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[Date]

The Directors
Longfor Properties Co. Ltd.

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Longfor Properties Co. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 (the "Relevant Periods") for inclusion in the document of the Company dated [●] (the "Document").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law (2004 Revision) of the Cayman Islands on December 21, 2007. Pursuant to a corporate reorganisation, as described more fully in the section headed "History, Reorganisation and Group Structure" to the Document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on June 11, 2008.

All subsidiaries, jointly controlled entities and associates have adopted December 31 as their financial year end date. As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, jointly controlled entities and associates:

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At December 31, 2006	2007	2008	June 30, 2009	At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
Subsidiary									
Chongqing Longhu Development Company Limited 重慶龍湖企業拓展有限公司 (Formerly known as Chongqing Jiachen Economic and Cultural Development Company Limited 重慶佳辰經濟文化促進發展有限公司 and Chongqing Jiachen Economic Development Limited 重慶佳辰經濟發展有限公司) ("Chongqing Longhu Development")	People's Republic of China (the "PRC") October 18, 1994	60.0%	91.3%	91.3%	91.3%	91.3%	Registered RMB230,000,000 Paid up capital RMB230,000,000	PRC	Properties development and investment

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At December 31, 2006	2007	2008	June 30, 2009	At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
Chengdu Longhu Jinhua Real Estate Company Limited 成都龍湖錦華置業有限公司 (Formerly known as Chengdu Longhu Properties Company Limited 成都龍湖地產發展有限公司)	PRC November 10, 2004	69.4%*	86.2%*	86.2%*	86.2%*	86.2%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development
Sichuan Longhu Real Estate Development Company Limited 四川龍湖地產發展有限公司	PRC April 14, 2006	60.0%*	85.5%*	85.5%*	85.5%*	85.5%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Chengdu Longhu Property Service Company Limited ("Chengdu Longhu Property Service") 成都龍湖物業服務有限公司	PRC April 13, 2006	60.0%*	91.04%*	91.04%*	91.04%*	91.04%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management
Chengdu Yuanbo Gardening Co., Ltd 成都元博苗藝有限公司	PRC July 23, 2009	N/A	N/A	N/A	N/A	91.3%*	Registered RMB20,000 Paid up capital RMB20,000	PRC	Nursery of seeding tree
Chongqing Xinlonghu Property Service Company Limited ("Chongqing Xinlonghu") 重慶新龍湖物業服務有限公司	PRC November 6, 2003	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management
Chongqing Longhu Properties Company Limited ("Chongqing Longhu") 重慶龍湖地產發展有限公司	PRC June 20, 1995	57.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB844,912,450 Paid up capital RMB844,912,450	PRC	Properties development and investment
Beijing Longhu Properties Company Limited 北京龍湖置業有限公司	PRC December 11, 2002	51.0%*	89.9%*	89.9%*	89.9%*	89.9%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development and provision of consultancy service
Chongqing Longhu Xijie Real Estate Company Limited 重慶龍湖西街置業有限公司 (Formerly known as Chongqing Hangxing Real Estate Development Company 重慶航星置業發展有限公司) ("Chongqing Longhu Xijie")	PRC May 24, 2002	30.6%*	46.6%*	91.3%*	91.3%*	91.3%*	Registered RMB624,000,000 Paid up capital RMB624,000,000	PRC	Properties development and investment
Beijing Longhu Property Service Company Limited 北京龍湖物業服務有限公司 (Formerly known as Beijing Longhu Property Service Company Limited 北京龍湖物業管理有限公司)	PRC October 18, 2006	60.0%*	89.9%*	89.9%*	89.9%*	89.9%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At December 31, 2006	2007	2008	June 30, 2009	At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
Beijing Longhu Qinghua Property Company Limited 北京龍湖慶華置業有限公司	PRC April 14, 2006	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Chongqing Beilonghu Property Company Limited 重慶北龍湖置地發展有限公司	PRC May 12, 2004	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB700,000,000 Paid up capital RMB700,000,000	PRC	Properties development
Chongqing Juntion Real Estate Development Inc. ("Chongqing Juntion") 重慶嘉遜地產開發有限公司	PRC November 24, 2003	70.0%*	93.5%*	93.5%*	93.5%*	93.5%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development
Chongqing Juntion Architecture Engineering Company Limited ("Chongqing Juntion Architecture") 重慶嘉遜建築營造工程有限公司	PRC August 24, 2005	42.0%*	—**	—	—	—	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Properties development
Chongqing Longhu Hengshang Real Estate Company Limited 重慶龍湖恒尚地產發展有限公司	PRC September 13, 2006	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB30,000,000 Paid up capital RMB30,000,000	PRC	Properties development
Chengdu Longhu Tongjin Real Estate Company Limited 成都龍湖同晉置業有限公司	PRC April 19, 2007	N/A	46.6%*	68.5%*	68.5%*	68.5%*	Registered RMB966,549,865 Paid up capital RMB966,549,865	PRC	Properties development
Chengdu Longhu Jincheng Real Estate Company Limited ("Chengdu Jincheng") 成都龍湖錦城置業有限公司 (Formerly known as Chengdu Shiyun Real Estate Development Company Limited 成都市時運房地產開發有限責任公司)	PRC August 18, 2005	—	87.2%	91.1%*	91.1%*	91.1%*	Registered RMB120,000,000 Paid up capital RMB120,000,000	PRC	Properties development
Chengdu Jiaxun Investment Company Limited 成都佳遜投資有限公司	PRC July 13, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB30,000,000 Paid up capital RMB30,000,000	PRC	Properties development
Xi'an Longhu Real Estate Inc. 西安龍湖地產發展有限公司	PRC September 4, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Xi'an Longhu Jincheng Real Estate Company Limited 西安龍湖錦城置業有限公司	PRC September 25, 2007	N/A	82.2%*	82.2%*	82.2%*	82.2%*	Registered RMB30,000,000 Paid up capital RMB9,000,000	PRC	Properties development
Beijing Huisheng Investment Limited 北京匯晟投資有限公司	PRC August 21, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Properties development

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group: At December 31, 2006	2007	2008	June 30, 2009	At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
Chongqing Longhu Yiheng Estate Development Inc. ("Chongqing Longhu Yiheng") 重慶龍湖宜恒地產發展有限公司	PRC November 23, 2006	78.1%*	46.6%*	46.6%*	46.6%*	46.6%*	Registered RMB360,000,000 Paid up capital RMB360,000,000	PRC	Properties development
Chongqing Longhu Kaian Real Estate Development Inc. ("Chongqing Longhu Kaian") 重慶龍湖凱安地產發展有限公司	PRC November 30, 2006	79.6%*	95.6%*	95.6%*	95.6%*	95.6%*	Registered RMB600,000,00 Paid up capital RMB600,000,0000	PRC	Properties development
Chongqing Henghong Investment Inc. 重慶恒弘投資有限公司	PRC August 2, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Properties development
Chongqing Rongkai Industrial Company Limited ("Chongqing Rongkai") 重慶融凱實業有限公司	PRC January 10, 2007	N/A	93.5%*	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Properties development
Xi'an Longhu Banpo Real Estate Inc. ("Xi'an Longhu Banpo") 西安龍湖半坡置業有限公司	PRC October 18, 2007	N/A	46.6%*	91.3%*	91.3%*	91.3%*	Registered RMB19,610,000 Paid up capital RMB19,610,000	PRC	Properties development
Sichuan Xing Longhu Real Estate Development Company Limited 四川興龍湖地產發展有限公司	PRC December 12, 2007	N/A	85.5%	85.5%*	85.5%*	85.5%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development and investment
Chengdu Jinteng Trade Company Limited 成都錦騰貿易有限公司	PRC December 26, 2007	N/A	91.3%*	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials
Xiàn Longhu Xingcheng Real Estate Inc. ("Xiàn Xingcheng") 西安龍湖興城置業有限公司	PRC October 18, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB200,000,000 Paid up capital RMB200,000,000	PRC	Properties development
Beijing Longhu Zhongbai Company Limited 北京龍湖中佰置業有限公司	PRC October 24, 2007	N/A	82.2%*	91.3%*	91.3%*	91.3%*	Registered RMB1,500,000,000 Paid up capital RMB1,500,000,000	PRC	Properties development
Shanghai Longhu Real Estate Inc. 上海龍湖置業發展有限公司	PRC November 22, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Longfor Investment Co. Ltd. 龍湖投資有限公司 ("Longfor Investment")	The British Virgin Islands (the "BVI") January 8, 2008	N/A	N/A	100%	100%	100%	Authorised USD1 Paid up capital USD1	HK	Investment holding
Juntion Development Hong Kong (Holding) Limited ("Juntion Development") 嘉遜發展香港(控股)有限公司	Hong Kong ("HK") January 11, 2002	100%	100%	100%	100%	100%	Authorised HK$2,000,000 Paid up capital HK$2,000,000	HK	Investment holding
Jasmine Spread Investment Limited ("Jasmine")	BVI October 9, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital USD2	HK	Investment holding

		Equity interest attributable to the Group							
		At December 31,							
Name of company	Place and date of incorporation/ establishment	2006	2007	2008	June 30, 2009	At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
Fantastic Star Investment Limited (“Fantastic”)	BVI May 12, 2006	100%	—**	—	—	—	Authorised USD50,000 Paid up capital USD2	HK	Investment holding
Everbay Investment Limited (“Everbay”)	BVI September 27, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital US2	HK	Investment holding
Silver Oak Enterprises Limited (“Silver Oak”)	BVI November 6, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital USD2	HK	Investment holding
Join Dragon Limited (“Join Dragon”)	BVI November 6, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital USD2	HK	Investment holding
Shanghai Wanzhuo Investment Limited 上海萬卓投資有限公司	PRC December 17, 2008	N/A	N/A	100%	—**	—	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
COF V SRL (“COF V”)	Barbados January 24, 2007	N/A	N/A	—**	—	—	Authorised USD1 Paid up capital USD1	HK	Investment holding
Billion Way International Trading Limited (“Billion Way”) 兆安國際貿易有限公司	HK January 15, 2009	N/A	N/A	N/A	89.9%	89.9%	Authorised HKD10,000 Paid up capital HKD2	HK	Investment holding
Joy Wealth Trading Limited (“Joy Wealth”) 寶欣貿易有限公司	HK February 19, 2009	N/A	N/A	N/A	91.3%	91.3%	Authorised HKD10,000 Paid up capital HKD2	HK	Investment holding
Smart Sight Trading Limited (“Smart Sight”) 駿景貿易有限公司	HK February 19, 2009	N/A	N/A	N/A	61.2%	61.2%	Authorised HKD10,000 Paid up capital HKD2	HK	Investment holding
Sure Fortune Trading Limited	HK March 4, 2009	N/A	N/A	N/A	—	91.3%*	Registered HKD10,000 Paid up capital HKD1	HK	Investment holding
Win Team Trading Limited	HK March 4, 2009	N/A	N/A	N/A	—	91.3%*	Registered HKD10,000 Paid up capital HKD1	HK	Investment holding
Chengdu Xixi Real Estate Company Limited 成都西璽置業有限公司 (“Chengdu Xixi”)	PRC January 24, 2008	N/A	N/A	27.4%#	91.3%*	91.3%*	Registered RMB335,660,000 Paid up capital RMB335,660,000	PRC	Properties development
Chengdu Xixiang Real Estate Company Limited 成都西祥置業有限公司 (“Chengdu Xixiang”)	PRC January 24, 2008	N/A	N/A	27.4%#	91.3%*	91.3%*	Registered RMB436,370,000 Paid up capital RMB436,370,00	PRC	Properties development

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group: At December 31, 2006	2007	2008	June 30, 2009	At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
Beijing Longhu Shidai Properties Company Limited 北京龍湖時代置業有限公司	PRC January 3, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB900,000,000 Paid up capital RMB900,000,000	PRC	Properties development
Beijing Longhu Tianxing Properties Company Limited 北京龍湖天行置業有限公司	PRC February 25, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Properties development
Beijing Dezhuo Trade Company Limited 北京德卓貿易有限公司	PRC January 9, 2008	N/A	N/A	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials
Beijing Longhu Chengheng Decoration Company Limited 北京龍湖成恒裝飾有限公司	PRC May 16, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB2,000,000 Paid up capital RMB2,000,000	PRC	House decoration
Chongqing Tianzhuo Investment Company Limited 重慶天卓投資有限公司	PRC June 25, 2008	N/A	N/A	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Properties development
Chongqing Longhu Chengheng Real Estate Development Inc. 重慶龍湖成恒地產發展有限公司	PRC August 7, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Chongqing Tianlang Agriculture Development Company Limited 重慶天朗農業發展有限公司 ("Chongqing Tianlang Agriculture")	PRC June 1, 2009	N/A	N/A	N/A	93.5%*	93.5%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Nursery of seeding tree
Shanghai Longhu Property Management Company Limited 上海龍湖物業管理有限公司	PRC June 18, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management
Shanghai Yujiu Industrial Company Limited 上海渝久實業有限公司	PRC July 8, 2008	N/A	N/A	68.5%*	68.5%*	68.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials
Shanghai Hengchi Real Estate Inc. 上海恒馳房地產有限公司	PRC July 8, 2008	N/A	N/A	93.5%*	93.5%*	93.5%*	Registered RMB120,566,000 Paid up capital RMB120,566,000	PRC	Properties development
Xi'an Longhu Property Service Company Limited 西安龍湖物業服務有限公司	PRC July 3, 2008	N/A	N/A	82.2%*	82.2%*	82.2%*	Registered RMB1,000,000 Paid up capital RMB1,000,000	PRC	Properties development
Xi'an Yeheng Industrial Company Limited 西安業恒實業有限公司 ("Xi'an Yeheng Industrial")	PRC March 30, 2009	N/A	N/A	N/A	68.5%*	68.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group At December 31, 2006	2007	2008	June 30, 2009	At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
Wuxi Longhu Real Estate Inc. 無錫龍湖置業發展有限公司	PRC July 16, 2009	N/A	N/A	N/A	N/A	91.3%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development
Shanghai Xinrun Garden Virescence Company Limited 上海莘潤園林綠化有限公司 ("Shanghai Xinrun Garden Virescence")	PRC June 25, 2009	N/A	N/A	N/A	100%	100%	Registered RMB2,000,000 Paid up capital RMB2,000,000	PRC	Nursery of seeding tree
Jointly Controlled Entity									
Longhu Land Limited ("Longhu Land") 重慶興龍湖置地發展有限公司	PRC July 19, 2005	50%#	50%#	50%#	50%#	50%#	Registered USD27,000,000 Paid up capital USD27,000,000	PRC	Properties development
Chengdu Jia'nan Real Estate Company Limited ("Chengdu Jia'nan") 成都嘉南置業有限公司	PRC October 24, 2007	N/A	7.2%#	7.2%#	7.2%#	7.2%#	Registered RMB382,890,100 Paid up capital RMB382,890,100	PRC	Properties development
Chengdu Tuosheng Real Estate Company Limited ("Chengdu Tuosheng") 成都拓盛置業有限公司	PRC October 24, 2007	N/A	4.3%#	4.3%#	4.3%#	4.3%#	Registered RMB633,495,100 Paid up capital RMB633,495,100	PRC	Properties development
Chengdu Jinghui Real Estate Company Limited ("Chengdu Jinghui") 成都景匯置業有限公司	PRC October 24, 2007	N/A	4.2%#	4.2%#	4.2%#	4.2%#	Registered RMB653,275,800 Paid up capital RMB653,275,800	PRC	Properties development
Chengdu Huixin Real Estate Company Limited ("Chengdu Huixin") 成都匯新置業有限公司	PRC October 24, 2007	N/A	57.8%	29.3%#	29.3%#	29.3%#	Registered RMB629,993,500 Paid up capital RMB629,993,500	PRC	Properties development
Shanghai Hengrui Real Estate Company Limited ("Shanghai Hengrui") 上海恒睿房地產有限公司	PRC January 28, 2008	N/A	N/A	18.3%#	45.7%#	45.7%#	Registered RMB1,589,000,000 Paid up capital RMB1,589,000,000	PRC	Properties development
Associate									
Jiaxun Land (China) Company Limited 嘉遜置地(中國)有限公司 (Formerly known as Easeridge Investments Limited)	BVI December 3, 2004	47.4%	47.4%	47.4%	47.4%	47.4%	Authorised USD100 Paid up capital USD100	HK	Investment holding
埃克爾空調技術(無錫)有限公司 [Ar Ke Er Air-conditioning (Wuxi) Company Limited] ("Ar Ke Er")	PRC July 7, 2002	20%	20%	20%	20%	20%	Registered USD1,250,000 Paid up capital USD100	PRC	Production of air conditioning

* These companies are subsidiaries held by Chongqing Longhu Development, a subsidiary in which the Company has 60%, 91.3%, 91.3% and 91.3% equity interest at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. These companies are

indirectly controlled subsidiaries of the Company. Therefore, the Company could exercise the control over these companies through Chongqing Longhu Development, though the effective beneficial interests attributable to the Company in these companies are calculated at less than 50% based on the effective interest holding percentage.

These companies were accounted for as jointly controlled entities as at respective period end date as in accordance with the memorandum and the articles of the companies, the joint venture partners have contractually agreed sharing of control over the financial and operating policies of these companies.

** The entities were disposed of during the Relevant Periods (notes 35 and 36).

Note: Except for BVI, Barbados and Hong Kong incorporated companies which are operating in Hong Kong, other subsidiaries are operating in the PRC.

No statutory audited financial statements have been prepared for the Company, Longfor Investment, Jasmine, Fantastic, Silver Oak, Join Dragon, Everbay and COF V since they were incorporated in jurisdictions where there is no statutory audit requirement. No statutory audited financial statements have been prepared for Chongqing Tianlang Agriculture, Xi'an Yeheng Industrial and Shanghai Xinrun Garden Vinescence since their respective dates of establishment as they have not carried out any business. No audited financial statements have been prepared for Billion Way, Joy Wealth and Smart Sight for the period from the date of incorporation to June 30, 2009 as the period is less than one year. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, Longfor Investment, Jasmine, Fantastic, Silver Oak, Join Dragon, Everbay, COF V, Chongqing Tianlang Agriculture, Xi'an Yeheng Industrial, Shanghai Xinrun Garden Vinescence, Billion Way, Joy Wealth and Smart Sight since their respective dates of incorporation/establishment and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

During the Relevant Periods, the statutory financial statements of the following subsidiaries of the Company established in the PRC ("PRC GAAP"), except for those subsidiaries mentioned in previous paragraph, were prepared in accordance with relevant accounting principles and financial regulations applicable to entities established in the PRC and were audited by the following certified public accountants registered in Hong Kong/the PRC:

Name of company	**Financial period ended**	**Name of auditor**
Chongqing Longhu Development	12.31.2006, 12.31.2007 and 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe Certified Public Accountants ("Chongqing Yonghe")
Chengdu Longhu Jinhua Real Estate Company Limited 成都龍湖錦華置業有限公司	12.31.2006, 12.31.2007 and 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe
Sichuan Longhu Real Estate Development Company Limited 四川龍湖地產發展有限公司	12.31.2006 and 12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo Certified Public Accountants — Chongqing division ("Beijing Yongtuo")
Chengdu Longhu Property Service Company Limited 成都龍湖物業服務有限公司	12.31.2006, 12.31.2007 and 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe

Name of company	Financial period ended	Name of auditor
Chongqing Xinlonghu	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Longhu	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Beijing Longhu Properties Company Limited 北京龍湖置業有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Longhu Xijie	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Beijing Longhu Property Service Company Limited 北京龍湖物業服務有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Beijing Longhu Qinghua Property Company Limited 北京龍湖慶華置業有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Beilonghu Property Company Limited 重慶北龍湖置地發展有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Juntion	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Juntion Architecture Engineering Company Limited 重慶嘉遜建築營造工程有限公司	12.31.2006	重慶永和會計師事務所 Chongqing Yonghe
Chongqing Longhu Heng Shang Real Estate Company Limited 重慶龍湖恒尚地產發展有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chengdu Longhu Tongjin Real Estate Company Limited 成都龍湖同晉置業有限公司	12.31.2007	重慶永和會計師事事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chengdu Jincheng	12.31.2007	重慶永和會計師事事務所 Chongqing Yonghe
	12.31.2008	北京永拓會計師事務所重慶分所 Beijing Yongtuo

Name of company	Financial period ended	Name of auditor
Chengdu Jiaxun Investment Company	12.31.2007	重慶永和會計師事務所
Limited	12.31.2008	Chongqing Yonghe
成都佳遜投資有限公司		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Xi'an Longhu Real Estate Inc.	12.31.2007	重慶永和會計師事務所
西安龍湖地產發展有限公司	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Xi'an Longhu Jincheng Real Estate	12.31.2007	重慶永和會計師事務所
Company Limited	12.31.2008	Chongqing Yonghe
西安龍湖錦城置業有限公司		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Beijing Huisheng Investment Limited	12.31.2007	重慶永和會計師事務所
北京匯晟投資有限公司	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Chongqing Longhu Yiheng	12.31.2006 and 12.31.2007	重慶永和會計事事務所
	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Chongqing Longhu Kaian	From 11.30.2006 to 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Chongqing Henghong Investment Inc.	12.31.2007	重慶永和會計師事務所
重慶恒弘投資有限公司	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Chongqing Rongkai	12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Xi'an Longhu Banpo	12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Sichuan Xing Longhu Real Estate	12.31.2007	重慶永和會計師事務所
Development Company Limited	12.31.2008	Chongqing Yonghe
四川興龍湖地產發展有限公司		北京永拓會計師事務所重慶分所
		Beijing Yongtuo
Chengdu Jinteng Trade Company	12.31.2007 and 12.31.2008	重慶永和會計師事務所
Limited		Chongqing Yonghe
成都錦騰貿公司		
Xiàn Xingcheng	12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe
		北京永拓會計師事務所重慶分所
		Beijing Yongtuo

Name of company	Financial period ended	Name of auditor
Beijing Longhu Zhongbai Company Limited 北京龍湖中佰置業有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Shanghai Longhu Real Estate Inc. 上海龍湖置業發展有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Juntion Development	12.31.2006 12.31.2007 and 12.31.2008	Louis Leung & Partners CPA Limited Deloitte Touche Tohmatsu
Shanghai Wanzhuo Investment Limited 上海萬卓投資有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chengdu Xixi	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chengdu Xixiang	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Longhu Shidai Properties Company Limited 北京龍湖時代置業有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Longhu Tianxing Company Limited 北京龍湖天行置業有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Dezhuo Trade Company Limited 北京德卓貿易有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Longhu Chengheng Decoration Company Limited 北京龍湖成恒裝飾有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chongqing Tianzhuo Investment Company Limited 重慶天卓投資有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chongqing Longhu Chengheng Real Estate Development Inc. 重慶龍湖成恒地產發展有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Shanghai Longhu Property Management Company Limited 上海龍湖物業管理有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Shanghai Yujiu Industrial Company Limited 上海渝久實業有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Shanghai Hengchi Real Estate Inc. 上海恒馳房地產有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Xi'an Longhu Property Service Company Limited 西安龍湖物業服務有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Longhu Land	12.31.2006, 12.31,2007 and 12.31.2008	普華永道中天會計師事務所有限公司 PricewaterhouseCoopers

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, in accordance with the International Financial Reporting Standards (the "Underlying Financial Statements"). We have undertaken our own independent audits on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of section A below for the purpose of preparing our report for inclusion in the Document. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Document in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company at December 31, 2008 and June 30, 2009 and of the Group at December 31, 2006, December 31, 2007, December 31, 2008 and June 30, 2009 and of the consolidated results and consolidated cash flows of the Group for each of the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended June 30, 2008 together with the notes thereon have been extracted from the Group's consolidated financial information for the same period (the "Interim Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with the Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with International Financial Reporting Standards.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008	Six months ended June 30, 2008	Six months ended June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	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	6	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	7	—	(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	8	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)
Profit for the year/period	9	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	12					
Basic		9.2	18.7	8.3	5.0	36.4

STATEMENTS OF FINANCIAL POSITION

		The Group				The Company	
		At December 31,			At June 30,	At December 31,	At June 30,
	NOTES	2006	2007	2008	2009	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS							
Investment properties	13	2,466,926	3,634,000	3,759,100	4,320,100	—	—
Property, plant and equipment	14	55,229	133,386	166,976	179,331	—	—
Properties under development	15	—	—	10,701	—	—	—
Prepaid lease payments	16	142,226	3,418,668	3,026,288	2,566,294	—	—
Interests in associates	17	1	1	1	1	—	—
Investments in subsidiaries	17A	—	—	—	—	2,875,598	2,875,598
Interests in jointly controlled entities	18	49,066	506,095	932,468	1,232,161	—	—
Available-for-sale investments	19	8,820	8,600	8,600	8,600	—	—
Investment in a trust fund	20	14,823	—	—	—	—	—
Deposits paid for acquisition of land use rights		586,475	2,249,415	845,780	89,527	—	—
Deposits paid for acquisition of a subsidiary/additional interest in a subsidiary		30,000	—	—	—	—	—
Deferred taxation assets	32	44,945	71,503	347,960	209,042	—	—
Amount due from a minority shareholder	43(e)	—	11,153	12,490	12,423	—	—
Loan receivable		14,596	—	—	—	—	—
		3,413,107	10,032,821	9,110,364	8,617,479	2,875,598	2,875,598
CURRENT ASSETS							
Inventories	21	27,244	47,620	138,652	204,560	—	—
Properties under development	15	4,740,061	8,702,421	14,880,070	16,817,943	—	—
Properties held for sales	22	421,603	363,516	2,582,592	902,708	—	—
Accounts and other receivables, deposits and prepayments	23	426,208	686,599	1,611,597	1,038,374	—	—
Investments held for trading	24	1,148	—	—	—	—	—
Investment in a trust fund	20	—	74,863	—	—	—	—
Amounts due from related parties	25	159,696	147,111	107,094	74,416	—	—
Taxation recoverable		31,725	59,668	131,722	136,081	—	—
Pledged bank deposits	26	138,912	187,246	605,379	353,338	—	—
Bank balances and cash	26	729,106	2,337,618	3,228,797	5,919,421	—	4
		6,675,703	12,606,662	23,285,903	25,446,841	—	4
CURRENT LIABILITIES							
Accounts payable, deposits received and accrued charges	27	3,777,580	9,096,044	13,843,721	13,464,958	—	—
Amounts due to associates		1,402	—	—	—	—	—
Amounts due to subsidiaries		—	—	—	—	53	57
Amounts due to jointly controlled entities	28	—	117,331	19,957	226,576	—	—
Amounts due to directors	28	35,594	36,722	81,590	79,181	—	—
Taxation payable		381,029	687,968	935,528	1,214,349	—	—
Bank and other borrowings - due within one year	29	649,100	3,175,520	6,480,051	7,549,506	—	—
		4,844,705	13,113,585	21,360,847	22,534,570	53	57
NET CURRENT ASSETS (LIABILITIES)		1,830,998	(506,923)	1,925,056	2,912,271	(53)	(53)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,244,105	9,525,898	11,035,420	11,529,750	2,875,545	2,875,545

		The Group				The Company	
		At December 31,			At June 30,	At December 31,	At June 30,
	NOTES	2006	2007	2008	2009	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES							
Share capital	30	2,125	2,125	351,668	351,668	351,668	351,668
Reserves		1,491,410	2,867,115	2,770,893	4,242,454	2,523,877	2,523,877
Equity attributable to owners of the Company		1,493,535	2,869,240	3,122,561	4,594,122	2,875,545	2,875,545
Minority interests		996,517	1,259,228	821,673	1,025,596	—	—
TOTAL EQUITY		2,490,052	4,128,468	3,944,234	5,619,718	2,875,545	2,875,545
NON-CURRENT LIABILITIES							
Bank and other borrowings - due after one year	29	2,450,260	4,752,930	6,359,700	4,948,494	—	—
Amount due to a minority shareholder	31	—	19,306	—	—	—	—
Deferred taxation liabilities	32	303,793	625,194	731,486	961,538	—	—
		2,754,053	5,397,430	7,091,186	5,910,032	—	—
		5,244,105	9,525,898	11,035,420	11,529,750	2,875,545	2,875,545

The statement of financial position as at December 31, 2006 of the Company is not presented as the Company was incorporated on December 21, 2007. On December 21, 2007, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. As at the date of incorporation, the Company's initial authorised share capital was HK$50,000, divided into 500,000 ordinary shares of par value of HK$0.10 each, of which 1 subscriber share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber. At the same date, one share was transferred from Codan Trust Company (Cayman) Limited to Charm Talent International Limited and 599 shares and 400 shares were allotted and issued to Charm Talent International Limited and Precious Full International Limited, respectively. The authorised share capital of the Company was increased from HK$50,000 to HK$1,000,000,000 by the creation of 9,999,500,000 new shares pursuant to a resolution in writing passed by shareholders on May 27,2008.

The share capital at December 31, 2007 represents the combination of the share capital of Juntion Development and the Company.

The share capital December 31, 2008 and June 30, 2009 represents the share capital of the Company.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Exchange reserve	Share option reserve	Capital contribution reserve	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)		(Note 2)	(Note 3)							
At January 1, 2006	2,125	215	—	51,474	(344)	—	—	1,070,406	1,123,876	759,629	1,883,505
Profit for the year	—	—	—	—	—	—	—	370,969	370,969	268,499	639,468
Exchange differences arising from translation	—	—	—	—	(1,310)	—	—	—	(1,310)	—	(1,310)
Total comprehensive income for the year	—	—	—	—	(1,310)	—	—	370,969	369,659	268,499	638,158
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	(31,611)	(31,611)
Appropriations to reserve	—	—	—	396	—	—	—	(396)	—	—	—
At December 31, 2006	2,125	215	—	51,870	(1,654)	—	—	1,440,979	1,493,535	996,517	2,490,052
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	749,990	749,990	151,210	901,200
Capital injection from minority shareholders	—	—	—	—	—	—	43	—	43	911,225	911,268
Recognition of equity-settled share-based payments	—	—	—	—	—	1,000	4,000	—	5,000	—	5,000
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	(161,440)	(161,440)
Deemed acquisition of additional interests in subsidiaries	—	—	620,672	—	—	—	—	—	620,672	(640,727)	(20,055)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(17,963)	(17,963)
Acquisition of assets and assumptions of liabilities through acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	25,869	25,869
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(5,995)	(5,995)
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	532	532
Appropriations to reserve	—	—	—	306	—	—	—	(306)	—	—	—
At December 31, 2007	2,125	215	620,672	52,176	(1,654)	1,000	4,043	2,190,663	2,869,240	1,259,228	4,128,468
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	331,590	331,590	67,891	399,481
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	13,000	13,000
Recognition of equity-settled share-based payments	—	—	—	—	—	12,513	47,626	—	60,139	—	60,139
Dividend recognised as distribution	—	—	—	—	—	—	—	(138,408)	(138,408)	—	(138,408)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(518,446)	(518,446)
Increase in share capital of the Company upon Reorganisation	349,543	(349,543)	—	—	—	—	—	—	—	—	—
Appropriations to reserve	—	—	—	79,137	—	—	—	(79,137)	—	—	—
At December 31, 2008	351,668	(349,328)	620,672	131,313	(1,654)	13,513	51,669	2,304,708	3,122,561	821,673	3,944,234
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	1,456,061	1,456,061	203,923	1,659,984
Recognition of equity-settled share-based payments	—	—	—	—	—	3,338	12,162	—	15,500	—	15,500
Appropriations to reserve	—	—	—	1,490	—	—	—	(1,490)	—	—	—
At June 30, 2009	351,668	(349,328)	620,672	132,803	(1,654)	16,851	63,831	3,759,279	4,594,122	1,025,596	5,619,718

	Attributable to owners of the Company										
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Exchange reserve	Share option reserve	Capital contribution reserve	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)		(Note 2)	(Note 3)							
Unaudited											
At January 1, 2008	2,125	215	620,672	52,176	(1,654)	1,000	4,043	2,190,663	2,869,240	1,259,228	4,128,468
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	198,158	198,158	38,612	236,770
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	13,000	13,000
Recognition of equity-settled share-based payments	—	—	—	—	—	6,257	23,813	—	30,070	—	30,070
Dividend recognised as distribution	—	—	—	—	—	—	—	(138,408)	(138,408)	—	(138,408)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(274,810)	(274,810)
Increase in share capital of the Company upon the Reorganisation (Note 1)	349,543	(349,543)	—	—	—	—	—	—	—	—	—
Appropriations to reserve	—	—	—	49,998	—	—	—	(49,998)	—	—	—
At June 30, 2008 (unaudited)	351,668	(349,328)	620,672	102,174	(1,654)	7,257	27,856	2,200,415	2,959,060	1,036,030	3,995,090

Notes:

1. On June 11, 2008, the Reorganisation was completed by issuing 4,000,000,000 shares of HK$0.1 each. The details of which are set out in the section headed "History Reorganisation and Group Structure" to the Document. The difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of Juntion Development is debited to capital reserve.

2. During the year ended December 31, 2007, Juntion Development injected additional capital of HK$770,000,000 in a non-wholly owned subsidiary, Chongqing Longhu Development in which the minority shareholders are Madam Wu Yajun and Mr. Cai Kui, who are also the ultimate shareholders of the Company. The Group's equity interest in Chongqing Longhu Development has increased from 60% to 91.3% and a discount on deemed acquisition of RMB620,672,000 which represents the excess of the share of net assets attributable to the additional interest acquired over the amount injected was recognised in capital contribution reserve as the contribution from equity holders.

3. In accordance with the Articles of Association of certain subsidiaries established in the PRC, those subsidiaries are required to transfer 5% to 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before taxation	977,045	1,625,281	680,679	419,663	2,545,363
Adjustments for:					
Finance costs	—	20,579	61,525	33,415	41,634
Write down of inventories	—	—	1,094	—	—
Impairment loss on amount due from a related party	—	3,000	—	—	—
Impairment loss on loan receivable	—	15,471	—	—	—
Impairment loss on other receivables	80	12,000	31,109	—	—
Impairment loss on investment in an associate	414	—	—	—	—
Depreciation of property, plant and equipment	5,839	10,031	16,884	6,535	7,777
Imputed interest income of amount due from a minority shareholder	—	—	(1,337)	—	—
Increase in fair value of investments held for trading	(126)	—	—	—	—
Increase in fair value of investment properties	(482,177)	(901,113)	(125,100)	(71,200)	(561,000)
Share of (profits) losses of jointly controlled entities	(602)	13,681	(63,225)	1,938	(32,570)
Loss (gain) on disposal of property, plant and equipment	94	(1,281)	(77)	(233)	(7)
Excess compensation received from primary development project	—	—	—	—	(306,000)
Loss on disposal of investments held for trading	—	131	—	—	—
Gain on disposal of partial interest in a subsidiary	—	(23,121)	—	—	—
(Gain) loss on disposal of subsidiaries	—	(10)	5,787	—	10,533
Gain on disposal of partial interest in a jointly controlled entity	—	—	(36,774)	(36,774)	—
Discount arising on acquisition of additional interest in subsidiaries	—	(41,017)	—	—	—
Interest income	(9,671)	(28,942)	(33,388)	(10,077)	(23,108)
Dividend income from available-for-sale investments	—	(1,297)	(847)	—	—
Dividend income from investments held for trading	(51)	(273)	—	—	—
Share-based payments expenses	—	5,000	60,139	30,070	15,500
Operating cash flows before movements in working capital	490,845	708,120	596,469	373,337	1,698,122
Increase in inventories	(10,169)	(20,376)	(92,928)	(48,856)	(65,908)
(Increase) decrease 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
(Increase) decrease in amounts due from related parties	(82,206)	9,585	40,017	(73,545)	32,678
Increase (decrease) 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

	Notes	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES						
Additions to investment properties under development		(148,641)	(173,467)	—	—	—
Additions to prepaid lease payments		(142,226)	(3,276,442)	(2,232,949)	(1,848,145)	(35,387)
Deposits paid for acquisition of land use rights		(525,475)	(1,662,940)	(302,292)	(276,600)	(37,747)
Refund of deposit paid for acquisition of land use rights		—	—	365,650	106,650	—
Acquisition of assets and assumption of liabilities through acquisition of subsidiaries/settlement of consideration payable	33	—	(633,754)	(190,664)	—	(400,789)
Acquisition of additional interest in jointly controlled entities		—	(470,710)	(56,231)	(56,231)	(537,796)
Dividend received from a jointly controlled entity		—	—	—	—	41,490
Addition to properties under development		—	—	(10,701)	—	—
Repayment from a minority shareholder		—	—	—	—	67
Purchases of investment in a trust fund		(14,823)	(60,690)	—	—	—
(Increase) decrease in pledged bank deposits		(28,968)	(48,334)	(418,133)	59,976	252,041
Purchase of property, plant and equipment		(11,974)	(11,555)	(27,731)	(15,882)	(2,583)
Acquisition of additional interest in subsidiaries/settlement of consideration payable		—	(2,500)	(508,554)	(274,810)	(25,000)
Deposits paid for acquisition of a subsidiary/additional interest in a subsidiary		(30,000)	—	—	(200,000)	—
Interest received		8,845	28,067	28,145	10,077	23,108
Net cash inflow (outflow) of disposal of subsidiaries	36	—	13,015	(2,616)	—	56,691
Proceeds from disposal of partial interest in a jointly controlled entity		—	—	196,105	196,105	—
Proceeds from disposal of partial interest of a subsidiary		—	12,500	—	—	—
Proceeds from disposal of property, plant and equipment		585	2,183	1,437	348	88
Compensation received from primary development project		—	—	—	—	1,000,000
Dividend received from available-for-sale investments		—	1,297	847	—	—
Proceeds from disposal of investments held-for-trading		—	1,017	—	—	—
Proceeds from disposal of investment in a trust fund		—	650	80,106	—	—
Dividend received from investments held for trading		51	273	—	—	—
Proceeds from disposal of available-for-sale investments		—	220	—	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(892,626)	(6,281,170)	(3,077,581)	(2,298,512)	334,183

	Notes	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
FINANCING ACTIVITIES						
Repayment of bank and other loans		(639,364)	(1,071,434)	(3,680,948)	(791,000)	(3,762,345)
Interest paid		(134,251)	(316,614)	(812,409)	(332,852)	(366,807)
Dividends paid to minority shareholders		(31,611)	(161,440)	—	—	
New bank and other loans raised		2,445,000	5,900,565	8,592,249	5,277,972	1,855,400
Proceed from issuance of a bond		—	—	—	—	1,384,931
Capital injected from minority shareholders		—	911,268	13,000	13,000	—
Advances from (repayments to) associates		1,598	(1,402)	—	—	—
Advances from (repayment to) jointly controlled entities		—	117,331	6,406	(152,140)	206,619
Advance from (repayment to) a minority shareholder		—	19,306	(19,306)	(19,059)	—
Advances from (repayments to) directors		23,921	1,128	(10,633)	(84,350)	235
Dividend		—	—	(82,907)	(82,907)	(2,644)
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
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS						
Bank balances and cash		729,106	2,337,618	3,228,797	2,638,579	5,919,421

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganization, which was completed by interspersing the Company and Longfor Investment between Juntion Development and certain companies under the control of the ultimate shareholders, the Company became the holding company of the companies now comprising the Group on June 11, 2008. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the ultimate shareholders, Wu Yajun and Cai Kui, prior to and after the Reorganisation.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2006, 2007 and 2008 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment where it is a shorter period.

The consolidated statements of financial position of the Group as at December 31, 2006 and 2007 have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence at those dates.

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Company and its major subsidiaries.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board (the "IASB") has issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which are effective for the Group's financial year beginning on January 1, 2009. For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these new IFRSs for the Relevant Periods.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Right Issues[3]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
IFRS 3 (Revised 2008)	Business Combinations[1]

IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after July 1, 2009

2 Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate

3 Effective for annual periods beginning on or after February 1, 2010

4 Effective for annual periods beginning on or after January 1, 2010

5 Effective for transfers on or after July 1, 2009

The adoption of IFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after January 1, 2010. IAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment properties and certain financial instruments which are measured at fair value, and in accordance with accounting policies set out below which are in conformity with International Financial Reporting Standards. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. These policies have been consistently applied throughout the Relevant Periods.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period, are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "*Business Combinations*" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, the difference between the consideration paid and the carrying amounts of the underlying assets and liabilities attributable to the additional interests acquired is recognised as goodwill.

On acquisition of additional interests in subsidiaries which result in acquisition of assets and assumption of liabilities, the difference between the consideration and the carrying values of the underlying assets and liabilities attributable to the additional interests acquired is added to or deducted from the carrying values of the relevant assets, where appropriate.

Discount arising on acquisition of additional interests in subsidiaries represents the excess of the carrying value of the net assets attributable to the additional interests acquired over the cost of the acquisition and is credited to consolidated statement of comprehensive income.

Revenue recognition

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

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are 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.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the statement of financial position under current liabilities.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Property management and related service fees are recognised over the period in which the services are rendered.

Other service income is recognized when the services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties, including completed and under development are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Property under construction or development for future use as an investment property is classified as investment property under development. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, in which time any difference between the fair value and the carrying amount will be recognised in profit or loss in that period.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights are initially recognised at cost and released to the consolidated statement of comprehensive income over the lease term on a straight-line basis, except for those that are classified and accounted for as properties under development intended to be held for sale.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in this Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Properties under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development. Properties under development not for sale are carried at cost, less any identified impairment losses. Properties under development which are intended to be held for own use or their investment potential are shown as non-current assets.

Properties under development which are intended to be held for sale are shown as current assets, included the related land cost, and carried at the lower of cost and net realisable value.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realised value is determined based on prevailing market conditions.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire consolidated contract to be designated as FVTPL.

At each end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period subsequent to initial recognition, loans and receivables (including loan receivable, deposits, amount due from a minority shareholder, accounts and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each end of the reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including accounts payable and other payables, amounts due to associates, amounts due to subsidiaries, amounts due to jointly controlled entities, amounts due to directors, bank and other borrowings and amount due to a minority shareholder) are subsequently measured at amortised cost using effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *"Revenue"*.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At each end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of the reporting period end. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated statement of comprehensive income in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the date of the reporting period end, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at each end of the reporting period 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.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Share-based payment transactions

Equity-settled share-based payment transactions

Share Option/Share awards to employees

The fair value of services received determined by reference to the fair value of share options or shares granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

At each of the end of the reporting period, the Group revises its estimates of the number of options or shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Government grants

Government grants are recognised as income over the periods necessary to match them with related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated statement of comprehensive income.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Investment properties

Investment properties are stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Investment properties under development

Certain of the Group's investment properties are in the progress of development. In view of the fact that the historical fair value cannot be measured reliably as it was difficult to find relevant comparables at that time, the directors of the Company have considered that the fair value of the investment property under development cannot be measured reliably. Such properties are carried at cost less impairment and any fair value change will affect the profit or loss of the period where fair value can be measured reliably.

Income tax expense

Deferred taxation assets of RMB44,945,000, RMB71,503,000, RMB347,960,000 and RMB209,042,000 mainly in relation to tax losses, land appreciation tax provisions, allowance for doubtful debts, government grants and unrealised profit on intra-group purchases and others have been recognised at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, after offsetting certain deferred taxation liabilities as set out in note 32. The realisability of the deferred taxation assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred taxation assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred taxation assets are expected to be utilised. The directors of the Company will review the assumptions and profit projections by the end of the reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income for the period in which such a recognition or reversal takes place.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome 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 finalised with local tax authorities.

5. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group reportable segments under IFRS 8 are identified as three main operations:

- Property development: this segment develops and sells office premises, commercial and residential properties. All the group's activities in this regard are carried out in the PRC.

- Property investment: this segment leases investment properties, which are developed by the Group to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.

- Property management and related services: this segment mainly represents the income generated from property management. Currently the Group's activities in this regard are carried out in PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's board of directors monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of interests in associates, interests in jointly controlled entities, available-for-sales investments, investment in a trust fund, deferred taxation assets, investment held for trading, taxation recoverable and other corporate assets. The investment properties included in segment assets are stated at cost when assessed by the chief operating decision maker. Segment liabilities include trade payables, bills payable, deposits received and receipt in advance from property sales, and other payables with exception of taxation payable, deferred taxation liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit does not include the Group's share of results arising from the activities of the Group's jointly controlled entities.

The measure used for reporting segment profit is adjusted earnings before interest, taxes, depreciation and amortisation, change in fair value of investment properties and finance cost ("Adjusted Earnings"), where "interest" is regarded as including investment income and "depreciation" is regarded as including impairment losses on non-current assets. To arrive at Adjusted Earnings the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning Adjusted Earnings, management is provided with segment information concerning revenue (including inter-segment sales), interest income and finance cost from borrowings managed directly by the segments, depreciation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar service.

For the years ended December 31, 2006 and 2007, the Group prepared the financial statements under PRC GAAP and no formal reports were prepared and reviewed by the chief operating decision maker. Starting from January 1, 2008, financial statements were prepared under IFRSs and formal reports were prepared and reviewed by the chief operating decision maker.

Information regarding the Group's reportable segments for the Relevant Periods is set out below.

	Year ended December 31, 2006			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	1,991,442	67,311	41,913	2,100,666
Inter-segment revenue	—	—	—	—
Reportable segment revenue	1,991,442	67,311	41,913	2,100,666
Reportable segment profit (Adjusted Earnings)	518,999	49,004	2,869	570,872
Interest income	9,671	—	—	9,671
Finance cost	—	—	—	—
Depreciation for the year	—	—	(5,839)	(5,839)
Reportable segment assets	6,341,306	1,911,749	46,479	8,299,534
Additions to non-current segment assets during the year	—	148,641	9,422	158,063
Reportable segment liabilities	2,666,158	13,831	27,861	2,707,850

	Year ended December 31, 2007			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	3,334,339	101,734	61,967	3,498,040
Inter-segment revenue	—	—	—	—
Reportable segment revenue	3,334,339	101,734	61,967	3,498,040
Reportable segment profit (Adjusted Earnings)	873,583	87,963	5,298	966,844
Interest income	28,942	—	—	28,942
Finance cost	(20,579)	—	—	(20,579)
Depreciation for the year	—	—	(10,031)	(10,031)
Reportable segment assets	15,470,158	2,177,710	14,375	17,662,243
Additions to non-current segment assets during the year	—	265,961	5,309	271,270
Reportable segment liabilities	7,176,847	23,322	33,465	7,233,634

	Year ended December 31, 2008			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	4,216,172	158,785	100,242	4,475,199
Inter-segment revenue	—	—	16,282	16,282
Reportable segment revenue	4,216,172	158,785	116,524	4,491,481
Reportable segment profit (Adjusted Earnings)	637,418	103,214	17,794	758,426
Interest income	33,388	—	—	33,388
Finance cost	(61,525)	—	—	(61,525)
Depreciation for the year	(15,988)	—	(896)	(16,884)
Reportable segment assets	22,387,387	2,177,710	19,138	24,584,235
Additions to non-current segment assets during the year	4,355,509	—	32,322	4,387,831
Reportable segment liabilities	10,962,757	44,099	57,698	11,064,554

	Six months ended June 30, 2008 (unaudited)			
	Property development	Property investment	Property management and related services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	2,123,425	62,726	43,977	2,230,128
Inter-segment revenue	—	—	7,556	7,556
Reportable segment revenue	2,123,425	62,726	51,533	2,237,684
Reportable segment profit (Adjusted Earnings)	443,699	40,384	8,347	492,430
Interest income	10,077	—	—	10,077
Finance cost	(33,415)	—	—	(33,415)
Depreciation for the period	(6,182)	—	(353)	(6,535)
Reportable segment assets	N/A	N/A	N/A	N/A
Additions to non-current segment assets during the period	3,751,527	—	17,498	3,769,025
Reportable segment liabilities	N/A	N/A	N/A	N/A

	Six months ended June 30, 2009			
	Property development	Property investment	Property management and related services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	5,718,444	86,266	71,098	5,875,808
Inter-segment revenue	—	—	9,081	9,081
Reportable segment revenue	5,718,444	86,266	80,179	5,884,889
Reportable segment profit (Adjusted Earnings)	1,631,561	65,416	18,628	1,715,605
Interest income	23,108	—	—	23,108
Finance cost	(41,634)	—	—	(41,634)
Depreciation for the period	(7,040)	—	(737)	(7,777)
Reportable segment assets	21,498,926	2,177,710	30,947	23,707,583
Additions to non-current segment assets during the period	1,030,909	—	2,748	1,033,657
Reportable segment liabilities	10,725,807	66,191	61,455	10,853,453

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Reportable segment revenue	2,100,666	3,498,040	4,491,481	2,237,684	5,884,889
Elimination of inter-segment revenue	—	—	(16,282)	(7,556)	(9,081)
Consolidated turnover	2,100,666	3,498,040	4,475,199	2,230,128	5,875,808
Profit					
Reportable segment profit	570,872	966,844	758,426	492,430	1,715,605
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
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
Depreciation	(5,839)	(10,031)	(16,884)	(6,535)	(7,777)
Unallocated operating and corporate expenses	(84,610)	(311,700)	(319,731)	(160,126)	(58,560)
Consolidated profit before taxation	977,045	1,625,281	680,679	419,663	2,545,363

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Reportable segment assets	8,299,534	17,662,243	24,584,235	23,707,583
Change in fair value of investment properties	555,177	1,456,290	1,581,390	2,142,390
Interests in associates	1	1	1	1
Interests in jointly controlled entities	49,066	506,095	932,468	1,232,161
Available-for-sales investments	8,820	8,600	8,600	8,600
Investment in a trust fund	14,823	74,863	—	—
Deferred taxation assets	44,945	71,503	347,960	209,042
Investments held for trading	1,148	—	—	—
Taxation recoverable	31,725	59,668	131,722	136,081
Unallocated head office and corporate assets	1,083,571	2,800,220	4,809,891	6,628,462
Consolidated total assets	10,088,810	22,639,483	32,396,267	34,064,320
Liabilities				
Reportable segment liabilities	2,707,850	7,233,634	11,064,554	10,853,453
Taxation payable	381,029	687,968	935,528	1,214,349
Deferred taxation liabilities	303,793	625,194	731,486	961,538
Unallocated head office and corporate liabilities	4,206,086	9,964,219	15,720,465	15,415,262
Consolidated total liabilities	7,598,758	18,511,015	28,452,033	28,444,602

(c) **Geographic information**

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	Revenues from external customers				
	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Chongqing	2,100,666	3,029,071	2,184,825	1,330,086	1,174,380
Chengdu	—	468,969	2,285,681	898,214	1,874,169
Beijing	—	—	4,693	1,828	2,817,766
Others	—	—	—	—	9,493
	2,100,666	3,498,040	4,475,199	2,230,128	5,875,808

[No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue in each of the reporting period over the Relevant Periods.]

6. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	9,671	28,942	28,145	10,077	23,108
Interest income from investment in a trust fund	—	—	5,243	—	—
Imputed interest income of amount due from a minority shareholder	—	—	1,337	—	—
Consultancy fee income (Note 1)	838	6,916	4,291	132	18
Dividend income from available-for-sale investments	—	1,297	847	—	—
Dividend income from investments held for trading	51	273	—	—	—
Excess compensation received from primary development project (Note 2)	—	—	—	—	306,000
Gain on change in fair value of investments held for trading	126	—	—	—	—
Gain on disposal of property, plant and equipment	—	1,281	77	233	7
Gain on disposal of a subsidiary	—	10	—	—	—
Gain on disposal of partial interest in a subsidiary	—	23,121	—	—	—
Gain on disposal of partial interest in a jointly controlled entity (Note 3)	—	—	36,774	36,774	—
Discount on acquisition of additional interest in subsidiaries (Note 4)	—	41,017	—	—	—
Net exchange gain	—	—	38,555	7,570	—
Sundry income	3,157	10,458	16,799	3,261	15,026
Total	13,843	113,315	132,068	58,047	344,159

Notes:

1. It represented the design and consulting services related to real estate development provided by the Group to the independent third parties in Beijing and Hong Kong.
2. During the year ended December 31, 2006, Chongqing Longhu has entered into a joint land renovation and development agreement with the government and paid deposits of RMB185,000,000, RMB511,050,000 and RMB97,950,000 during the year ended December 31, 2006, 2007 and 2008 respectively. (included in the deposits paid for acquisition of land use rights). On December 15, 2008, Chongqing Longhu has entered into an agreement to terminate the joint land renovation and development as a result of change in the development plan of that region. Pursuant to the agreement of termination of the joint land renovation and development, the compensation from government (including the deposit paid by the Group) was RMB1,100,000,000. As at June 30, 2009, Chongqing Longhu has received an amount of RMB1,000,000,000 of the compensation. As the compensation of RMB1,000,000,000 was received and only met the revenue recognition requirement of IAS 18 that "it is probable that the economic benefits associated with the transaction will flow to the entity" during the six months ended June 30, 2009, the excess compensation received from primary development project was recognised during the six months ended June 30, 2009. The remaining compensation is scheduled to be settled within one year and included in "Accounts and other receivables, deposits and prepayments".
3. During the year ended December 31, 2008, the Group has disposed of its 28.5% equity interest in a jointly controlled entity, Chengdu Huixin, at a cash consideration of approximately RMB196,105,000 which is determined with reference to the attributable registered capital of Chengdu Huixin. Gain on disposal amounting to approximately RMB36,774,000 was resulted.
4. During the year ended December 31, 2007, Chongqing Longhu Development has contributed additional capital of RMB160,000,000 in Chongqing Longhu and Chongqing Longhu Development's equity interest increased from 95% to 98.81% and a discount on deemed acquisition of RMB25,554,000 was recognised. Chongqing Longhu Development has further acquired the remaining 1.19% equity interest from the minority shareholder who is the close family member of directors of the Company at a consideration of RMB2,500,000 and a discount on acquisition of RMB15,463,000 was recognised.

7. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank and other borrowings wholly repayable within five years	(134,251)	(337,193)	(814,722)	(332,852)	(366,526)
Less: Amount capitalised to properties under development	134,251	316,614	753,197	299,437	324,892
	—	(20,579)	(61,525)	(33,415)	(41,634)

Borrowing costs capitalised arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 6.50%, 6.23%, 7.36%, 7.44% and 7.36% for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008 and 2009 respectively, to expenditure on the qualifying assets.

8. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC enterprise income tax:					
Current income tax	(190,537)	(282,018)	(396,746)	(137,024)	(294,361)
Land appreciation tax ("LAT")	(98,783)	(147,220)	(55,478)	(46,147)	(219,390)
	(289,320)	(429,238)	(452,224)	(183,171)	(513,751)
Deferred taxation (note 32)					
Current year	(48,257)	(203,467)	171,026	278	(371,628)
Attributable to a change in tax rate	—	(91,376)	—	—	—
	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 33% (including 30% of income tax and 3% of local income tax) on the estimated assessable profits of the companies in the Group during the years ended December 31, 2006 and 2007.

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007, the enterprise income tax for both domestic and foreign-invested enterprises has been unified at the enterprise income tax rate of 25% effective from January 1, 2008. The following preferential tax rates should still be effective after adoption of the unified tax rate.

According to document (CaiShui [2001] 202), PRC foreign invested enterprise established in western regions and engaged in the encouraged business, including development of ordinary residential units should be eligible for a preferential tax rate at 15%, subject to approval of the competent tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income ("Certain

Conditions"). In addition, according to the approval documents issued by the relevant tax bureau, certain PRC subsidiaries were further approved to enjoy 2-year exemption of 3% local income tax followed by 50% reduction of local income tax for 3 years. Accordingly, for those subsidiaries in the Group, PRC enterprise income tax has been provided at the reduced enterprise income tax rate of 31.5%, 18%, 16.5% or 15% on the respective estimated assessable profits of the companies in their respective years/periods.

According to document (Yuguoshuihan [2003] 447) issued by Chongqing State Administration of Taxation, the applicable income tax rate of Chongqing Longhu Development is 15% from 2002 to 2010 based on Certain Conditions. Further, according to document (Beixinguoshuihan [2005] 19) issued by the tax bureau directly under Chongqing State Administration of Taxation, Chongqing Longhu Development enjoyed a 50% reduction on PRC local income tax of 3% from 2005 to 2007.

However, since Chongqing Longhu Development cannot meet the requirement related to the preferential tax rate at 15% for 2007, 2008 and the six months ended June 30, 2009, as such, the enterprise income tax for this subsidiary has been provided at the rate of 16.5%, 31.5%, 25% and 25% on the respective estimated assessable profits during the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 respectively.

According to document (Yudishuimian [2007] 416) issued by Chongqing Local Administration of Taxation, the applicable income tax rate of Chongqing Xinlonghu is 15% from 2007 to 2010 based on Certain Conditions.

According to document (Jingkaiguoshuijian [2007] 19) issued by Chongqing State Administration of Taxation, the applicable income tax rate of Chongqing Juntion is 15% from 2007 to 2010 based on Certain Conditions.

According to document (Jingkaiguoshuijian [2007] 20) issued by Chongqing State Administration of Taxation, Chongqing Juntion is exempted from PRC local income tax of 3% for two years from 2007 to 2008, followed by a 50% reduction from 2009 to 2011. Accordingly, the enterprise income tax of this subsidiary has been provided at the rate of 15% of the estimated assessable profit during the years ended December 31, 2007, 2008 and six months ended June 30, 2009.

According to relevant documents issued by Chongqing State Administration of Taxation, the applicable reduced enterprise income tax rate of Chongqing Longhu Yiheng and Chongqing Longhu Kaian are 18% for 2007 and 15% for 2008 to 2010 based on Certain Conditions.

According to document (Jingkaiguoshuijian [2008] 5) issued by Chongqing State Administration of Taxation, the applicable income tax rate of Chongqing Rongkai is 15% from 2007 to 2010.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from, Hong Kong.

Details of the deferred taxation are set out in note 32.

The tax charge for the year/period can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	977,045	1,625,281	680,679	419,663	2,545,363
PRC enterprise income tax at 33% (for 2008 and six months ended June 30, 2009: 25%)	(322,425)	(536,343)	(170,170)	(104,916)	(636,341)
Tax effect of share of results of jointly controlled entities	199	(4,515)	15,806	(484)	8,143
Tax effect of expenses not deductible for tax purposes (Note 1)	(7,371)	(47,921)	(50,835)	(30,026)	(13,899)
Tax effect of income not taxable for tax purposes (Note 2)	388	18,851	9,730	4,006	250
Changes in opening deferred taxation balances arising from changes in applicable tax rate	—	(91,376)	—	—	—
LAT	(98,783)	(147,220)	(55,478)	(46,147)	(219,390)
Tax effect of LAT	32,598	48,676	13,869	11,537	54,847
Tax effect of tax losses not recognised	(1)	(1,216)	(3,974)	(832)	(686)
Utilisation of tax loss previously not recognised	—	—	129	—	—
Utilisation of deductible temporary differences previously not recognised	—	—	11,748	6,358	—
Effect of tax exemption on concessionary rates granted to the PRC subsidiaries	58,198	36,072	(376)	880	11,956
Effect of different tax rate of subsidiaries operating in other jurisdictions	(380)	911	(6,760)	(3,851)	(4,248)
Withholding tax on retained profits to be distributed (Note 3)	—	—	(44,887)	(19,418)	(86,011)
Tax charge for the year/period	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)

Notes:

1. The amount mainly comprises of the tax effect of non-deductible corporate expenses of Juntion Development and the expenses of certain subsidiaries in excess of the allowable deduction limits in accordance with the relevant tax regulations.
2. The amount for the year ended December 31, 2007 comprises mainly of the tax effect of non-taxable income arising from gain on disposal of partial interest in a subsidiary and discount on acquisition of an additional interest in a subsidiary by Juntion Development.
3. In accordance to PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC. 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" and Guoshuihan [2008] 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the profits arisen during the year ended December 31, 2008 and the six months ended June 30, 2008 and 2009 of certain PRC subsidiaries, which are available for distribution to Juntion Development.

9. PROFIT FOR THE YEAR/PERIOD

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period has been arrived at after charging (crediting):					
Auditors' remuneration	548	533	3,000	545	1,708
Cost of property inventories included in cost of sales	1,339,369	2,250,570	3,239,602	1,519,648	3,973,155
Write down of property inventories included in cost of sales	—	—	1,094	—	—
Depreciation of property, plant and equipment	5,839	10,031	16,884	6,535	7,777
(Gain) loss on disposal of property, plant and equipment	94	(1,281)	(77)	(233)	(7)
Loss on disposal of subsidiaries	—	—	5,787	—	10,533
Impairment loss on amount due from a related party	—	3,000	—	—	—
Impairment loss on loan receivable	—	15,471	—	—	—
Impairment loss on other receivables	80	12,000	31,109	—	—
Operating lease rentals	1,141	2,957	9,100	4,256	3,705
Staff costs					
Directors' emoluments (including equity-settled share-based payments) (note 10)	6,439	16,560	20,902	9,461	7,706
Other staff costs					
Staff costs excluding retirement benefit costs	89,883	255,173	375,607	121,421	125,905
Retirement benefit costs	3,984	6,711	28,260	4,736	8,107
Equity-settled share-based payments (note 42)	—	4,230	50,897	25,448	12,628
Total staff costs	100,306	282,674	475,666	161,066	154,346
Less: Amount capitalised to properties under development	(24,157)	(44,384)	(151,921)	(62,038)	(53,913)
	76,149	238,290	323,745	99,028	100,433
Gross rental income from investment properties	67,311	101,734	158,785	62,726	86,266
Less: direct expenses that generated rental income	(18,307)	(13,771)	(55,571)	(22,342)	(20,850)
	49,004	87,963	103,214	40,384	65,416
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	284	(2,381)	20,722	(629)	12,113

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' fees	—	—	—	—	—
Other emoluments for non-executive directors and independent non-executive directors	—	—	—	—	—
Other emoluments for executive directors					
- basic salaries and allowances	5,942	9,027	9,558	4,791	4,771
- bonus (note)	300	6,470	2,000	—	—
- retirement benefit contributions	197	293	102	48	63
- equity-settled share-based payments	—	770	9,242	4,622	2,872
	6,439	16,560	20,902	9,461	7,706

Note: The performance related incentive payment is determined as a percentage of the profit of the Group for the Relevant Periods.

	Directors' fees	Basic salaries and allowances	Bonus	Retirement benefit contribution	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2006						
Name of director						
Wu Yajun	—	1,799	—	85	—	1,884
Cai Kui	—	1,550	—	73	—	1,623
Lin Chu Chang	—	1,093	—	39	—	1,132
Fang Shengtao	—	1,500	300	—	—	1,800
	—	5,942	300	197	—	6,439
Year ended December 31, 2007						
Name of director						
Wu Yajun	—	2,713	—	97	—	2,810
Cai Kui	—	2,160	—	97	—	2,257
Lin Chu Chang	—	2,319	—	80	450	2,849
Fang Shengtao	—	1,835	6,470	19	320	8,644
	—	9,027	6,470	293	770	16,560

	Directors' fees	Basic salaries and allowances	Bonus	Retirement benefit contribution	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2008						
Name of director						
Wu Yajun	—	3,015	600	29	—	3,644
Cai Kui	—	2,412	600	10	—	3,022
Lin Chu Chang	—	2,197	300	11	5,140	7,648
Fang Shengtao	—	1,934	500	52	4,102	6,588
	—	9,558	2,000	102	9,242	20,902
Six months ended June 30, 2008 (unaudited)						
Name of director						
Wu Yajun	—	1,507	—	14	—	1,521
Cai Kui	—	1,206	—	4	—	1,210
Lin Chu Chang	—	1,110	—	5	2,571	3,686
Fang Shengtao	—	968	—	25	2,051	3,044
	—	4,791	—	48	4,622	9,461
Six months ended June 30, 2009						
Name of director						
Wu Yajun	—	1,507	—	15	—	1,522
Cai Kui	—	1,207	—	15	—	1,222
Lin Chu Chang	—	1,090	—	5	1,829	2,924
Fang Shengtao	—	967	—	28	1,043	2,038
	—	4,771	—	63	2,872	7,706

Five highest paid individuals

The five highest paid individuals included three directors for the year ended December 31, 2006, one director for the year ended December 31, 2007, two directors for the year ended December 31, 2008, four directors for the six months ended June 30, 2008 and four directors for the six months ended June 30, 2009. The emoluments of the remaining two highest paid individuals for the year ended December 31, 2006, remaining four highest paid individuals for the year ended December 31, 2007, three highest paid individuals for the year ended December 31, 2008, one highest paid individual for the six months ended 30 June 2008 and one highest paid individual for the six months ended June 30, 2009 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employees					
- basic salaries and allowances	2,063	6,162	5,478	967	967
- bonus	400	27,000	2,300	—	—
- retirement benefit contributions	147	326	156	25	28
- equity-settled share-based payments	—	1,298	11,682	1,947	1,177
	2,610	34,786	19,616	2,939	2,172

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the Relevant Periods.

Their emoluments were within the following bands:

	Number of Individuals				
	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Nil to RMB1,000,000	1	—	—	—	—
RMB1,000,001 to RMB1,500,000	—	—	—	—	—
RMB2,000,001 to RMB2,500,000	1	—	—	—	1
RMB2,500,001 to RMB3,000,000	—	1	1	1	—
RMB3,000,001 or above	—	3	2	—	—

11. DIVIDEND

During the six months ended June 30, 2008 and year ended December 31, 2008, dividends of RMB138,408,000 were declared from Juntion Development to the ultimate shareholders, Wu Yajun and Cai Kui. The amounts of RMB65,882,000 and RMB2,644,000 were paid during the year ended December 31, 2008 and six months ended June 30, 2009 respectively. The directors of the Company represented the remaining balance will be paid prior to the Listing.

No dividends have been paid or declared by the Company during the years ended December 31, 2007, 2008 and six months ended June 30, 2008 and 2009.

12. EARNINGS PER SHARE - BASIC

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Earnings for the purpose of basic earnings per share (profit for the year/period attributable to the owners of the Company)	370,969	749,990	331,590	198,158	1,456,061

	2006	2007	2008	2008	2009
	'000	'000	'000	'000	'000
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

For the Relevant Periods, the calculations of basic earnings per share are based on 4,000,000,000 shares in issue on the assumption that the issue of such shares of the Company upon the Reorganisation had been completed on January 1, 2006.

No diluted earnings per share has been presented for the year ended December 31, 2006 as the Company did not have any potential ordinary shares during the year.

No diluted earnings per share is calculated for the years ended December 31, 2007 and 2008 and six months ended June 30, 2008 and 2009 in respect of the share-based payment transactions since the directors are in the opinion that, without reliable information of the market price of the shares, such calculation and disclosure are not meaningful.

13. INVESTMENT PROPERTIES

	Completed	Under development	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2006	1,728,000	108,108	1,836,108
Additions	—	148,641	148,641
Transfer	126,823	(126,823)	—
Change in fair value recognised in the consolidated statement of comprehensive income	482,177	—	482,177
At December 31, 2006	2,337,000	129,926	2,466,926
Additions	—	173,467	173,467
Transfer from properties held for sales *(Note 15)*	92,494	—	92,494
Transfer	303,393	(303,393)	—
Change in fair value recognised in the consolidated statement of comprehensive income	901,113	—	901,113
At December 31, 2007	3,634,000	—	3,634,000
Change in fair value recognised in the consolidated statement of comprehensive income	125,100	—	125,100
At December 31, 2008	3,759,100	—	3,759,100
Change in fair value recognised in the consolidated statement of comprehensive income	561,000	—	561,000
At June 30, 2009	4,320,100	—	4,320,100

The investment properties are all situated in the PRC under medium-term lease. All the completed investment properties are rented out under operating leases.

The fair values of the Group's completed investment properties at December 31, 2006, 2007, 2008 and June 30, 2009 have been arrived at on the basis of valuations carried out on those dates by Savills Valuation and Professional Services Limited ("Savills"), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The address of Savills is 23/F Two Exchange Square, Central, Hong Kong. The valuations were arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.

[The Group has concluded the fair value of its investment properties under development cannot be measured reasonably, therefore, the Group's investment properties under development continued to be measured at cost until such time as fair value can be determined or construction is completed.]

All of the Group's property interests in leasehold land and buildings to earn rentals or for capital appreciation purposes are measured using the fair value model and classified and accounted for as investment properties.

The Group had pledged investment properties of approximately RMB1,978,681,000 RMB2,036,139,000, RMB2,945,732,000 and RMB3,725,518,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, to secure general banking facilities granted to the Group.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Equipment and furniture	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2006	50,682	9,367	3,106	63,155
Additions	—	9,246	2,728	11,974
Disposals	(1,174)	(1,228)	(150)	(2,552)
At December 31, 2006	49,508	17,385	5,684	72,577
Additions	—	6,004	5,551	11,555
Transfer from properties under development	77,535	—	—	77,535
Disposals	(1,035)	(448)	(126)	(1,609)
At December 31, 2007	126,008	22,941	11,109	160,058
Additions	2,186	12,357	13,188	27,731
Transfer from properties under development	24,115	—	—	24,115
Disposals	—	(3,202)	(709)	(3,911)
Disposal of a subsidiary	—	—	(13)	(13)
At December 31, 2008	152,309	32,096	23,575	207,980
Additions	—	159	2,424	2,583
Acquisition of subsidiaries	—	—	39	39
Transfer from properties under development	17,591	—	—	17,591
Disposals	—	—	(425)	(425)
At June 30, 2009	169,900	32,255	25,613	227,768
ACCUMULATED DEPRECIATION				
At January 1, 2006	6,767	5,207	1,408	13,382
Charge for the year	2,379	2,358	1,102	5,839
Eliminated on disposals	(609)	(1,162)	(102)	(1,873)
At December 31, 2006	8,537	6,403	2,408	17,348
Charge for the year	4,936	3,031	2,064	10,031
Eliminated on disposals	(201)	(405)	(101)	(707)
At December 31, 2007	13,272	9,029	4,371	26,672
Charge for the year	6,920	5,176	4,788	16,884
Eliminated on disposals	—	(2,215)	(336)	(2,551)
Disposal of subsidiary	—	—	(1)	(1)
At December 31, 2008	20,192	11,990	8,822	41,004
Charge for the period	1,144	2,520	4,113	7,777
Eliminated on disposals	—	—	(344)	(344)
At June 30, 2009	21,336	14,510	12,591	48,437
CARRYING VALUES				
At December 31, 2006	40,971	10,982	3,276	55,229
At December 31, 2007	112,736	13,912	6,738	133,386
At December 31, 2008	132,117	20,106	14,753	166,976
At June 30, 2009	148,564	17,745	13,022	179,331

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Buildings	Over the estimated useful lives of 20 years or the term of the leases, if shorter
Motor vehicles	20%
Equipment and furniture	33%

The buildings are all situated on land in the PRC held under medium-term leases.

The Group had no pledged property, plant and equipment at December 31, 2006, 2007, 2008 and June 30, 2009.

15. PROPERTIES UNDER DEVELOPMENT

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At the beginning of the year/period	2,124,845	4,740,061	8,702,421	14,890,771
Additions	4,031,663	5,488,799	8,400,488	3,447,019
Additions through acquisition of subsidiaries	—	841,481	231,782	826,203
Disposal	—	—	—	(931)
Disposal of a subsidiary	—	—	(858,990)	(18,112)
Transfer from prepaid lease payment	—	—	3,604,037	223,674
Transfer from deposit paid for acquisition of land use rights	—	—	100,000	—
Transfer to properties held for sales	(1,416,447)	(2,197,891)	(5,264,852)	(2,533,090)
Transfer to property, plant and equipment	—	(77,535)	(24,115)	(17,591)
Transfer to properties held for sales and then to investment properties	—	(92,494)	—	—
At the end of the year/period	4,740,061	8,702,421	14,890,771	16,817,943

The properties under development are located in the PRC under medium-term lease and analysed for reporting purposes as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current	4,740,061	8,702,421	14,880,070	16,817,943
Non-current	—	—	10,701	—
	4,740,061	8,702,421	14,890,771	16,817,943

The current portion and non-current portion represent properties held for sales and property held for own use under development.

Included in the properties under development classified as current assets as at December 31, 2006, 2007, 2008 and June 30, 2009 is carrying value of RMB3,064 million, RMB4,322 million, RMB7,362 million and RMB6,553 million which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the end of the respective reporting period.

The Group had pledged properties under development of approximately RMB650,426,000, RMB3,426,790,000, RMB8,793,468,000 and RMB8,122,772,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively to secure general banking facilities granted to the Group.

Included in the properties under development are the government grants of RMB84,480,000 and RMB60,346,000 as at year ended December 31, 2006 and 2007 and nil as at December 31, 2008 and June 30, 2009.

16. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents land use rights held in the PRC and is analysed as follows:

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Medium term	—	186,509	458,217	187,450
Long term	142,226	3,232,159	2,568,071	2,378,844
Non-current	142,226	3,418,668	3,026,288	2,566,294

The Group's prepaid lease payments represent payments for obtaining the land use rights in the PRC with lease terms ranging from 40 to 70 years. The Group had not yet obtained the certificates of land use rights of approximately RMB142,226,000, RMB2,005,931,000, RMB1,348,406,000 and RMB1,379,442,000 from the relevant authorities at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

At December 31, 2006, 2007, 2008 and June 30, 2009, the Group had pledged the land use rights of approximately RMB142,226,000, nil, RMB554,567,000 and 813,319,000 respectively to secure general banking facilities granted to the Group.

17. INTERESTS IN ASSOCIATES

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cost of investments, unlisted	415	415	415	415
Less: Impairment loss recognised	(414)	(414)	(414)	(414)
	1	1	1	1

17A. INVESTMENTS IN SUBSIDIARY

	The Company			
	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	2,875,598	2,875,598

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments, unlisted	48,618	519,328	882,476	1,153,306
Share of post-acquisition profits (losses)	448	(13,233)	49,992	78,855
	49,066	506,095	932,468	1,232,161

As at December 31, 2006, Longhu Land has been accounted for as jointly controlled entities as, in the opinion of the directors of the Company, the Group is in a position to exercise joint control over the financial and operating policies of this company.

During the year ended December 31, 2007, the Group had injected, in aggregate, RMB470,710,000 in Chengdu Jia'nan, Chengdu Tuosheng, Chengdu Jinghui, Chengdu Huixin and Longhu Land. They have been accounted for as jointly controlled entities as, in the opinion of the directors of the Company, the Group is in a position to exercise joint control over the financial and operating policies of those companies.

During the year ended December 31, 2008, the Group has disposed of its 28.5% equity interest in Chengdu Huixin. The Group's interest has decreased from 57.8% to 29.3% accordingly. Details of which are disclosed in note 6. Chengdu Huixin is still accounted for as a jointly controlled entity since in accordance with the memorandum and the articles of Chengdu Huixin, the joint venture partners still have contractually agreed the sharing of control over the financial and operating policies of Chengdu Huixin.

During the year ended December 31, 2008, the Group has injected RMB317,800,000 into Shanghai Hengrui as capital injection, representing 18.3% effective interest in Shanghai Hengrui, in which RMB261,569,000 was injected by using the deposit paid for acquisition of land use rights in prior period.

On October 23, 2008, the Group disposed of 70% interest of two wholly owned subsidiaries, Chengdu Xixi and Chengdu Xixiang, through the disposal of a wholly owned subsidiary, COF V. Upon completion of the disposal, Chengdu Xixi and Chengdu Xixiang became jointly controlled entities of the Group (see note 36).

During the six months ended June 30, 2009, the Group has acquired an effective equity interest of 27.4% in Shanghai Hengrui. The Group's interest has increased from 18.3% to 45.7%, at a consideration of approximately RMB537,796,000. Shanghai Hengrui is still accounted for as a jointly controlled entity since in accordance with the memorandum and the articles of Shanghai Hengrui, the joint venture partners still have contractually agreed the sharing of control over the financial and operating policies of Shanghai Hengrui.

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity accounting method is set out below:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	286	5,510	13,706	18,123
Current assets	381,224	3,731,103	7,470,298	7,188,442
Current liabilities	(283,379)	(1,133,012)	(1,650,474)	(2,357,406)
Non-current liabilities	—	(120,000)	(620,000)	(713,558)
Income	7,815	1,318	678,346	679,033
Expenses	(6,611)	(28,476)	(134,832)	(71,093)

19. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity securities, at cost	8,820	8,600	8,600	8,600

The above unlisted equity investments represent the investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the respective reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be reliably measured.

20. INVESTMENT IN A TRUST FUND

The investment represents investment in trust fund units purchased in open market by the Group. The investment provided a return of 5.5% per annum payable yearly and matured in December 2008. The directors of the Company consider that the carrying amount of investment in a trust fund recorded at amortised cost approximates to its fair value.

21. INVENTORIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Construction materials	27,016	47,364	138,163	204,316
Consumables and others	228	256	489	244
	27,244	47,620	138,652	204,560

22. PROPERTIES HELD FOR SALES

The Group's properties held for sales are situated in the PRC. All the properties held for sales are stated at cost.

The Group had pledged properties held for sales of approximately RMB279,740,000, RMB43,190,000, RMB9,713,000 and RMB12,031,000 as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively to secure general banking facilities granted to the Group.

23. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables are mainly arisen from sales of properties. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement date. Consideration under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
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
	426,208	686,599	1,611,597	1,038,374

The following is an aged analysis of trade receivables at the end of the reporting period:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 60 days	29,682	33,495	35,693	27,157
61 - 180 days	—	594	4,389	—
181 - 365 days	1,827	842	1,435	4,664
1 - 2 years	7,186	—	479	—
	38,695	34,931	41,996	31,821

At December 31, 2006, 2007, 2008 and June 30, 2009, 77%, 96%, 85% and 85% of the trade receivables are neither past due nor impaired, respectively, and with satisfactory credit quality.

Included in the Group's accounts receivable balance are trade receivables with a carrying amount of approximately RMB9,013,000, RMB1,436,000, RMB6,303,000 and RMB4,664,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively which are past due at the end of the reporting period for which the Group has not provided for as the Group has retained the legal titles of the properties sold to these customers at each reporting end date.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Movements in the allowance for doubtful debts on other receivables

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Balance at the beginning of the year/period	1,377	1,457	13,457	44,566
Impairment losses recognised	80	12,000	31,109	—
Balance at the end of the year/period	1,457	13,457	44,566	44,566

Included in other receivables mainly represented temporary payments and miscellaneous projects related deposits paid which are refundable when maturity, of which, approximately RMB1,457,000, RMB13,457,000, RMB44,566,000 and RMB44,566,000 was impaired as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively because the counterparties are in severe financial difficulties and the Group does not hold any collateral over these balances. The remaining balance was not yet due for repayment.

24. INVESTMENTS HELD FOR TRADING

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Listed equity investments in PRC at fair value	1,148	—	—	—

The fair value of the above investments was determined based on the quoted market bid prices available on the relevant exchange.

25. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are as follows:

	At January 1, 2006	At December 31, 2006	At December 31, 2007	At December 31, 2008	At June 30, 2009	Maximum balance outstanding: Year ended December 31, 2006	Maximum balance outstanding: Year ended December 31, 2007	Maximum balance outstanding: Year ended December 31, 2008	Maximum balance outstanding: Six months ended June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from minority shareholders of subsidiaries:									
[He Tian Tao] 何天濤	3,000	3,000	—	—	—	3,000	3,000	—	—
[Beijing Eastern Garden Art Engineering Company Limited] ("Beijing Eastern Garden") 北京東方苑藝園林綠化工程有限公司	12,000	12,000	—	—	—	12,000	12,000	—	—
[Chongqing Hu Ke Investment Company Limited] 重慶旭科投資有限公司	—	—	—	—	50,000	—	—	—	50,000
Amount due from jointly controlled entities:									
Longhu Land	62,490	144,696	147,111	—	5,678	144,696	147,111	147,111	5,678
Chengdu Huixin	—	—	—	5,712	6,093	—	—	5,712	6,093
Chengdu Jia'nan	—	—	—	2,329	2,329	—	—	2,329	2,329
Chengdu Jinghui	—	—	—	5,032	5,032	—	—	5,032	5,032
Chengdu Tuosheng	—	—	—	5,284	5,284	—	—	5,284	5,284
Chengdu Xixi	—	—	—	50,329	—	—	—	50,329	50,329
Chengdu Xixiang	—	—	—	38,408	—	—	—	38,408	38,408
	77,490	159,696	147,111	107,094	74,416				

The balances due from minority shareholders of subsidiaries were unsecured and interest-free. Amount due from [He Tian Tao] was fully impaired during 2007 while [Beijing Eastern Garden] ceased to be a minority shareholder of a subsidiary after the disposal of its interest to an independent third party in June 2007 and the balance transferred to other receivables. The balance due from jointly controlled entities are unsecured, interest free except for amount due from Longhu Land which is interest bearing at 7.2% per annum since January 1, 2007 and repayable on demand.

The directors of the Company represented that the balance with a minority shareholder of a subsidiary will be settled prior to the [●] of the Company's shares on the [●] of The Stock Exchange of Hong Kong Limited (the "[●]").

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are denominated in RMB and HKD which represent deposits pledged to the banks to secure the banking facilities granted to the Group or restricted for mortgage sales of property. The deposits carry fixed rate at 0.81% per annum, 0.72% per annum, 0.72% per annum and 0.36% per annum at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

Bank balances and cash comprise cash held by the Group and demand deposits with an original maturity of three months or less. Bank balances carry prevailing deposit interest rate.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of bank balances and cash by currency:				
- Denominated in RMB	728,530	1,927,508	2,896,604	5,741,573
- Denominated in Hong Kong dollars ("HKD")	500	367,423	233,474	111,653
- Denominated in USD	76	42,687	98,719	66,195
	729,106	2,337,618	3,228,797	5,919,421

27. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables and accrued expenditure on construction	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
	3,777,580	9,096,044	13,843,721	13,464,958

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

The following is an aged analysis of trade payables and bills payable at the end of the reporting period:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 60 days	471,123	574,955	1,491,136	1,477,528
61 - 180 days	250,769	266,249	205,148	61,054
181 - 365 days	14,131	12,131	23,882	26,236
1 - 2 years	16,007	8,580	11,354	19,555
2 - 3 years	1,907	1,993	5,108	3,664
Over 3 years	1,042	40	—	1,241
	754,979	863,948	1,736,628	1,589,278

28. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES/DIRECTORS

The amounts are denominated in RMB which are unsecured, interest free and repayable on demand. The directors of the Company represented the amounts due to directors will be settled prior to the [●].

29. BANK AND OTHER BORROWINGS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured	2,383,600	5,567,790	10,448,051	9,456,706
Bank loans, unsecured	410,000	2,054,900	2,312,700	1,567,100
Other loan, secured (note)	305,760	305,760	—	—
Other loan, unsecured	—	—	79,000	89,000
Bond, secured	—	—	—	1,385,194
	3,099,360	7,928,450	12,839,751	12,498,000

Note:

In October 2005, the Group entered into a capital injection agreement with a trust fund company pursuant to which 49% interest of the enlarged registered capital of a subsidiary was transferred to the trust fund company at a cash consideration of RMB305,760,000.

In December 2005, the Group entered into a supplementary agreement to the above-mentioned capital injection agreement with the trust fund company pursuant to which the Group agreed to repurchase and the trust fund company agreed to sell the 49% interest in the subsidiary at an aggregate cash consideration of RMB365,383,000 at the end of a three-year term. Accordingly, the capital injected has been treated in this Financial Information as a loan granted to the Group rather than equity invested by the trust fund company.

The loan carries interest at a rate of 6.5% per annum and is repayable through four installments during the period from December 26, 2005 to December 25, 2008. For the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008, interest charge amounting to approximately RMB19,874,000, RMB19,874,000, RMB19,874,000 and RMB9,937,000 stated in the supplementary agreement respectively, was capitalised in properties under development.

The borrowings are repayable:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or on demand	649,100	3,175,520	6,480,051	7,549,506
More than one year, but not exceeding two years	2,450,260	3,807,930	5,279,700	2,069,700
More than two years, but not exceeding three years	—	945,000	1,080,000	1,493,600
More than three years, but not exceeding five years	—	—	—	—
Exceeding five years	—	—	—	1,385,194
	3,099,360	7,928,450	12,839,751	12,498,000
Less: Amount due within one year shown under current liabilities	(649,100)	(3,175,520)	(6,480,051)	(7,549,506)
Amount due after one year	2,450,260	4,752,930	6,359,700	4,948,494

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of borrowings by currency:				
- Denominated in RMB	3,099,360	7,085,690	10,884,550	11,424,594
- Denominated in HKD	—	842,760	1,955,201	1,073,406
	3,099,360	7,928,450	12,839,751	12,498,000

Certain bank and other loans as at the end of the reporting period were secured by the pledge of assets as set out in note 38.

Borrowings include approximately RMB1,472,260,000, RMB797,760,000, RMB279,000,000 and RMB99,000,000 fixed rate borrowings which carry interest ranging from 5.49% to 7%, 6.50% to 6.75%, 6.75% to 7.47% and 5.31% per annum at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, and exposing the Group to fair value interest rate risk. The remaining borrowings are arranged at variable rate based on the interest rates quoted by the People's Bank of China or Hong Kong Interbank Offer Rate plus a premium, the effective interest rate is ranging from 5.49% to 6.30%, 5.47% to 7.56%, 5.20% to 10.71% and 5.40% to 9.22% per annum at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, and exposing the Group to cash flow interest rate risk.

On September 21, 2007, the Group has entered into a new bank loan agreement to obtain new bank loans facilities amounted to HK$2,518,000,000. Total amount of HK$900,000,000 (equivalent to RMB842,760,000), HK$2,517,980,000 (approximately RMB2,261,977,000) and HK$1,217,980,000 (approximately RMB1,073,406,000) was utilised at December 31, 2007, 2008 and June 30, 2009, respectively. The bank loans bear interest at market rates and will be repayable at the earlier of (a) the date falling twenty-four months from the date of the facility agreement and (b) the interest payment date immediately following the date of the Company's share commences trading on the Stock Exchange of Hong Kong Limited. Accordingly, such bank loans are classified as current liabilities.

On May 5, 2009, the Group issued a bond of the principal amount of RMB1,400,000,000 and will be repayable in full by May 5, 2016, subject to early redemption. The bond bears fixed coupon interest rate at 6.7% per annum for the first five years payable semi-annually in arrears and is subject to an one-off upward adjustment of up to 100 basis points (inclusive) from May 5, 2014 at the election of the Group. On April 25, 2014, the Group will determine the interest rate by election of an upward adjustment to the interest rate or maintain the interest rate at 6.7%, a holder of the bond then may elect to redeem all or part of the bond at the face value. A portion of such bond, RMB1,100,000,000, is listed and traded on the Shanghai Stock Exchange. The bond is secured by certain properties and land use rights of the Group.

Management estimates the fair value of the bond at June 30, 2009 to be approximately RMB1,461,600,000. The fair value has been calculated with reference to the quoted market price of the bond.

30. SHARE CAPITAL

For the purpose of the preparation of the Financial Information, the share capital at December 31, 2006 represented the share capital of Juntion Development, which was subsequently acquired by the Company upon the Reorganisation.

On December 21, 2007, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. As at the date of incorporation, the Company's initial authorised share capital was HK$50,000, divided into 500,000 ordinary shares of par value of HK$0.10 each, of which 1 subscriber share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber. At the same date, one share was transferred from Codan Trust Company (Cayman) Limited to Charm Talent International Limited ("Charm Talent") and 599 shares and 400 shares were allotted and issued to Charm Talent and Precious Full International Limited ("Precious Full"), respectively.

The share capital at December 31, 2007 represents the combination of the share capital of Juntion Development and the Company.

Pursuant to the resolutions in writing of the shareholders of the Company on May 27, 2008, the authorised share capital of the Company was increased from HK$50,000 to HK$1,000,000,000 by the creation of 9,999,500,000 new shares.

Pursuant to an agreement dated June 11, 2008, Wu Yajun and Cai Kui, the shareholders and directors of Juntion Development, transferred the shares in Juntion Development of 1,200,000 shares and 800,000 shares, respectively, to Longfor Investment at a total consideration of HK$3,201,155,089.

Pursuant to two deeds of assignment dated June 11, 2008, Wu Yajun and Cai Kun assign the amount of HK$3,201,155,089 due from Longfor Investment to Charm Talent and Precious Full for the purchase of the entire issued share capital of Juntion Development which these companies then assign the amount to the Company.

Longfor Investment allotted and issued one share of USD 1, credit as fully paid, in settlement of the amount due from Longfor Investment to the Company.

Pursuant to the written resolutions of the shareholders of the Company passed on June 11, 2008, the loan due to Charm Talent and Precious Full in the total sum of HK$3,201,155,089 was capitalised and be applied in paying up in full a total of 3,999,999,000 ordinary shares of HK$0.10 each.

The share capital December 31, 2008 and June 30, 2009 represents the share capital of the Company of 4,000,000,000 ordinary shares of HK$0.10 each.

31. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount was unsecured, interest bearing at 7% per annum and fully repaid during 2008.

32. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	Fair value of investment properties	Tax losses	Land appreciation tax provisions	Allowance for doubtful debts	Government grants (Note 1)	Unrealised profit on intra-group purchases	Withholding tax on retained profits to be distributed	Others (Note 2)	Temporary differences on revenue recognition and related cost of sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	(8,052)	(225,481)	1,305	20,888	—	—	—	—	749	—	(210,591)
(Charge) credit to consolidated statement of comprehensive income	(2,924)	(119,891)	14,607	31,204	—	27,878	—	—	869	—	(48,257)
At December 31, 2006	(10,976)	(345,372)	15,912	52,092	—	27,878	—	—	1,618	—	(258,848)
(Charge) credit to consolidated statement of comprehensive income	(6,979)	(293,693)	252	33,639	10,073	19,914	17,604	—	13,031	2,692	(203,467)
Effect of change in tax rate	(4,169)	(48,422)	(3,093)	(13,880)	(2,323)	(11,585)	(4,268)	—	(3,636)	—	(91,376)
At December 31, 2007	(22,124)	(687,487)	13,071	71,851	7,750	36,207	13,336	—	11,013	2,692	(553,691)
(Charge) credit to consolidated statement of comprehensive income	(10,289)	(31,275)	18,148	23,156	1,250	(5,195)	(775)	(44,887)	13,467	207,426	171,026
Disposal of subsidiaries	—	—	(861)	—	—	—	—	—	—	—	(861)
At December 31, 2008	(32,413)	(718,762)	30,358	95,007	9,000	31,012	12,561	(44,887)	24,480	210,118	(383,526)
(Charge) credit to consolidated statement of comprehensive income	(4,712)	(140,251)	4,259	54,535	—	—	9,510	(86,011)	1,160	(210,118)	(371,628)
Acquisition of subsidiaries	—	—	1,100	—	—	—	—	—	1,558	—	2,658
At June 30, 2009	(37,125)	(859,013)	35,717	149,542	9,000	31,012	22,071	(130,898)	27,198	—	(752,496)

Notes:

1. This represents the tax effect of the temporary difference arising from the treatment of the government grants between the accounting standard and the tax bureau. Tax bureau treated the government grants as an income but in accounting, the government grants is treated as a decrease in properties under development.

2. This represents the tax effect of temporary differences arising from the deduction of the advertising expense. The Group can deduct its advertising expense of no more than 15% of its revenue and for the part that cannot be deducted, if any, it can be brought forward to the future.

For the presentation purposes on the consolidation of statement of financial position, certain deferred taxation (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred taxation assets	44,945	71,503	347,960	209,042
Deferred taxation liabilities	(303,793)	(625,194)	(731,486)	(961,538)
	(258,848)	(553,691)	(383,526)	(752,496)

At December 31, 2006, 2007, 2008 and June 30, 2009, the Group had unused tax losses of approximately RMB53,352,000, RMB57,859,000, RMB177,598,000 and RMB202,064,000 respectively, available to offset against future profits. Deferred taxation assets have been recognised in respect of approximately RMB53,335,000, RMB54,718,000, RMB126,122,000 and RMB147,556,000 of such losses at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. No deferred taxation asset has been recognised in respect of the remaining RMB17,000, RMB3,141,000, RMB51,476,000 and RMB54,508,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
2010	16	—	—	—
2011	1	—	—	—
2012	—	3,141	1,338	1,338
2013	—	—	50,138	50,138
2014	—	—	—	3,032
	17	3,141	51,476	54,508

33. ACQUISITION OF ASSETS AND ASSUMPTION OF LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

The assets acquired and liabilities assumed through the acquisition of 90% equity interest in Chengdu Jincheng and 100% equity interest in Xi'an Xingcheng during the year ended December 31, 2007 are as follows:

	Chengdu Jincheng	Xi'an Xingcheng	Total
	RMB'000	RMB'000	RMB'000
Net assets acquired at fair value:			
Properties under development	276,525	564,956	841,481
Other receivables	—	59,897	59,897
Bank balances and cash	3,255	90	3,345
Accounts payable and accruals	(21,091)	—	(21,091)
	258,689	624,943	883,632
Minority interests	(25,869)	—	(25,869)
Total consideration	232,820	624,943	857,763
Satisfied by:			
Cash	202,820	434,279	637,099
Other payable (Note)	—	190,664	190,664
Deposit previously paid	30,000	—	30,000
	232,820	624,943	857,763
Net cash outflow arising on acquisition:			
Cash paid	202,820	434,279	637,099
Bank balances and cash acquired	(3,255)	(90)	(3,345)
	199,565	434,189	633,754

Note: The amount is fully settled during the year ended December 31, 2008.

After the disposal during the year ended December 31, 2008 as set out in note 36, Chengdu Xixi and Chengdu Xixiang became a wholly owned subsidiary of Chongqing Longhu Development on March 31, 2009. The additional 70% equity interest in Chengdu Xixi and Chengdu XiXiang had been acquired by Chongqing Langin Development at a consideration of RMB224,300,000 and RMB301,700,000 respectively. The effects of the acquisition of the assets and liabilities of Chengdu Xixi and Chengdu Xixiang are summarised as follows:

	Chengdu Xixi	Chengdu Xixiang	Total
	RMB'000	RMB'000	RMB'000
Net assets acquired at fair value:			
Property, plant and equipment	—	39	39
Properties under development	376,228	449,976	826,204
Deferred tax assets	343	2,315	2,658
Accounts receivables, deposits and prepayments	7,490	108,003	115,493
Bank balances and cash	120,699	4,512	125,211
Accounts payable and accruals	(177)	(134,246)	(134,423)
Long-term loan	(180,000)	—	(180,000)
	324,583	430,599	755,182
Amount attributable to the Group and previously classified as interest in jointly controlled entities	(100,283)	(128,899)	(229,182)
Total consideration	224,300	301,700	526,000
Satisfied by:			
Cash	224,300	301,700	526,000
Net cash outflow arising on acquisition:			
Cash paid	224,300	301,700	526,000
Bank balances and cash acquired	(120,699)	(4,512)	(125,211)
	103,601	297,188	400,789

34. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the year ended December 31, 2007, the Group has further contributed additional capital of RMB150,000,000 in Chengdu Jincheng, resulting in the increase in effective equity interest from 82.2% to 87.2%. In February 2008, the Group acquired the remaining effective 3.9% equity interest in Chengdu Jincheng at a consideration of approximately RMB39,200,000.

During the year ended December 31, 2008, the remaining 44.7% equity interest in Xi'an Longhu Banpo has been acquired by the Group at a consideration of approximately RMB269,056,000 from the minority shareholders. As at December 31, 2008, an amount of RMB241,674,000 was not yet paid by the Group. As at June 30, 2009, RMB216,674,000 was still not yet paid by the Group.

During the year ended December 31, 2008, the remaining 1% equity interest in Beijing Longhu Zhongbai Company Limited has been acquired by the Group at a consideration of RMB10,000,000 from the minority shareholder.

During the year ended December 31, 2008, the remaining 2% equity interest in Beijing Longhu Shidai Company Limited has been acquired by the Group at a consideration of RMB200,000,000 from the minority shareholders.

During the year ended December 31, 2008, the additional 21.9% equity interest in Chengdu Longhu Tongjin Real Estate Company Limited has been acquired by the Group, resulting in the increase in effective interest from 46.6% to 68.5%, at a consideration of approximately RMB231,972,000 from the minority shareholders.

Since these companies are principally engaged in the property development, the acquisitions of additional interests in these subsidiaries were therefore regarded as acquisition of assets which resulted in additional costs for properties under development. The total amount of the additional costs were approximately RMB231,782,000 for the year ended December 31, 2008 respectively.

35. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY THROUGH DISPOSAL OF A WHOLLY OWNED SUBSIDIARY

During the year ended December 31, 2007, the Group disposed of 49% equity interest in a subsidiary, Chongqing Longhu Yiheng, through disposal of its entire equity interest in a wholly owned subsidiary, Fantastic, to an independent third party at a consideration of RMB25,000,000, which is determined with reference to the fair value of interest in subsidiary. RMB12,500,000 has been received before the year ended December 31, 2007. In the opinion of the directors, the remaining balance of RMB12,500,000 will be settled in 12 months from June 30, 2009. Gain on disposal amounted to approximately RMB23,121,000.

36. DISPOSAL OF SUBSIDIARIES

During the year ended December 31, 2007, the Group disposed of its 70% equity interest in a non-wholly owned subsidiary, Chongqing Juntion Architecture, at a cash consideration of approximately RMB14,000,000.

During the year ended December 31, 2008, the Group disposed of its 100% equity interest in a wholly owned subsidiary, COF V, which holds 70% interest in Chengdu Xixi and Chengdu Xixiang, companies established in the PRC and engaged in property development, at a cash consideration of US$1 to an independent third party. Subsequent to the disposal of COF V, the remaining 30% interest in Chengdu Xixi and Chengdu Xixiang are still held by group companies and they became jointly controlled entities of the Group.

During the period ended June 30, 2009, the Group disposed of its 100% equity interest in a wholly owned subsidiary, Shanghai Wanzhuo Investment Limited, at a cash consideration of approximately RMB56,833,000 to an independent third party.

The net assets of subsidiaries at the date of disposal are as follows:

	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets disposed of:				
Property, plant and equipment	—	—	12	—
Prepaid lease payment	—	—	—	271,708
Deferred taxation asset	—	—	861	—
Inventories	—	—	802	—
Properties under development	—	—	858,990	18,112
Accounts receivable, deposits and prepayments	—	19,000	17,010	—
Bank balances and cash	—	985	2,616	142
Accounts payable, deposits received and accrued charges	—	—	(3,249)	(222,596)
Amount due to the other entities of the Group	—	—	(532,827)	—
Amount due to jointly controlled entities	—	—	(103,780)	—
Taxation payable	—	—	(3,814)	—
	—	19,985	236,621	67,366
Minority interest	—	(5,995)	—	—
Gain (loss) on disposal	—	10	(5,787)	(10,533)
The Group's remaining interest and classified as interest in jointly controlled entities	—	—	(230,834)	—
Total consideration	—	14,000	—	56,833
Satisfied by:				
Cash	—	14,000	—	56,833
Net cash inflow arising from disposal:				
Cash consideration	—	14,000	—	56,833
Bank balances and cash disposed of	—	(985)	(2,616)	(142)
	—	13,015	(2,616)	56,691

37. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group also operates a Manatary Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held seperately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The Group recognised the retirement benefit costs of RMB4,181,000, RMB7,004,000, RMB28,362,000, RMB4,784,000 and RMB8,170,000 for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008, 2009 respectively.

38. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties	1,978,681	2,036,139	2,945,732	3,725,518
Prepaid lease payments	142,226	—	554,567	813,319
Properties under development	650,426	3,426,790	8,793,468	8,122,772
Properties held for sales	279,740	43,190	9,713	12,031
Other receivables	—	50,000	—	—
Pledged bank deposits	138,912	187,246	605,379	353,338
	3,189,985	5,743,365	12,908,859	13,026,978

Other than the above, certain banking facilities are secured by a charge over the shares of Juntion Development and subsidiaries, including Jasmine, Everbay, Silver Oak and Join Dragon, at December 31, 2007, 2008 and June 30, 2009. The directors of the Company represented to us that the shares charged will be released on or immediately after the [●].

39. LEASE ARRANGEMENTS

The Group as a lessor

Contingent rental for certain properties was determined by a certain percentage of turnover earned by the tenants. The contingent rental income recognised during the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008 and 2009 amounting to approximately RMB4,128,000, RMB9,081,000, RMB12,454,000 and RMB6,227,000 and RMB16,929,000 respectively. The properties held by the Group for rental purpose have committed tenants from one to twenty years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	83,335	115,656	131,810	147,200
In the second to fifth year inclusive	287,605	395,377	335,920	323,887
After five years	733,947	771,543	539,744	382,397
	1,104,887	1,282,576	1,007,474	853,484

The Group as a lessee

At the end of the reporting period, the Group had future minimum lease payments under non-cancelable operating leases in respect of leased properties are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	997	8,200	15,394	13,476
In the second to fifth year inclusive	1,885	14,128	23,870	13,560
After five years	125	—	—	—
	3,007	22,328	39,264	27,036

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of one to five years and rentals are fixed at the date of signing of lease agreements.

40. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for but not provided for in the Financial Information:				
- Expenditure in respect of properties under development	2,140,525	1,981,307	5,170,495	4,415,027
- Expenditure in respect of acquisition of a subsidiary	146,370	—	—	—
- Expenditure in respect of acquisition of land use rights	185,522	4,183,044	3,231,372	2,624,109
	2,472,417	6,164,351	8,401,867	7,039,136

41. CONTINGENT LIABILITIES

The Group provided guarantees amounting approximately RMB686,151,000, RMB1,609,322,000, RMB2,204,667,000 and RMB1,846,988,000 as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively in respect of mortgage bank loans granted to purchasers of the Group's developed properties. In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at December 31, 2006, 2007, 2008 and June 30, 2009.

As at June 30, 2009, the Group issued financial guarantees to banks in respect of loans granted to a related party. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirely amounted to RMB100,000,000.

The amounts of the outstanding guarantees at the end of the reporting period are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Mortgage guarantees	686,151	1,609,322	2,204,667	1,846,988
Bank loan guarantees	—	—	—	100,000
	686,151	1,609,322	2,204,667	1,946,988

42. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share award/share option scheme

a. Pre-[●] share award scheme

The Company’s Pre-[●] share award scheme (the “Share Award Scheme”) was adopted pursuant to a resolution passed on November 30, 2007. Under the Share Award Scheme, the Company has awarded the Company’s shares (the “Awarded Shares”) to directors of the Company and certain employees of the Group. The objective of the Share Award Scheme is to align the interests of the employees with those of the Company, to share the pride of ownership among employees and to reward their performance and contribution to the Group.

Under the Share Award Scheme, the total number of shares in respect of which Awarded Shares had been granted on November 30, 2007 and remained outstanding was 64,014,000 as at December 31, 2007, 2008 and June 30, 2009, representing 1.6% of the shares of the Company following the completion of the Reorganisation of the Group. The Awarded Shares, subject to a vesting period, are being held by the [trust of the ultimate shareholders]. The vesting period is either four or five years during which the award shares granted to employee will vest on each anniversary of the first vesting date in equal portions. The first vesting date is January 1, 2009.

The weighted average fair value of the shares granted under the Share Award Scheme during the year ended December 31, 2007 was RMB116,050,000, which was granted on November 30, 2007 and was determined using a mix of asset-based and market approach with option-based pricing model is adopted to account for the vesting condition. The significant inputs into the model were estimated fair value of shares at the grant date, expected dividend pay out rate, annual risk-free rate and volatility rate. The volatility is measured based on past years historical price volatility of similar companies listed on the Stock Exchange of Hong Kong Limited.

The Group recognised an expense of RMB4,000,000 and RMB47,626,000, RMB23,813,000 and RMB12,162,000 for the year ended December 31, 2007, 2008 and the six months ended June 30, 2008 and 2009 respectively in relation to shares awarded by the Company. [The shares awarded by the Company will be settled with the existing shares held by the trust of the ultimate shareholders. Accordingly, the respective amounts were credited to capital contribution reserve.]

b. **Pre-[●] share option scheme**

The Company's Pre-[●] share option scheme (the "Scheme") was adopted pursuant to a resolution passed on November 30, 2007 for the primary purpose of providing incentives to directors and eligible employees of the Group, and options can only be offered and granted from November 30, 2007 until the business date before the date on which dealings in the Company's share first commence on the Stock Exchange of Hong Kong Limited ("[●]"). Under the Scheme, the directors of the Company and its subsidiaries were granted options to subscribe for shares in the Company. The term of the Scheme is 10 years from the date of adoption.

[On November 30, 2007, 37,940,000 shares of option was granted.] The number of shares in respect of which options had been granted and remained outstanding under the Scheme as at December 31, 2007, 2008 and June 30, 2009 was 37,940,000, representing 0.95% of the shares of the Company following completion of the Reorganisation of the Group.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of the Company shall not exceed 10% of the aggregate of the shares of the Company in issue at the [●].

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other share option scheme of the Company must not exceed 30% of the shares in issue from time to time.

The vesting period of the share options is as follows:

25%: from the date of grant to January 1, 2009
25%: from the date of grant to January 1, 2010
25%: from the date of grant to January 1, 2011
25%: from the date of grant to January 1, 2012

The fair values of the share options were calculated using the binominal model. The inputs into the model were as follows:

Date of grant	November 30, 2007
Estimated share price at the date of grant	RMB1.97
Exercise price (amended to HK$2.94 effective from January 1, 2009)	HK$2.94
Expected volatility	55%
Expected life (year)	10 year with different vesting periods

Risk-free rate	3.2%
Expected dividend yield	Nil
Range of fair value	Range of RMB0.817 to RMB0.83 at initial Recognition (amended to range of RMB1.074 to RMB1.120 as a result of amendment of exercise price of January 1, 2009

Expected volatility was determined by using the historical volatility of the similar listed companies' share prices over the previous one year.

The Group recognised the total expense of RMB1,000,000, RMB12,513,000, RMB6,257,000 and RMB3,338,000 for the year ended December 31, 2007, 2008 and the six months ended June 30, 2008, 2009 respectively in relation to share options granted by the Company.

43. RELATED PARTY TRANSACTIONS

Apart from the balances with related parties set out in the statement of financial position, notes 25, 28 and 31, during the Relevant Periods, the Group entered into the following significant transactions with its related parties:

(a) Jointly controlled entity

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Longhu Land					
Consultancy fee income	542	6,800	5,370	—	—
Property management income	—	—	3,077	2,209	922
Sales	—	—	1,889	—	—
Interest income	—	9,642	—	—	—
Chengdu Xixi					
Sales	—	—	2	—	—
Chengdu Xixiang					
Sales	—	—	4,815	—	—
Property management income	—	—	128	—	—
Chengdu Huixin					
Property management income	—	—	—	—	119
Shanghai Hengrui					
Sales	—	—	—	—	5,670
Property management income	—	—	21	—	986

(b) **Associate**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Ar Ke Er					
Purchases of property, plant and equipment	—	26	101	—	—

(c) **Minority shareholder of a subsidiary**

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
[Beijing Eastern Garden]					
Purchases of inventories	—	2,087	—	—	—
Xi'an Li Feng Property Service Company Limited 西安立豐物業管理有限公司					
Consultancy fee expense	—	—	2,000	—	—
Fantastic					
Shareholder's loan interest	—	—	539	—	—

(d) During the year ended December 31, 2007, the Group acquired additional interest and made additional capital injection in a subsidiary which the minority shareholder is the close family member of a director of the Company. Details of which are disclosed in note 6. Discount on the acquisition of additional interest in a subsidiary amounted to approximately RMB41,017,000.

(e) Amount due from a minority shareholder of a subsidiary of Chongqing Longhu Yiheng as at December 31, 2008 is unsecured, interest-free and repayable based on the progress of development and sale of a property project.

(f) The remuneration paid and payable to the key management of the Company who are also the directors of the Company for the Relevant Periods is set out in note 10.

(g) On June 30, 2009, the Group issued a financial guarantee of HK$100,000,000 to a bank in respect of loans granted to a related party, Dujiangyan Qingcheng Co., of which two directors are common to the Company and have beneficial interest. The directors of the Company represented that the guarantee will be fully released upon the [●].

The directors of the Company confirmed that the above transactions with related parties except for (d) and (g) were expected to continue after the [●].

44. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group and the Company consists of net debt, which includes, where appropriate, the borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

45. FINANCIAL INSTRUMENTS

a. Significant accounting policies

Details of the significant accounting policies adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

b. Categories of financial instruments

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Held for trading	1,148	—	—	—
Available-for-sale investments	8,820	8,600	8,600	8,600
Loans and receivables (including cash and cash equivalents)	1,308,863	2,921,611	4,710,648	6,700,783
Financial liabilities				
Amortised cost	4,247,778	10,017,149	15,825,357	15,476,716

c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related parties, pledged bank deposits, bank balances and cash, trade, bills and other payables, and bank and other borrowings. Details of these financial instruments are set out in respective notes. The Company did not have material financial assets and financial liabilities as at December 31, 2008 and June 30, 2009. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

d. **Market risk**

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates and other prices (see below).

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank and other borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People's Bank of China or Hong Kong Interbank Offer Rate plus a premium, respectively.

The Group's fair value interest rate risk relates primarily to its fixed rate investment in a trust fund, amounts due from one of the jointly controlled entities, pledged bank deposits and bank and other borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (bank balances and bank and other borrowings) at the dates of each reporting period end and the stipulated change taking place at the beginning of the financial year/period and held constant throughout the year/period in the case of instruments that have floating rates. A 200 basis point increase or decrease for bank and other borrowings and a 100 basis point increase or decrease for bank deposits are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible change in interest rate in respect of bank and other borrowings and bank deposits respectively.

At the end of the reporting period, if interest rates had been increased/decreased by 200 basis points in respect of bank and other borrowings and all other variables were held constant, the Group's profit would decrease/increase by approximately nil, RMB6,524,000, RMB14,225,000 and RMB18,734,000 for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, respectively.

In addition, if interest rate had been increase/decrease of 100 basis points in respect of bank deposits, with all other variables held constant, the Group's profit would increase/decrease by approximately RMB5,468,000, RMB17,532,000, RMB24,216,000 and RMB44,396,000 for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, respectively.

Foreign currency risk management

The Group collects all of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective date of the reporting period end are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
USD	173	42,687	98,719	66,194
HKD	16,026	467,239	245,900	111,653

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
USD	—	19,306	—	—
HKD	21,804	853,647	2,036,791	1,169,990

Foreign currency sensitivity analysis

The Group mainly exposes to foreign exchange fluctuation of the currency of United States ("USD") and the currency of Hong Kong ("HKD") against RMB.

The following table details of the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 5% change in foreign currency rates. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes bank borrowings as well as bank balances denominated in foreign currencies. A positive/(negative) number indicates an increase/(decrease) in profit for the year/period where the RMB strengthens against the relevant currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year/period.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
USD				
Profit for the year/period	(9)	(1,169)	(4,936)	(3,310)
HKD				
Profit for the year/period	289	19,320	89,545	52,917

Other price risks

The Group is exposed to equity price risks through its investments held for trading and available-for-sale investments. The management considers that the Group's exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

e. **Credit risk management**

At each of the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 41. In order to minimise the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables and amounts due from related parties at each of the end of the reporting period. The amounts presented in the consolidated statement of financial positions are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, amount due from a minority shareholder, amount due from related parties and amounts due from certain jointly controlled entities, the Group has no significant concentration of credit risk, in which exposure is spread over a number of counterparties and customers.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resales the reprocessed properties. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

f. **Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	Carrying amount at December 31, 2006	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-interest bearing		1,148,418	977,675	92,738	39,766	20,224	17,835	180	1,148,418
Fixed interest rate instruments	6.10%	1,472,260	—	255,019	262,112	1,178,101	—	—	1,695,232
Variable interest rate instruments	6.18%	1,627,100	—	—	154,032	1,632,115	—	—	1,786,147

	Weighted average interest rate	Carrying amount at December 31, 2007	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-interest bearing		2,088,699	1,718,716	320,206	37,468	10,372	1,876	62	2,088,700
Fixed interest rate instruments	6.57%	797,760	—	93,176	548,907	12,340	212,340	—	866,763
Variable interest rate instruments	5.82%	7,130,690	106,806	344,829	2,420,761	4,009,303	1,190,254	—	8,071,953

	Weighted average interest rate	Carrying amount at December 31, 2008	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-interest bearing		2,985,606	1,755,460	458,120	470,500	301,526	—	—	2,985,606
Fixed interest rate instruments	6.95%	279,000	—	285,379	—	—	—	—	285,379
Variable interest rate instruments	6.87%	12,560,751	2,258,013	1,188,287	2,935,725	5,647,085	1,452,890	—	13,482,000

	Weighted average interest rate	Carrying amount at June 30, 2009	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-interest bearing		2,998,716	1,085,979	625,026	1,050,061	237,521	129	—	2,998,716
Fixed interest rate instruments	6.54%	1,484,194	699	1,398	80,088	20,000	—	2,041,194	2,143,379
Variable interest rate instruments	6.15%	10,993,806	1,528,442	2,866,750	3,530,340	2,177,102	1,541,934	—	11,644,568

The amounts due to subsidiaries are repayable on demand at each reporting end date.

g. **Fair value**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and
- the fair value of financial guarantee contracts on initial recognition is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Except for the bond with fair value disclosed in note 29, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of financial positions approximate their respective fair values at the end of each reporting period.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration excluding bonus payable, if any, of the Company's directors for the year ending December 31, 2009 will be approximately RMB20.4 million.

C. SUBSEQUENT EVENTS

The following events took place subsequent to June 30, 2009:

1. Pursuant to a resolution passed on July 31, 2009, the Company has adopted an additional Pre-IPO share award scheme (the "New Share Award Scheme"). Under the New Share Award Scheme, the Company has awarded the Company's shares (the "Awarded Shares") to directors of the Company and certain employees of the Group. The objective of the New Share Award Scheme is to align the interests of the employees with those of the Company, to share the pride of ownership among employees and to reward their performance and contribution to the Group.

2. On September 18, 2009, the Group has entered into a sale and purchase agreement with 金融街(北京)置業有限公司, an independent third party, in connection with the acquisition of the entire interest in Beijing Mengke Properties Co., Ltd. at a consideration of [RMB460,000,000].

   The consideration was negotiated among the parties with reference to the market price of the properties nearby. The major asset of Beijing Mengke Properties Co., Ltd. is a piece of land named 北京市順義區後沙峪西白辛莊榆陽路5號. Up to October 20, 2009, the Group has settled 90% of the consideration. As of the date of this report, the acquisition has not been completed.

3. On October 15, 2009, the Group entered into a supplemental agreement with the two joint venture partners of four jointly controlled entities of the Group. Pursuant to such supplemental agreement, condition upon [●] and [●], the Group will acquire from the two joint venture partners a total of 44.4444% interest in the jointly controlled entitles a consideration to be determined based on the pre-determined formula. [The consideration was determined according to an agreed internal rate of return based on their proportionate actual capital contributions from the time of their investments in the joint venture to the date of completion of the acquisition.]

4. On October 2, 2009, the Company declared dividend of HK$100,000,000, which are conditional upon the Listing, to the existing shareholders of the Company.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to June 30, 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong