six months ended June 30, 2009 from RMB169.2 million for the same period in 2008. The decrease in administrative expenses was primarily a result of a reduction in our employee during the six months ended June 30, 2009. The reduction directly contributed to an overall decrease in general administrative expenses relating to, among other things, recruitment, retention and training. We do not believe that the decrease in administrative expenses during this period will have any long term material adverse effect on us.

Finance Costs

Finance costs increased by 24.6% to RMB41.6 million for the six months ended June 30, 2009 from RMB33.4 million for the same period in 2008, primarily due to an increase in interest paid on the 2007 Term Loan that was not wholly capitalized.

Share of Results of Jointly Controlled Entities

For the six months ended June 30, 2009, the share of profits of jointly controlled entities was RMB32.6 million, primarily due to profits generated from our Bamboo Grove project, as compared to a share of losses of jointly controlled entities in the amount of RMB1.9 million for the six months ended June 30, 2008.

Profit Before Taxation

Profit before taxation increased by 5.1 times to RMB2,545.4 million for the six months ended June 30, 2009 from RMB419.7 million for the same period in 2008.

Income Tax Expense

Income tax expense increased by 3.8 times to RMB885.4 million for the six months ended June 30, 2009 from RMB182.9 million for the same period in 2008, primarily because we had a higher profit before taxation, although our effective tax rate decreased to 34.8% for the six months ended June 30, 2009 from 56.4% for the same period in 2008, primarily because we had higher fair value gains on our investment properties, which were not subject to LAT, for the six months ended June 30, 2009 as compared to the same period in 2008. The decrease in our effective tax rate was also due to the fact that we generated income from primary land development in relation to the Hong’en Si project in 2009. Such income is not subject to LAT.

Profit for the Period

Profit for the period increased by 6.0 times to RMB1,660.0 million for the six months ended June 30, 2009 from RMB236.8 million for the same period in 2008. As a percentage of revenue, profit for the six months ended June 30, 2009 increased to 28.3% from 10.6% for the same period in 2008, as a result of the cumulative effect of the foregoing factors.

Profit Attributable to Equity Owners of the Company

Profit attributable to equity owners of the Company increased by 6.3 times to RMB1,456.1 million for the six months ended June 30, 2009 from RMB198.2 million for the same period in 2008.

Profit Attributable to Minority Interests

Profit attributable to minority interests was RMB203.9 million for the six months ended June 30, 2009, as compared to RMB38.6 million for the same period in 2008, primarily due to an increase in profit for the six months ended June 30, 2009 from the same period in 2008.

2008 Compared to 2007

Revenue

Our revenue increased by 27.9% to RMB4,475.2 million in 2008 from RMB3,498.0 million in 2007, primarily due to an increase in revenue generated from property development.

- *Property Development.* Revenue generated from property development increased by 26.4% to RMB4,216.2 million in 2008 from RMB3,334.3 million in 2007, primarily due to an increase in the average realized selling prices of the properties we sold and, to a lesser extent, an increase in the total GFA sold. Our average realized selling prices per sq.m. for the properties we sold increased by 22.9% to RMB4,938 in 2008 from RMB4,015 in 2007, primarily due to our generating a higher percentage of revenue from sales of properties at our King Land and Charming Port projects, which commanded higher average realized selling prices.

The following table sets forth revenue generated, GFA sold, and average realized selling prices for each listed project in 2007 and 2008.

Project	Revenue		GFA Sold		Average Realized Selling Price	
	2007	2008	2007	2008	2007	2008
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Blue Lake County	846,290	729,276	143,703	123,340	5,889	5,913
Chongqing Fairy Castle	817,008	364,911	224,176	101,162	3,644	3,607
River View	596,665	332,520	201,597	87,904	2,960	3,783
Crystal Town	56,863	99,147	26,749	25,939	2,126	3,822
West Paradise Walk	—	347,344	—	77,388	—	4,488
Hill of Good Hope	514,797	28,855	125,908	9,559	4,089	3,019
King Land	461,831	897,608	90,997	159,447	5,075	5,630
Charming Port	—	1,399,312	—	263,374	—	5,313
Others	40,885	17,199	17,274	5,730	2,367	3,002
Total	3,334,339	4,216,172	830,404	853,843	4,015	4,938

- *Property Investment.* Revenue generated from property investment increased by 56.1% to RMB158.8 million in 2008 from RMB101.7 million in 2007, primarily due to the completion of Phase I of the West Paradise Walk project at the end of 2007, which provided us with additional rental properties for lease in 2008, and due to an increase in the average rent for our existing investment properties.

- *Property management and related services.* Revenue generated from property management and related services increased by 87.9% to RMB116.5 million in 2008 from RMB62.0 million in 2007, primarily due to an increase in the number of properties under management.

Cost of Sales

Cost of sales increased by 43.9% to RMB3,321.2 million in 2008 from RMB2,307.2 million in 2007, primarily due to an increase in cost of property development, which was largely driven by an increase in the cost of raw materials, particularly steel and cement. In addition, lower-end properties, which generally require lower development costs, comprised a smaller percentage of the projects that we completed and delivered to our purchasers in 2008 as compared to 2007.

Gross Profit

Gross profit decreased by 3.1% to RMB1,154.0 million in 2008 from RMB1,190.8 million in 2007. Our gross profit margin decreased to 25.8% in 2008 from 34.0% in 2007. The decrease in our gross profit margin was primarily because a large portion of our properties that we completed and delivered to purchasers in 2008 had a lower profit margin, which was the result of an increase in the average cost per sq.m. for such properties that outpaced an increase in the average per sq.m. selling price for the same properties.

Other Income

Other income increased by 16.6% to RMB132.1 million in 2008 from RMB113.3 million in 2007. This increase was primarily due to a gain on the disposal of a partial interest in a jointly controlled entity in the amount of RMB36.8 million and a net exchange gain in the amount of RMB38.6 million in 2008, partially offset by a discount on the acquisition of an additional interest in a subsidiary in the amount of RMB41.0 million in 2007.

Change in Fair Value of Investment Properties

Fair value gains on investment properties decreased by 86.1% to RMB125.1 million in 2008 from RMB901.1 million in 2007, primarily because of the completion of Phase I of the West Paradise Walk project in 2007, which led to the recognition of RMB627.2 million in fair value gains in 2007.

The following table sets forth, for the periods indicated, the fair value gains (losses) on our investment properties.

	Year Ended December 31,			
Investment Property	**2007**		**2008**	
	(RMB in thousands, except percentage)			
North Paradise Walk Mall	285,000	31.6%	76,000	60.8%
Chongqing Fairy Castle	29,000	3.2	12,400	9.9
Crystal Constellation of Crystal Town	(40,060)	(4.4)	4,700	3.8
West Paradise Walk	627,173	69.6	32,000	25.5
Total	901,113	100.0%	125,100	100.0%

Distribution Expenses

Distribution expenses increased by 54.1% to RMB323.9 million in 2008 from RMB210.2 million in 2007. This increase was primarily due to an increase in promotional expenses related to our expansion into Shanghai and Xi'an and an increase in the number of projects for which we commenced pre-sales in 2008 as compared to 2007.

Administrative Expenses

Administrative expenses increased by 21.7% to RMB408.3 million in 2008 from RMB335.4 million in 2007, primarily due to an increase in the expenses associated with the Pre-[●] Share Award Scheme and Pre-[●] Option Scheme that were adopted on November 30, 2007 in the amount of RMB60.1 million.

Finance Costs

Finance costs increased by 2.0 times to RMB61.5 million in 2008 from RMB20.6 million in 2007 due to an increase in interest paid on the 2007 Term Loan that was not wholly capitalized.

Share of Results of Jointly Controlled Entities

In 2008, the share of profits of jointly controlled entities was RMB63.2 million primarily due to profits generated from our Bamboo Grove project, as compared to a share of losses of jointly controlled entities in the amount of RMB13.7 million in 2007.

Profit Before Taxation

Profit before taxation decreased by 58.1% to RMB680.7 million in 2008 from RMB1,625.3 million in 2007.

Income Tax Expense

Income tax expense decreased by 61.2% to RMB281.2 million in 2008 from RMB724.1 million in 2007 primarily because we had a lower profit before taxation, and our effective tax rate decreased to 41.3% in 2008 from 44.6% in 2007, primarily because the effective enterprise income tax applicable to enterprises with operations in China was lowered from 33% to 25% on January 1, 2008 and because the LAT decreased to RMB55.5 million in 2008 from RMB147.2 million in 2007, partially offset by a 5% withholding tax applicable to companies such as us, which the PRC Government implemented nationwide effective January 1, 2008.

Profit for the Year

Profit for the year decreased by 55.7% to RMB399.5 million in 2008 from RMB901.2 million in 2007, primarily due to a decrease in fair value gains on investment properties, net of deferred tax and profit attributable to minority interests, to RMB85.7 million in 2008 from RMB470.9 million in 2007. As a percentage of revenue, profit in 2008 decreased to 8.9% from 25.8% in 2007 as a result of the cumulative effect of the foregoing factors.

Profit Attributable to Equity Owners of the Company

Profit attributable to equity owners of the Company decreased by 55.8% to RMB331.6 million in 2008 from RMB750.0 million in 2007.

Profit Attributable to Minority Interests

Profit attributable to minority interests decreased by 55.1% to RMB67.9 million in 2008 from RMB151.2 million in 2007, primarily due to a decrease in profit in 2008 from 2007.

2007 Compared to 2006

Revenue

Our revenue increased by 66.5% to RMB3,498.0 million in 2007 from RMB2,100.7 million in 2006, primarily due to an increase in the total GFA sold and also to increases in revenue generated from property investment and other revenue, partially offset by a decrease in the average realized selling prices of our properties sold.

- *Property Development.* Revenue generated from property development increased by 67.4% to RMB3,334.3 million in 2007 from RMB1,991.4 million in 2006, primarily due to an increase in the total GFA sold. Our average realized selling price per sq.m. for our properties decreased by 15.6% to RMB4,015 in 2007 to RMB4,641 in 2006, primarily due to an increase in sales of properties at Chongqing Fairy Castle, River View and Hill of Good Hope projects in 2007, which charged lower average realized selling prices than other properties we sold in 2006.

  The following table sets forth the revenue generated, the GFA sold, and the average realized selling prices for each project in 2006 and 2007, respectively.

Project	Revenue		GFA Sold		Average Realized Selling Price	
	2006	2007	2006	2007	2006	2007
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Blue Lake County	1,075,036	846,290	153,240	143,703	7,015	5,889
Chongqing Fairy Castle	616,263	817,008	190,223	224,176	3,240	3,644
River View	—	596,665	—	201,597	—	2,960
Crystal Town	268,910	56,863	79,343	26,749	3,389	2,126
Hill of Good Hope	—	514,797	—	125,908	—	4,089
King Land	—	461,831	—	90,997	—	5,075
Others	31,233	40,885	6,319	17,274	4,942	2,367
Total	1,991,442	3,334,339	429,125	830,404	4,641	4,015

- *Property Investment.* Revenue generated from property investment increased by 51.1% to RMB101.7 million in 2007 from RMB67.3 million in 2006, primarily as a result of an increase in the number of rental properties leased and an increase in the rental prices for properties at the North Paradise Walk Mall project.

- *Property management and related services.* Revenue generated from property management and related services increased by 48.0% to RMB62.0 million in 2007 from RMB41.9 million in 2006, primarily due to the increase in the number of properties under management.

Cost of Sales

Cost of sales increased by 67.2% to RMB2,307.2 million in 2007 from RMB1,380.1 million in 2006, primarily due to an increase in costs of property development. The increase in costs of property development was primarily due to an increase in GFA completed, partially offset by a decrease in average costs of land use rights. Our costs of land use rights per sq.m. decreased to RMB598.0 in 2007 from RMB731.8 in 2006.

The increase in cost of sales was also attributable to an increase in cost of property management and related services to RMB56.7 million in 2007 from RMB39.0 million in 2006, primarily due to the higher costs associated with the growth in 2007 in the number of properties under management.

Gross Profit

Gross profit increased by 65.3% to RMB1,190.8 million in 2007 from RMB720.5 million in 2006. Our gross profit margin decreased slightly to 34.0% in 2007 from 34.3% in 2006.

Other Income

Other income increased by 7.2 times to RMB113.3 million in 2007 from RMB13.8 million in 2006. This increase was primarily due to a discount on the acquisition of an additional interest in a subsidiary in the amount of RMB41.0 million in 2007, a gain on the disposal of a partial interest in a subsidiary in the amount of RMB23.1 million in 2007 and an increase in interest income from RMB9.7 million in 2006 to RMB28.9 million in 2007. In 2007, Chongqing Longhu Development contributed RMB160.0 million in additional capital in Chongqing Longhu Properties and subsequently acquired the remaining minority interests for a consideration of RMB2.5 million. Chongqing Longhu Development therefore held 100% of the equity of Chongqing Longhu Properties. Discount on acquisition and discount on deemed acquisition of RMB41.1 million was recognized in total.

Change in Fair Value of Investment Properties

Fair value gains on investment properties increased by 86.9% to RMB901.1 million in 2007 from RMB482.2 million in 2006, primarily due to the completion of Phase I of the West Paradise Walk project in 2007, which led to the recognition of RMB627.2 million in fair value gains in 2007.

The following table sets forth, for the periods indicated, the fair value gains on our investment properties.

	Year Ended December 31,			
Investment Property	**2006**		**2007**	
	(RMB in thousands, except percentages)			
North Paradise Walk Mall	107,000	22.2%	285,000	31.6%
Chongqing Fairy Castle	244,183	50.6	29,000	3.2
Crystal Constellation of Crystal Town	130,994	27.2	(40,060)	(4.4)
West Paradise Walk	—	—	627,173	69.6
Total	482,177	100.0%	901,113	100.0%

Distribution Expenses

Distribution expenses increased by 60.0% to RMB210.2 million in 2007 from RMB131.4 million in 2006. This increase was primarily due to an increase in total promotional expenses, mainly because we continued to strengthen our advertising and marketing efforts to promote our products and broaden our market recognition.

Administrative Expenses

Administrative expenses increased by 2.1 times to RMB335.4 million in 2007 from RMB108.8 million in 2006, primarily due to an increase in total salaries and benefits for our personnel, resulting primarily from one-time bonuses paid in 2007 in the amount of RMB116 million and an increase in employee headcount from 2,463 in 2006 to 3,179 in 2007, which primarily included the hiring of new administrative employees that received higher-than-average salaries.

Finance Costs

Finance costs increased to RMB20.6 million in 2007 from nil in 2006 because the interest we incurred on the term loan facility extended by Citicorp Securities Asia Pacific Limited was not capitalized during the period prior to the commencement of our using the loan proceeds to develop our properties.

Share of Results of Jointly Controlled Entities

In 2007, the share of loss of jointly controlled entities was RMB13.7 million, as compared to the share of profit of jointly controlled entities of RMB0.6 million in 2006, primarily due to Longhu Land incurring certain costs due to its commencing construction of projects in 2007.

Profit Before Taxation

Profit before taxation increased by 66.4% to RMB1,625.3 million in 2007 from RMB977.0 million in 2006. As a percentage of revenue, profit before taxation remained the same at 46.5% in 2007 and 2006.

Income Tax Expense

Income tax expense increased by 1.1 times to RMB724.1 million in 2007 from RMB337.6 million in 2006, and our effective tax rate increased to 44.5% in 2007 from 34.6% in 2006. In 2007, our effective tax rate was 44.5%, primarily because the tax rate that is expected to be applicable in future periods to Chongqing Longhu increased from 16.5% to 25.0% and, as a result, we recognized a one-off increase in our deferred tax liability.

Profit for the Year

Profit for the year increased by 40.9% to RMB901.2 million in 2007 from RMB639.5 million in 2006. As a percentage of revenue, profit for the year decreased to 25.8% in 2007 from 30.4% in 2006, as a result of the cumulative effect of the foregoing factors.

Profit Attributable to Equity Owners of the Company

Profit attributable to equity owners of the Company increased by 102.2% to RMB750.0 million in 2007 from RMB371 million in 2006. As a percentage of revenue, profit attributable to equity holders of the Company increased to 21.4% in 2007 from 17.6% in 2006, as a result of the cumulative effect of the foregoing factors.

Profit Attributable to Minority Interests

Profit attributable to minority interests decreased by 43.7% to RMB151.2 million in 2007 from RMB268.5 million in 2006, primarily due to the decrease in the interest in us held by Madam Wu and Mr. Cai from 40% to 8.7% in October 2007.

CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Non-Current Assets	3,413,107	10,032,821	9,110,364	8,617,479
Investment properties	2,466,926	3,634,000	3,759,100	4,320,100
Property, plant and equipment	55,229	133,386	166,976	179,331
Properties under development	—	—	10,701	—
Prepaid lease payments	142,226	3,418,668	3,026,288	25,446,841
Deposits paid for acquisition of land use rights	586,475	2,249,415	845,780	89,527
Current Assets	6,675,703	12,606,662	23,285,903	25,456,732
Properties under development	4,740,061	8,702,421	14,880,070	16,817,943
Properties held for sales	421,603	363,516	2,582,592	902,708
Accounts and other receivables, deposits and prepayments	426,208	686,599	1,611,597	1,038,374
Bank balances and cash	729,106	2,337,618	3,228,797	5,919,421
Current Liabilities	4,844,705	13,113,585	21,360,847	22,534,570
Accounts payable, deposits received and accrued charges	3,777,580	9,096,044	13,843,721	13,464,958
Bank and other borrowings - due within one year	649,100	3,175,520	6,480,051	7,549,506
Non-Current Liabilities	2,754,053	5,397,430	7,091,186	5,910,032
Bank and other borrowings - due after one year	2,450,260	4,752,930	6,359,700	4,948,494
Deferred taxation liabilities	303,793	625,194	731,486	961,538
Total Equity	2,490,052	4,128,468	3,994,234	5,619,718

Accounts and Other Receivables, Deposits and Prepayments

We had accounts and other receivables, deposits and prepayments of RMB426.2 million, RMB686.6 million, RMB1,611.6 million and RMB1,038.4 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Our accounts and other receivables, deposits and prepayments consist of trade receivables, other receivables, advances to suppliers, prepaid business tax and prepayments and deposits. The following table sets forth, for the periods indicated, further detail on our accounts and other receivables, deposits and prepayments.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Trade receivables	38,695	34,931	41,996	31,821
Other receivables	213,017	128,549	713,343	308,879
Advances to suppliers	13,392	98,207	111,824	115,438
Prepaid tax	161,086	424,772	742,885	581,751
Prepayments and utilities deposits	18	140	1,549	485
Total	426,208	686,599	1,611,597	1,038,374

Trade receivables were RMB38.7 million, RMB34.9 million, RMB42.0 million and RMB31.8 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Trade receivables arise mainly from properties that are sold close to the end of reporting periods for which we generally receive payment within 45 days of the execution of the sales contract.

Other receivables were RMB213.0 million, RMB128.5 million, RMB713.3 million and RMB308.9 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Our other receivables consist of secured deposits for other loans, deposits for tenders, temporary payments on behalf of customers, deposits to the contractors and others. Our secured deposits for other loans consists of a deposit made in connection with the West Paradise Walk project. Our temporary payments on behalf of customers consists of payments to the property maintenance and repair fund and deed taxes and stamp duties we paid on behalf of the purchasers of our properties. The decrease in other receivables from 2006 to 2007 is primarily due to a decrease in deposits to the contractors and deposits for tenders. The decrease in deposits to contractors and deposits for tenders in 2007 was primarily due to the expansion of our business which led to contractors requiring fewer or smaller deposits from us. The increase in other receivables from 2007 to 2008 was primarily due to the sale of our equity interests in a subsidiary in 2008. The decrease in other receivables from December 31, 2008 to June 30, 2009 was primarily due to the receipt of payment for such receivables in 2009.

The following table sets forth, for the periods indicated, the breakdown of our other receivables.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Secured deposit for other loan	50,000	50,000	—	—
Deposits for tenders	14,000	5,000	—	—
Temporary payments on behalf of customers	16,581	10,917	1,392	297
Deposits to the contractors	72,946	55,877	113,991	122,070
Receivable from disposal of a property interest	—	—	—	110,060
Others	9,490	6,755	597,960	76,452
Total	163,017	128,549	713,343	308,879

Advances to suppliers were RMB13.4 million, RMB98.2 million, RMB111.8 million and RMB115.4 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in advances to suppliers was primarily due to the expansion of our business. Prepaid tax was RMB161.1 million, RMB424.8 million, RMB742.9 million and RMB581.8 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in prepaid LAT and business tax was primarily due to an increase in the aggregate amount of our pre-sales.

Accounts Payable, Deposits Received and Accrued Charges

We had accounts payable, deposits received and accrued charges of RMB3,777.6 million, RMB9,096.0 million, RMB13,843.7 million and RMB13,465.0 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Our accounts payable, deposits received and accrued charges include trade payables, bills payable, deposits received and receipt in advance from property sales and other payables and accrued charges. The following table sets forth, for the periods indicated, further detail on our accounts payable, deposits received and accrued charges.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Trade payables	320,089	389,002	1,453,839	1,526,892
Bills payable	434,890	474,946	282,789	62,386
Deposits received and receipt in advance from property sales	2,666,158	7,180,704	10,959,662	10,791,999
Other payables and accrued charges	356,443	1,051,392	1,147,431	1,083,681
Total	3,777,580	9,096,044	13,843,721	13,464,958

Trade payables were RMB320.1 million, RMB389.0 million, RMB1,453.8 million and RMB1,526.9 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in trade payables was primarily due to an increase in the number of our construction contracts.

Bills payable were RMB434.9 million, RMB474.9 million, RMB282.8 million and RMB62.4 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The decrease in bills payable was primarily due to a reduction of our use of bills as a means of payment.

Deposits received and receipt in advance from property sales were RMB2,666.2 million, RMB7,180.7 million, RMB10,960.0 million and RMB10,792.0 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in deposits received and receipt in advance from property sales was primarily due to an increase in the number of properties we pre-sold. Deposits received and receipt in advance from property sales represent primarily payments received on properties pre-sold prior to their completion.

Other payables and accrued charges, consisting of accrued wages, interest payable and other payables, were RMB356.4 million, RMB1,051.4 million, RMB1,147.4 million and RMB1,083.7 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009.

Prepaid Lease Payments

Prepaid lease payments represent payments for obtaining land use rights in the PRC for properties for which we have not yet commenced land development. They are initially recognized at cost and are released to the consolidated statements of comprehensive income over the lease term on a straight-line basis.

We had prepaid lease payments of RMB142.2 million, RMB3,418.7 million, RMB3,026.3 million and RMB2,566.3 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in prepaid lease payments from 2006 to 2007 was primarily due to the prepaid lease payments for the Blossom Chianti, Jade Town and Qujiang Glory projects. The decrease in prepaid lease payments from 2007 to 2008 was primarily because we commenced development in 2008 for most of the projects for which we had obtained land use rights in 2007 therefore eliminating the need to continue to make prepaid lease payments for such projects in 2008. Prepaid lease payments decreased from December 31, 2008 to June 30, 2009 primarily due to the aforementioned factor.

Deposits Paid for Acquisition of Land Use Rights

Deposits paid for the acquisition of land use rights represents prepayment for land for which we had not yet received the land use rights certificate and had not yet completed the land transfer procedures.

We had deposits paid for the acquisition of land use rights of RMB586.5 million, RMB2,249.4 million, RMB845.8 million and RMB89.5 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in deposits paid for acquisition of land use rights from 2006 to 2007 was primarily due to the increase in the deposits paid for acquisition of land use rights for the Hong'en Si, Crystal Magic and Chongqing Flamenco Spain projects. The decrease in the deposits paid for acquisition of land use rights from 2007 to 2008 was primarily because we commenced development in 2008 for most of the projects for which we had obtained land use rights in 2007. The decrease in the deposits paid for acquisition of land use rights from December 31, 2008 to June 30, 2009 was primarily due to the aforementioned factor.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our working capital, capital expenditures and other capital requirements primarily through internal funds, borrowings from banks, the issuance of bonds, capital contributions from shareholders, and proceeds from sales and pre-sales of our developed properties.

Net Current Assets

As of September 30, 2009, our Group had net current assets of approximately RMB1,619.0 million. Our Group's current assets were mainly comprised of properties under development of RMB17,606.3 million, bank balances and cash of RMB4,244.7 million, accounts and other receivables, deposits and prepayments of RMB1,396.7 million and properties held for sale of RMB732.0 million. As of September 30, 2009, our Group's current liabilities were mainly comprised of accounts payable, deposits received and accrued charges of RMB16,618.1 million, bank and other borrowings due within one year of RMB5,290.3 million and taxation payable of RMB1,275.6 million.

Our bank and other borrowings due within one year as of June 30, 2009 primarily included borrowings made on the 2007 Term Loan from Citicorp Securities Asia Pacific Limited as arranger of HK$2,518.0 million in connection with our Reorganization. We fully repaid the 2007 Term Loan in August 2009.

Cash Flows

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

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
				unaudited	
	(RMB in thousands)				
Operating cash flows before movements in working capital[(1)]	490,845	708,120	596,469	373,337	1,698,122
Change in working capital:					
Increase in inventories	(10,169)	(20,376)	(92,928)	(48,856)	(65,908)
Decrease (increase) in properties under development and properties held for sales	(2,542,911)	(2,910,708)	(4,590,814)	(2,692,349)	1,124,707
Decrease (increase) in accounts and other receivables, deposits and prepayments	82,880	(230,330)	(414,134)	(196,834)	788,716
Decrease (increase) in amounts due from related parties	(82,206)	9,585	40,017	(73,545)	32,678
Decrease (increase) in accounts payable, deposits received and accrued charges	1,747,939	5,086,089	4,697,603	1,660,228	(297,973)
Cash (used in) from operations	(313,622)	2,642,380	236,213	(978,019)	3,280,342
PRC income tax paid	(85,299)	(151,406)	(272,905)	(251,172)	(239,290)
Net cash (used in) from operating activities	(398,921)	2,490,974	(36,692)	(1,229,191)	3,041,052
Net cash (used in) from investing activities	(892,626)	(6,281,170)	(3,077,581)	(2,298,512)	334,183
Net cash from (used in) financing activities	1,665,293	5,398,708	4,005,452	3,828,664	(684,611)
Net increase in cash and cash equivalents	373,746	1,608,512	891,179	300,961	2,690,624
Cash and cash equivalents at the beginning of the year/period	356,110	729,106	2,337,618	2,337,618	3,228,797
Effect of foreign exchange rate changes	(750)	—	—	—	—
Cash and cash equivalents at the end of the year/period	729,106	2,337,618	3,228,797	2,638,579	5,919,421

(1) Represents profit before taxation as adjusted for write down of inventories, imputed interest income of amount due from a minority shareholder, compensation received from primarily development project, share-based payments expenses, depreciation of property, plant and equipment, increase in fair value of investments held for trading, share of (profits) losses of jointly controlled entities, (gain) loss on disposal of property, plant and equipment, loss on disposal of investments held for trading, interest income, increase in fair value of investment properties, impairment loss on investment in an associate, gain on disposal of partial interest in a subsidiary, (gain) loss on disposal of a subsidiary, discount arising on acquisition of additional interest in a subsidiary, dividend income from available-for-sale investments, dividend income from investments held for trading, impairment loss on amount due from a related party, impairment loss on loan receivable, impairment loss on other receivables and net exchange gain.

Cash Flows from Operating Activities

Our cash used in operations principally comprises amounts we pay for our property development activities, which are reflected on our consolidated statements of financial position as an increase in our property inventory. Our cash from operations is generated principally from the proceeds from sales of our properties, including pre-sales of properties under development.

For the six months ended June 30, 2009, we had net cash inflow from operating activities of RMB3,041.1 million, primarily due to profit before taxation of RMB2,545.4 million, a decrease in properties under development and properties held for sale of RMB1,124.7 million and a decrease in accounts and other receivables, deposits and prepayments of RMB788.7 million.

In 2008, we had net cash outflow from operating activities of RMB36.7 million, primarily due to an increase in properties under development and properties held for sales of RMB4,590.8 million, partially offset by an increase in accounts payable, deposits received and accrued charges of RMB4,697.6 million.

In 2007, we had net cash inflow from operating activities of RMB2,491.0 million, primarily due to an increase in accounts payable, deposits received and accrued charges of RMB5,086.1 million and profit before taxation of RMB1,625.3 million, partially offset by an increase in properties under development and properties held for sales of RMB2,910.7 million.

In 2006, we had net cash outflow from operating activities of RMB398.9 million, primarily due to an increase in properties under development and properties held for sales of RMB2,542.9 million, partially offset by an increase in accounts payable, deposits received and accrued charges of RMB1,747.9 million.

Cash Flows from Investing Activities

For the six months ended June 30, 2009, we had net cash inflow from investing activities of RMB334.2 million, primarily due to compensation received from primary development project of RMB1,000.0 million, partially offset by an acquisition of additional interest in a jointly controlled entity of RMB537.8 million.

In 2008, we had net cash outflow from investing activities of RMB3,077.6 million, primarily due to additions to the prepaid lease payments of RMB2,232.9 million and acquisition of additional interest in subsidiaries of RMB508.6 million.

In 2007, we had net cash outflow from investing activities of RMB6,281.2 million, primarily due to additions to prepaid lease payments of RMB3,276.4 million and deposits paid for acquisition of land use rights of RMB1,662.9 million.

In 2006, we had net cash outflow from investing activities of RMB892.6 million, primarily due to deposits paid for acquisition of land use rights of RMB525.5 million.

Cash Flows from Financing Activities

For the six months ended June 30, 2009, we had net cash outflow from financing activities of RMB684.6 million, primarily due to repayment of bank loans of RMB3,762.3 million, partially offset by new bank loans raised of RMB1,855.4 million and net proceeds from issuance of other long-term loan note of RMB1,384.9 million.

In 2008, we had net cash inflow from financing activities of RMB4,005.5 million primarily due to new bank loans raised in the amount of of RMB8,592.2 million, partially offset by the repayment of bank loans of RMB3,680.9 million.

In 2007, we had net cash inflow from financing activities of RMB5,398.7 million, primarily due to an increase in new bank loans of RMB5,900.6 million, partially offset by repayment of bank loans of RMB1,071.4 million.

In 2006, we had net cash inflow from financing activities of RMB1,665.3 million, primarily due to new bank loans raised of RMB2,445.0 million, partially offset in 2006 by repayment of bank loans of RMB639.4 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and it may take many months or years before positive cash flows can be generated. To date, we have funded our growth principally from internal funds, borrowings from banks, the issuance of bonds, capital contributions from shareholders, and proceeds from sales and pre-sales of our developed properties. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

We believe we have sufficient working capital to meet our requirements and foreseeable debt repayment obligations for the 12 months from the date of this document, available banking facilities and cash flows from our operations.

We intend to continue to fund our future development and debt servicing costs from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable and/or other liabilities when they become due and payable. See "Risk Factors — Risks Relating to Our Business — Our business is capital intensive. We had negative operating cashflow during the Track Record Period and may not be able to obtain sufficient funding for our business expansion." As of the Latest Practicable Date, we do not expect to engage in any material external debt financing in the foreseeable future.

Restricted Cash

Our restricted cash consists of pledged bank deposits either to secure the banking facilities granted to us or restricted for mortgage sales of property. As of December 31, 2006, 2007, 2008 and June 30, 2009, such deposits amounted to approximately RMB138.9 million, RMB187.2 million, RMB605.4 million and RMB353.3 million, respectively. The deposits had fixed interest rates of 0.81% per annum for 2006, 0.72% per annum for 2007, 0.72% per annum for 2008 and 0.36% per annum for the six months ended June 30, 2009.

Indebtedness

Borrowings and Other Non-Current Payable

At the close of business on September 30, 2009, we had total debt of RMB10,954.7 million. The following table shows our total bank and other borrowings as of the date indicated:

	Secured		**Unsecured**		**Total**	
	As of June 30, 2009	**As of September 30, 2009**	**As of June 30, 2009**	**As of September 30, 2009**	**As of June 30, 2009**	**As of September 30, 2009**
	(RMB in thousands)					
Bank and other borrowings — due within one year	7,500,506	3,814,300	49,000	1,476,000	7,549,506	5,290,300
Bank and other borrowings — due after one year	1,956,200	4,099,058	2,992,294	1,245,700	4,948,494	5,344,758
Amounts due to jointly controlled entities — due within one year	—	—	226,576	300,000	226,576	300,000
Amounts due to directors — due within one year	—	—	79,181	19,672	79,181	19,672
Total bank and other borrowings	9,456,706	7,913,358	3,347,051	3,041,372	12,803,757	10,954,730

As of September 30, 2009, our bank borrowings were secured by certain investment properties, prepaid lease payments, properties under development, properties held for sale, and pledged bank deposits. See "— Liquidity and Capital Resources — Restricted Cash."

Except as disclosed in this document, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowing or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding at the close of business on September 30, 2009.

The following table shows our net borrowings as of the date indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB in thousands)				
Bank loans, secured	2,383,600	5,567,790	10,448,051	9,456,706	6,527,600
Bank loans, unsecured	410,000	2,054,900	2,312,700	1,567,100	2,622,700
Other loan, secured	305,760	305,760	—	—	—
Other loan, unsecured	—	—	79,000	89,000	99,000
Bonds, secured	—	—	—	1,385,194	1,385,758
Amount due to associate, unsecured	1,402	—	—	—	—
Amounts due to jointly controlled entities, unsecured	—	117,331	19,957	226,576	19,672
Amounts due to directors, unsecured	35,594	36,722	81,590	79,181	300,000
Amount due to minority shareholder, unsecured	—	19,306	—	—	—
Total borrowings	3,136,356	8,101,809	12,941,298	12,803,757	10,954,730

Bank loans are arranged at fixed and variable rates. The fixed rate borrowings carry interest at market rates. The remaining borrowings are arranged at variable rates based on the interest rates quoted by the People's Bank of China or Hong Kong Interbank Offer Rate plus a premium.

The following table shows the interest rates for our borrowings for the period indicated:

	For the Year Ended December 31,			For the six months Ended June 30,	For the Period Ended September 30,
	2006	2007	2008	2009	2009
Bank loans	5.49%~7%	6.50%~6.75%	6.75%~7.47%	5.31%	5.31%~7.56%
Bonds	—	—	—	5.40%~9.22%	6.70%
Remaining borrowings	5.49%~6.30%	5.47%~7.56%	5.20%~10.71%	5.40%~9.22%	5.31%
Weighted average annual interest rate	6.25%	6.23%	7.37%	5.79%	4.55%

The following table shows the maturity of our bank and other borrowings as of the date indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB in thousands)				
Within one year or on demand	686,096	3,329,573	6,581,598	7,855,263	5,609,972
More than one year, but not exceeding two years	2,450,260	3,827,236	5,279,700	2,069,700	2,689,000
More than two years, but not exceeding five years	—	945,000	1,080,000	1,493,600	1,270,000
Over five years	—	—	—	1,385,194	1,385,758
Total	3,136,356	8,101,809	12,941,298	12,803,757	10,954,730

On September 21, 2007, Juntion Development (as borrower) entered into a facility agreement with, among others, Citicorp Securities Asia Pacific Limited (as arranger and one of the lenders) and Citicorp International Limited (as security agent) in relation to a HK$2,518 million term loan facility, which was secured by, among other types of collateral, charges over the 2,361,591,600 Shares and the 1,574,394,400 Shares held by Charm Talent and Precious Full, respectively, as of the Latest Practicable Date. This loan, together with all interest accrued, was fully repaid in August 2009. The repayment was funded primarily through our internally generated funds, and to a lesser extent, through bank loans from China Construction Bank Corporation. All security interests were released.

On May 5, 2009, Chongqing Longhu Development issued bonds in an aggregate principal amount of RMB1.4 billion that are due in 2016. A portion of such bonds are listed and traded on the Shanghai Stock Exchange. The RMB Bonds have been secured by certain of our properties and land use rights. The proceeds from the issuance of the RMB Bonds were primarily used to finance our projects in Chongqing and Chengdu. For further details on the RMB Bonds, see "History, Reorganization and Group Structure—The RMB Bonds."

Contingent Liabilities

Our contingent liabilities comprise mortgage guarantees and bank loan guarantees. We provided mortgage guarantees to PRC banks in respect of the mortgage loans provided by the PRC banks to purchasers of the properties we developed and sold. Our mortgage guarantees are issued from the dates of grant of the relevant mortgage loans and released upon the registration of the relevant mortgages in favor of the PRC banks.

The following table shows our total contingent liabilities as of the date indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB in thousands)				
Mortgage guarantees	686,151	1,609,322	2,204,667	1,846,988	2,797,616
Bank loan guarantees	—	—	—	100,000	100,000
Total	686,151	1,609,322	2,204,667	1,946,988	2,897,616

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

The directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since September 30, 2009.

All guarantees and financial assistance from and to the Controlling Shareholders, directors and related parties will be settled or released prior to the [●].

Contractual Obligations

As of June 30, 2009, our contractual obligations in connection with our property development activities amounted to RMB7,039 million, primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations as of June 30, 2009.

	Payments due by period		
	Within one year	In the second to fifth year inclusive	After five years
	(RMB in thousands)		
Operating lease arrangements	13,476	13,560	—
Other commitments contracted but not provided for:			
Expenditure in respect of properties under development	3,584,979	830,048	—
Expenditure in respect of acquisition of land use rights	951,109	1,673,000	—
Total	4,549,564	2,516,608	—

Owned Properties and Property Valuation

We, together with our jointly controlled entities, own substantially all of our properties located in the PRC. These properties include properties held for occupation, properties held for sale, properties under development, properties held for future development, properties held for investment, and other property interests. See the Property Valuation in Appendix IV to this document for details of our property interests of properties as of June 30, 2009, together with those of our jointly controlled entities, prepared by Savills.

The following table sets forth the reconciliation of our properties, together with those of our jointly controlled entities, from the audited combined financial statements as of June 30, 2009 to the Property Valuation in Appendix IV to this document as of June 30, 2009.

	As of June 30, 2009	As of August 31, 2009
	(RMB in millions)	
Valuation of properties as of June 30, 2009, as set out in the Property Valuation in Appendix IV to this document		37,871.0
Less: valuation of properties held by the jointly controlled entities		(3,163.9)
		34,707.1
Net book value as of June 30, 2009:		
Property, plant and equipment[1]	148.6	
Prepaid lease payments	2,566.3	
Property under development	16,817.9	
Investment properties	4,320.1	
Properties held for sales	902.7	
Total	24,755.6	
Add: Additions during the period from July 1, 2009 to August 31, 2009	779.6	
Less: Disposal during the period from July 1 to August 31, 2009	(49.2)	
Less: Amortizaiton of land use rights and depreciation of buildings held for self use during the period from July 1, 2009 to August 31, 2009	(1.3)	
Net book value of properties of the Group as of August 31, 2009, as set out in the Property Valuation in Appendix IV to this document		25,533.9
Revaluation surplus, before corporate income tax and LAT		9,173.2

Note:

(1) Approximately RMB30.7 million of the property, plant and equipment was excluded from the valuation in Appendix IV to this document and was therefore also excluded from this reconciliation.

MARKET RISK

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. As a portion of our long-term indebtedness prior to completion of the [●] is under loan agreements with variable interest rates, any increase in interest rates will increase our cost of financing. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates would also adversely affect our prospective purchasers’ ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and net profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2006, 2007, 2008 and June 30, 2009 were 6.12%, 7.47%, 5.31% and 5.31%, respectively. On March 17, 2005, the PBOC raised the minimum property mortgage loan rate to 90% of the respective benchmark lending rates, which was changed to 85% of the respective benchmark lending rates on August 19, 2006. On September 27, 2007, the PBOC and the CBRC further increased the mortgage loan rates to at least 1.1 times the corresponding PBOC benchmark lending rates for residential property purchasers who have obtained their first home through a mortgage loan. We cannot assure you that the PBOC will not further raise lending rates or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials, primarily steel and cement, for our property developments. We procure the raw materials, such as cement and steel, and therefore we bear the risks of fluctuation in the costs of these materials. We currently do not engage and do not expect to engage in commodities hedging activities.

Foreign Exchange Rate Risk

We conduct our business primarily in Renminbi. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an appreciation of the Renminbi against the US dollar recently. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. An appreciation of the Renminbi, however, would adversely affect the value of proceeds we receive from the [●] if they are not converted into Renminbi in a timely manner. In addition, we undertake certain transactions denominated in foreign currency, and as of June 30, 2009, we had RMB66.2 million and RMB111.7 million worth of assets in U.S. dollars and HK dollars, respectively, and RMB1,170 million worth of liabilities in HK dollars. Any appreciation or depreciation of the Renminbi against either of these currencies would affect the value of these assets and liabilities. We currently do not engage in hedging activities designed or intended to manage such currency risk. See also “Risk Factors — Risks Relating to the PRC — Our business and in particular our ability to remit dividends may be adversely affected by changes in PRC foreign exchange regulations and fluctuation in the value of the Renminbi.”

Inflation

Since January 2007, the inflation rate has risen in China, and we cannot make any assurance that we will not be adversely affected by inflation in China in the future. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.5%, 4.8%, 5.9% and 2.7% in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. As of the date of this document, we have not been materially affected by any inflation. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future. We cannot predict the impact that a sustained increase in inflation will have on our business, financial conditions, results of operations or prospects.

Equity Price Risk

We are exposed to equity price risks arising from equity investments. These equity investments are held for strategic rather than trading purposes, and we do not actively trade these investments.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

We have prepared our forecasted net profit for the year ending December 31, 2009. This profit forecast is based on the audited consolidated financial information for the six months ended June 30, 2009, the unaudited management accounts for the three months ended September 30, 2009 and our forecast of the consolidated results for the remaining three months ending December 31, 2009. The forecast for the year ending December 31, 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant Report in Appendix I to this document and the principal assumptions set forth below in the section headed "Profit Forecast" in Appendix III to this document.

	RMB (in millions, except per Share data)
Forecast net profit attributable to the equity holders of our Company[1][2][3]	not less than 2,018.7
Forecast gross fair value gains on investment properties	836.1
Less: Provision for deferred tax liabilities on fair value gains on investment properties	(209.0)
Forecast fair value gains on investment properties (net of deferred tax)	627.1
Less: minority interests on forecast fair value gains	(54.6)
Forecast fair value gains on investment properties (net of deferred tax and minority interests)	572.5
Forecast consolidated net profit attributable to the equity holders of our Company (net of fair value gains)	not less than 1,446.2
Forecast earnings per Share	
Unaudited pro forma fully diluted[4]	0.4037
Weighted average [5]	0.4902

(1) The above profit forecast has been prepared in accordance with the following principal assumptions:

- The existing political, legal, fiscal or economic conditions in the PRC would not have a material effect on our business;
- There will be no material change in the PRC policies governing the pricing and sales of our properties;

- There will be no material change in the prevailing banking and mortgage policies applicable to our purchasers;

- There will be no material change in the bases or rates of taxation in the PRC;

- There will be no material change in inflation and interest rates;

- Our operations, results and financial condition will not be materially and adversely affected by the risk factors set forth in the section headed "Risk Factors" in the document;

- Changes in foreign exchange rates will have no material impact on our operations; the remaining overseas capital raised from the [●] will be converted to Renminbi during the year, hence no material exchange gains or losses are taken into account in the profit forecast; and

- The projected market values of our investment properties as of December 31, 2009 are estimated by our Directors with reference to the independent property valuer's report set out in Appendix IV to the document from Savills, our independent property. The investment approach was adopted by Savills to assess the market value of our investment properties by capitalizing the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties. Pursuant to the investment approach, the market value of a property is assessed by adding the estimated value of (i) the lease term interest of the property and (ii) the reversionary interest of the property. The estimated value of the lease term interest is derived by capitalizing a property's contractual rental income for the relevant period, being in this case from June 30, 2009 through the end of the terms of the relevant leases. The estimated value of the reversionary interest is derived by capitalizing the property's estimated market rental for the rest of its remaining life after the end of the terms of the relevant lease. In preparing our analysis of the effect of the increase in fair value on our profit forecast, our forecast is based on (i) the market valuation of our investment properties prepared by Savills as of June 30, 2009 and August 31, 2009 and (ii) the anticipated stable to moderately upward property-specific market trends which are estimated by Savills.

(2) On the bases and assumptions set out above, and in the absence of the occurrence of unforeseen circumstances, we have forecasted that the net consolidated profit attributable to the equity holders of our Company for the year ending December 31, 2009 is unlikely to be less than RMB2,018.7 million, which includes the change of RMB572.5 million in the fair value of investment properties, net of deferred tax effect and share of minority interests and the compensation received from primary development project of RMB306 million, arising from primary land development in 2009, and takes into account the staff compensation costs arising from the Pre-[●] Share Award Schemes in the amount of RMB38.3 million and the Pre-[●] Option Scheme in the amount of RMB12.5 million.

Under IFRS, movement in the valuation of investment properties will be reflected in our financial statements through our consolidated statements of comprehensive income. Gains or losses arising from changes in the fair value of our investment properties are accounted for as profit or loss on revaluation increase/decrease in investment properties in our consolidated statements of comprehensive income.

We expect the fair value of our investment properties as of December 31, 2009, and in turn any fair value gains on investment properties, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the valuation performed by an independent professional property valuer involving the use of assumptions that are, by their nature, subjective and uncertain. See "Risk Factors — Risks Relating to Our Business — The valuation attached to our property interests contains assumptions that may or may not materialize."

Changes in the fair value of our investment properties are dependent on market conditions and factors that are beyond our control. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our investment properties as of December 31, 2009, and our independent property valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any fair value gains or losses on investment properties as of the relevant time may differ materially from (and may be materially higher or lower than) our estimate.

The revaluation gains for the year ended December 31, 2006 were attributable to the revaluation of existing investment properties in the amount of RMB107.0 million and the completion of investment properties in the amount of RMB375.2 million. The revaluation gains for the year ended December 31, 2007 were attributable to the revaluation of existing investment properties in the amount of RMB273.9 million and the completion of investment properties in the amount of RMB627.2 million. The revaluation gains for the year ended December 31, 2008 were attributable to the revaluation of existing investment properties in the amount of RMB125.1 million. The revaluation gains for the six months ended June 30, 2009 were attributable to the revaluation of existing investment properties in the amount of RMB561.0 million. The forecast revaluation gains for the year ending December 31, 2009 are attributable to the revaluation of existing investment properties, but not to the completion of investment properties currently under construction or reclassification of properties as investment properties and other gains. We currently have no intention to reclassify any of our properties held for sale as investment properties.

We expect the fair value of our investment properties as at December 31, 2009, and any future fair value changes to be dependent on market conditions and other factors that are beyond our control, and to be based on market trends anticipated by an independent professional valuer involving the use of assumptions that are, by their nature, subjective and uncertain.

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

% change in average selling price	5%	10%	15%	20%	-5%	-10%	-15%	-20%
Impact on net profit to our equity holders targeted for the year 2009 (RMB in millions)	17.9	35.7	53.6	71.4	(17.9)	(35.7)	(53.6)	(71.4)
% of total net profit to our equity holders . . .	0.9%	1.8%	2.7%	3.5%	-0.9%	-1.8%	-2.7%	-3.5%

If the average selling prices rise by 5%, the Group's net profit for the year ending December 31, 2009 will be RMB2,036.6 million (i.e., 0.9% higher than the Group's targeted 2009 net profit).

If the average selling prices rise by 10%, the Group's net profit for the year ending December 31, 2009 will be RMB2,054.4 million (i.e., 1.8% higher than the Group's targeted 2009 net profit).

If the average selling prices rise by 15%, the Group's net profit for the year ending December 31, 2009 will be RMB2,072.3 million (i.e., 2.7% higher than the Group's targeted 2009 net profit).

If the average selling prices rise by 20%, the Group's net profit for the year ending December 31, 2009 will be RMB2,090.1 million (i.e., 3.5% higher than the Group's targeted 2009 net profit).

If the average selling prices decline by 5%, the Group's net profit for the year ending December 31, 2009 will be RMB2,000.8 million (i.e., 0.9% lower than the Group's targeted 2009 net profit).

If the average selling prices decline by 10%, the Group's net profit for the year ending December 31, 2009 will be RMB1,983.0 million (i.e., 1.8% lower than the Group's targeted 2009 net profit).

If the average selling prices decline by 15%, the Group's net profit for the year ending December 31, 2009 will be RMB1,965.1 million (i.e., 2.7% lower than the Group's targeted 2009 net profit).

If the average selling prices decline by 20%, the Group's net profit for the year ending December 31, 2009 will be RMB1,947.3 million (i.e., 3.5% lower than the Group's targeted 2009 net profit).

The analysis above includes only changes in average selling prices for the 5.6% of GFA not pre-sold to purchasers as of August 31, 2009.

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

% change in targeted GFA sold and delivered	-5%	-10%	-15%	-20%	-25%
Impact on net profit to our equity holders targeted for the year 2009 (RMB millions)	(2.4)	(4.8)	(7.1)	(9.5)	(11.9)
% of total net profit to our equity holders	-0.1%	-0.2%	-0.4%	-0.5%	-0.6%

If the targeted GFA sold and delivered declines by 5%, the Group's net profit for the year ending December 31, 2009 will be RMB2,016.3 million (i.e., 0.1% lower than the Group's targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 10%, the Group's net profit for the year ending December 31, 2009 will be RMB2,014.9 million (i.e., 0.2% lower than the Group's targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 15%, the Group's net profit for the year ending December 31, 2009 will be RMB2,011.6 million (i.e., 0.4% lower than the Group's targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 20%, the Group's net profit for the year ending December 31, 2009 will be RMB2,009.2 million (i.e., 0.5% lower than the Group's targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 25%, the Group's net profit for the year ending December 31, 2009 will be RMB2,006.8 million (i.e., 0.6% lower than the Group's targeted 2009 net profit).

The analysis above includes only changes in GFA to be sold and delivered for the 5.6% of GFA not pre-sold to purchasers as of August 31, 2009.

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

% change in fair value of investment properties	-5%	-10%	-15%	5%	10%	15%
Impact on net profit to our equity holders targeted for the year 2009 (RMB millions)	(28.6)	(57.3)	(85.9)	28.6	57.3	85.9
% of total net profit to our equity holder	-1.4%	-2.8%	-4.3%	1.4%	2.8%	4.3%

If the fair value of investment properties rises by 5%, the Group's net profit for the year ending December 31, 2009 will be RMB2,047.3 million (i.e., 1.4% higher than the Group's targeted 2009 net profit).

If the fair value of investment properties rises by 10%, the Group's net profit for the year ending December 31, 2009 will be RMB2,075.9 million (i.e., 2.8% higher than the Group's targeted 2009 net profit).

If the fair value of investment properties rises by 15%, the Group's net profit for the year ending December 31, 2009 will be RMB2,104.6 million (i.e., 4.3% higher than the Group's targeted 2009 net profit).

If the fair value of investment properties declines by 5%, the Group's net profit for the year ending December 31, 2009 will be RMB1,990.1 million (i.e., 1.4% lower than the Group's targeted 2009 net profit).

If the fair value of investment properties declines by 10%, the Group's net profit for the year ending December 31, 2009 will be RMB1,961.4 million (i.e., 2.8% lower than the Group's targeted 2009 net profit).

If the fair value of investment properties declines by 15%, the Group's net profit for the year ending December 31, 2009 will be RMB1,932.8 million (i.e., 4.3% lower than the Group's targeted 2009 net profit).

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

(3) Our directors believe that our profit forecast for the year ending December 31, 2009 is reasonable, realistic and up-to-date and will not be materially impacted by the current market conditions and the PRC government's tightening policies. The presale of our properties has been consistently strong. As of August 31, 2009, we had contracted or pre-sold approximately 94.4% of our GFA to be booked in 2009. As of August 31, 2009, the construction progress of our projects to be delivered to purchasers in the second half of 2009 is as follows: the decoration and installation of Peace Hill County II has been completed and the development is currently undergoing landscape finetuning. Most of the construction work relating to Chunsen Land I, Wisdom Town, Sunshine Riverside, Beijing Rose and Gingko Villa, Beijing Chianti, Blossom Chianti, Elegance Loft and Qujiang Glory has been completed. These projects are now undergoing decoration and installation. Our marketing plan for these projects in the second half of 2009 is consistent with our past marketing practices. In general, our sales are marginally higher in the spring and fall of each year.

(4) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast consolidated profit attributable to the majority equity holders of the Company for the year ending December 31, 2009, assuming that our Company had been [●] since January 1, 2009 and that a total of 5,000,000,000 Shares were in issue during the entire year. This calculation is based on the [●] and 5,000,000,000 Shares assumed to be in issue immediately following [●] without taking into account any shares which may be issued upon the exercise of the [●], Pre-[●] Option Scheme and the Pre-[●] Share Award Schemes.

(5) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast consolidated profit attributable to equity owners of the Company for the year ending December 31, 2009 and a weighted average number of approximately 4,117,808,219 Shares were in issue during the entire year, assuming no exercise of the [●], Pre-[●] Option Scheme and the Pre-[●] Share Award Schemes.

(6) GFA and changes in fair value for each project are shown as follows:

	GFA (sq.m.)	Fair Value as at December 31, 2007	Fair Value Change	Fair Value as at December 31, 2008	Fair value change	Fair Value as at December 31, 2009
	(RMB in thousands, except GFA)					
North Paradise Walk Mall	146,262	2,120,000	76,000	2,196,000	663,000	2,859,000
Chongqing Fairy Castle	29,413	357,000	12,400	369,400	6,900	376,300
Crystal Constellation of Crystal Town	44,514	180,000	4,700	184,700	7,200	191,900
West Paradise Walk	111,654	977,000	32,000	1,009,000	159,000	1,168,000
Total	331,843	3,634,000	125,100	3,759,100	836,100	4,595,200

CAPITAL EXPENDITURES

In 2006, 2007, 2008 and the six months ended June 30, 2009, we incurred capital expenditures in the amounts of RMB153.1 million, RMB222.9 million, nil and nil, respectively, comprising primarily expenditures for investment properties and offices.

WORKING CAPITAL

Despite the current market conditions in the property sector and the PRC Government's tightening policies, the board of directors is satisfied after due and careful enquiry by taking into account the estimated net proceeds from this [●], available banking facilities and cash flow from our operations that our Group has sufficient working capital for our Group's present requirements, which includes at least the next 12 months starting from the date of this document.

DIVIDENDS

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

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

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

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

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur losses.

In accordance with the Notice of the State Administration of Taxation on Delivering the Table of Negotiated Dividends and Interest Rates to Lower Levels (Guoshuihan [2008] 112) (國家稅務總局關於下發協定股息稅率情況一覽表的通知(國稅函[2008]112號)) effective from January 1, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends paid to “non-resident” investors who do not have an establishment or place of business in the PRC. As for our Group, according to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) and Guoshuihan [2008]112, a 5% dividend withholding tax rate is applicable where the Hong Kong resident company directly owns at least 25% of the capital of the PRC company. The amount represents the withholding income tax provided on the profits arising during the six months ended June 30, 2009 of certain PRC subsidiaries, which are available for distribution to Juntion.

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

Considering our financial position, our board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders no less than 20% of any distributable profit (excluding net fair value gains or losses on investment properties). There is, however, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

For 2006, 2007, 2008 and the six months ended June 30, 2009, we declared dividends in the total amount of RMB138,408,000 to our Shareholders.

We declared one-off and non-recurring dividends of HK$100 million, which are conditional upon the Listing, to our Shareholders, namely Charm Talent, Precious Full and Fit All, in October 2009 and plan to distribute such dividends shortly after the Listing Date.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial condition in the last 12 months. Our directors are not aware of any material adverse change in our financial or trading position since June 30, 2009 (being the date as of which our latest audited combined financial statements were prepared as set out in the Accountants’ Report in Appendix I to the document).

Our directors confirmed that we have not experienced any withdrawal of banking facilities, requests for early payment of outstanding bank loans or increase in the amount of pledge(s), cancellation of orders, bankruptcy or default of customers or suppliers which have had a material adverse impact on our business operations.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE [●]

According to Rule 13.17 of the [●], a general disclosure obligation will arise where the controlling shareholder of the company has pledged its interest in shares of the company to secure debts of the company or to secure guarantees or other support of obligations of the company.

On September 21, 2007, Juntion Development (as borrower) entered into a facility agreement with, among others, Citicorp Securities Asia Pacific Limited (as arranger and one of the lenders) and Citicorp International Limited (as security agent) in relation to a HK$2,518 million term loan facility, which was secured by, among other types of collateral, charges over the 2,361,591,600 Shares and the 1,574,394,400 Shares held by Charm Talent and Precious Full. This loan, together with all interest accrued, was fully repaid in August 2009 and all security interests were released.

Save as disclosed, our directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the [●].