

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants to the Company.



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12 November 2009

The Directors
Fantasia Holdings Group Co., Limited
CITIC Securities Corporate Finance (HK) Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Fantasia Holdings Group Co., Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 12 November 2009 (the “Prospectus”).

The Company was incorporated in the Cayman Islands on 17 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company and has not carried on any other business since its incorporation. Through a group reorganisation (the “Group Reorganisation”), as more fully explained in the paragraph headed The Reorganisation in Appendix VIII to the Prospectus, the Company became the holding company of the Group on 6 December 2007.

As at the date of this report, the Company has the following indirectly held, unless otherwise stated, subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group					Principal activities	Legal form
			as at 31 December			30 June 2009	Date of this report		
			2006	2007	2008				
Winning Sky International Limited ("Winning Sky")	The British Virgin Islands ("The BVI") 8 March 2006	US\$100	100%	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding	Private limited liability
Fantastic Victory Limited ("Fantastic Victory")	The BVI 3 September 2007	US\$100	N/A	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding	Private limited liability
Wisdom Regal Limited ("Wisdom Regal")	The BVI 3 September 2007	US\$100	N/A	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding	Private limited liability
Ace Link Pacific Limited ("Ace Link Pacific")	The BVI 3 September 2007	US\$100	N/A	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding	Private limited liability
香港花樣年投資控股集團有限公司 Fantasia Investment Holdings Company Limited ("Fantasia Investment")	Hong Kong 19 February 2001	HK\$10,000	100%	100%	100%	100%	100%	Investment holding	Private limited liability
置富發展中國有限公司 Chi Fu Development China Limited ("Chi Fu Development")	Hong Kong 15 September 2000	HK\$10,000	100%	100%	N/A ⁽¹⁾	N/A	N/A	Investment holding	Private limited liability

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group					Principal activities	Legal form
			as at 31 December			30 June 2009	Date of this report		
			2006	2007	2008				
雅浩發展有限公司 Enco Development Limited ("Enco Development")	Hong Kong 21 November 1995	HK\$10	100%	100%	N/A ⁽¹⁾	N/A	N/A	Investment holding	Private limited liability
悅泰投資有限公司 Joytime Investment Limited ("Joytime")	Hong Kong 6 November 2007	HK\$10,000	N/A	N/A	100%	100%	100%	Investment holding	Private limited liability
金展集團有限公司 Gold Genius Holdings limited ("Gold Genius")	Hong Kong 8 November 2007	HK\$10,000	N/A	N/A	100%	100%	100%	Investment holding	Private limited liability
花樣年集團(中國)有限公司 Fantasia Group (China) Company Limited* ("Fantasia Group (China)")	The People's Republic of China ("The PRC") 20 January 2006	RMB408,843,500	100%	100%	100%	100%	100%	Investment holding	Limited liability company
天津松江花樣年置業有限公司 Tianjin Songjiang Fantasia Real Estate Company Limited* ("Tianjin Songjiang Fantasia")	The PRC 29 May 2006	RMB50,000,000	60%	60%	60%	60%	60%	Property development	Limited liability company
深圳市花樣年投資發展有限公司 Shenzhen Fantasia Investment Development Company Limited* ("Shenzhen Fantasia Investment")	The PRC 28 September 1996	RMB100,000,000	52%	52%	52%	52%	52%	Investment holding, property development and investment	Limited liability company
深圳市星彥地產顧問有限公司 Shenzhen Xingyan Property Consultancy Company Limited* ("Shenzhen Xingyan")	The PRC 21 February 2000	RMB3,000,000	85%	85%	85%	85%	85%	Provision of property agency services	Limited liability company
東莞市星彥地產顧問有限公司 Dongguan Xingyan Property Consultancy Company Limited* ("Dongguan Xingyan")	The PRC 18 December 2006	RMB500,000	85%	85%	85%	85%	85%	Provision of property agency services	Limited liability company
惠州市星彥地產顧問有限公司 Huizhou Xingyan Property Consultancy Company Limited* ("Huizhou Xingyan")	The PRC 2 November 2006	RMB500,000	85%	85%	85%	85%	85%	Provision of property agency services	Limited liability company
天津市星彥地產顧問有限公司 Tianjin Xingyan Property Consultancy Company Limited* ("Tianjin Xingyan")	The PRC 3 January 2008	RMB1,000,000	N/A	N/A	85%	85%	N/A ⁽⁴⁾	Provision of property agency services	Limited liability company
深圳市花樣年彩生活科技有限公司 Shenzhen Fantasia Colour Life Technology Company Limited* ("Shenzhen Fantasia Colour")	The PRC 25 August 2006	RMB10,000,000	100%	70%	70%	70%	70%	Investment holding	Limited liability company
惠州大亞灣花萬里實業有限公司 Huizhou Daya Bay Huawanli Industry Company Limited* ("Huizhou Daya Bay")	The PRC 8 June 2007	RMB51,000,000	N/A	51%	100%	100%	100%	Property development and investment	Limited liability company
天津市花樣年投資有限公司 Tianjin Fantasia Investment Company Limited* ("Tianjin Fantasia")	The PRC 12 June 2006	RMB100,000,000	100%	100%	100%	100%	100%	Property development	Limited liability company
成都通和置業有限公司 Chengdu Tonghe Real Estate Company Limited* ("Chengdu Tonghe Investment")	The PRC 18 October 2001	RMB75,610,000	100%	99.49%	100%	100%	100%	Property development	Limited liability company
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Development Company Limited* ("Shenzhen Huaqianli")	The PRC 28 August 2006	RMB660,339,487	30% ⁽²⁾	100%	100%	100%	100%	Investment holding	Limited liability company

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			as at 31 December			30 June 2009	Date of this report		
			2006	2007	2008				
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Development Company Limited* ("Shenzhen Zhifu")	The PRC 1 July 1994	RMB418,843,500	100%	100%	100%	100%	100%	Property development and investment	Limited liability company
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited* ("Shenzhen Hongwei")	The PRC 25 May 1994	RMB10,000,000	60%	60%	100%	100%	100%	Provision of interior design services	Limited liability company
深圳市花樣年物業管理有限公司 Shenzhen Fantasia Property Management Company Limited* ("Shenzhen Fantasia Management")	The PRC 11 December 2000	RMB5,000,000	100%	70%	70%	70%	70%	Provision of property operation services	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Company Limited* ("Shenzhen Colour Life Network")	The PRC 12 June 2007	RMB10,000,000	N/A	70%	70%	70%	70%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited* ("Shenzhen Kaiyuan")	The PRC 15 November 2001	RMB5,000,000	100%	70%	70%	70%	70%	Provision of security system design, installation and maintenance services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Company Limited* ("Shenzhen Liantang")	The PRC 16 November 1999	RMB3,000,000	N/A	N/A	70%	70%	70%	Provision of property operation services	Limited liability company
花樣年實業發展(成都)有限公司 Fantasia (Chengdu) Development Company Limited* ("Fantasia Chengdu Development")	The PRC 4 July 2001	RMB50,000,000	58.8%	58.8%	58.8%	58.8%	58.8%	Property development and investment	Limited liability company
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Development Company Limited* ("Fantasia Chengdu Ecological")	The PRC 7 September 2006	RMB666,214,100	100%	99.99%	100%	100%	100%	Property development	Limited liability company
成都花萬里置業有限公司 Chengdu Huawanli Real Estate Company Limited* ("Chengdu Huawanli")	The PRC 25 October 2005	RMB100,000,000	100%	99.62%	100%	100%	100%	Property development	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Company Limited* ("Chengdu Huaqianli")	The PRC 6 November 2006	RMB704,680,000	89.5%	99.49%	100%	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Company Limited* ("Chengdu Huabaili")	The PRC 22 May 2003	RMB30,000,000	100%	99.49%	100%	100%	100%	Property development	Limited liability company
東莞市花樣年房地產投資有限公司 Dongguan Fantasia Real Estate Investment Company Limited* ("Dongguan Fantasia")	The PRC 4 December 2006	RMB30,000,000	30%(2)	100%	100%	100%	100%	Property development	Limited liability company
雅浩科技發展(深圳)有限公司 Yahao Technology Development (Shenzhen) Company Limited* ("Shenzhen Yahao")	The PRC 25 August 2005	HKD1,000,000	100%	100%	100%	100%	100%	Investment holding	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited* ("Shenzhen Kangnian")	The PRC 9 February 2007	RMB87,250,000	N/A	76%	100%	100%	100%	Property development and investment	Limited liability company

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group					Principal activities	Legal form
			as at 31 December			30 June 2009	Date of this report		
			2006	2007	2008				
四川西美投資有限公司 Sichuan Ximei Investment Company Limited* ("Sichuan Ximei")	The PRC 7 June 2004	RMB500,000,000	N/A	66.36%	100%	100%	100%	Property development	Limited liability company
天津福大房地產銷售有限公司 Tianjin Fuda Real Estate Development Company Limited* ("Tianjin Fuda")	The PRC 18 October 2004	RMB45,000,000	N/A	100%	100%	100%	100%	Property development	Limited liability company
宜興市江南水鄉度假村有限公司 Yixing Jiangnan Shuixiang Tourism Resort Company Limited* ("Yixing Jiangnan Shuixiang")	The PRC 19 April 2005	RMB28,000,000	N/A	60%	60%	60%	60%	Property development	Limited liability company
深圳市星彥行置業有限公司 Shenzhen Xingyanhang Property Company Limited* ("Shenzhen Xingyanhang")	The PRC 23 April 2007	RMB4,000,000	N/A	72.25%	72.25%	72.25%	72.25%	Provision of agency services	Limited liability company
成都新津友幫房地產開發有限責任公司 Chengdu Xinjin Youbang Real Estate Development Company Limited* ("Chengdu Xinjin Youbang")	The PRC 9 May 2004	RMB85,000,000	N/A	94.52%	100%	100%	100%	Property development	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Company Limited* ("Chengdu Wangcong")	The PRC 6 August 2008	RMB10,000,000	N/A	N/A	100%	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Development Limited* ("Chengdu Jiurong")	The PRC 22 August 2007	RMB68,600,000	N/A	N/A	100%	100%	100%	Property development	Limited liability company
深圳市花朵同路廣告有限公司 Shenzhen Flower Advertisement Company Limited* ("Shenzhen Flower")	The PRC 30 October 2002	RMB1,000,000	41.60% ⁽³⁾	N/A ⁽¹⁾	N/A	N/A	N/A	Provision of advertising services	Limited liability company
深圳市富年置業有限公司 Shenzhen Funian Property Real Estate Company Limited* ("Shenzhen Funian")	The PRC 28 August 2006	RMB10,000,000	70%	N/A ⁽¹⁾	N/A	N/A	N/A	Investment holding	Limited liability company
深圳市天藍投資有限公司 Shenzhen Tianlan Investment Company Limited* ("Shenzhen Tianlan")	The PRC 25 August 2006	RMB10,000,000	70%	N/A ⁽¹⁾	N/A	N/A	N/A	Investment holding	Limited liability company
惠東縣大亞灣三角洲島俱樂部有限公司 Huidong Dayawan San Jiao Zhou Recreation Company limited* ("San Jiao Zhou")	The PRC 20 March 1998	RMB10,000,000	90%	N/A ⁽¹⁾	N/A	N/A	N/A	Provision of tourism and entertainment services	Limited liability company
蒲江縣大溪谷生態旅遊經營管理有限公司 Pujiang Daxigu Ecological Tourism Development Company Limited* ("Pujiang Daxigu")	The PRC 22 November 2007	RMB1,000,000	N/A	99.99%	N/A ⁽¹⁾	N/A	N/A	Property development	Limited liability company
深圳花樣年商業管理有限公司 Shenzhen Fantasia Business Management Company Limited* ("Shenzhen Business Management")	The PRC 3 June 2009	RMB100,000,000	N/A	N/A	N/A	100%	100%	Property operation services	Limited liability company
深圳市花樣年酒店管理有限公司 Shenzhen Fantasia Hotel Management Company Limited* ("Shenzhen Fantasia Hotel Management")	The PRC 3 June 2009	RMB50,000,000	N/A	N/A	N/A	100%	100%	Hotel services	Limited liability company

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group					Principal activities	Legal form
			as at 31 December			30 June 2009	Date of this report		
			2006	2007	2008				
深圳市彩悦酒店管理有限公司 Shenzhen Caiyue Hotel Management Company Limited* ("Shenzhen Caiyue Hotel Management")	The PRC 20 August 2008	RMB100,000	N/A	N/A	70%	70%	70%	Hotel services	Limited liability company
深圳市彩悦酒店有限公司 Shenzhen Caiyue Hotel Company Limited* (Shenzhen Caiyue Hotel)	The PRC 15 January 2009	RMB100,000	N/A	N/A	N/A	70%	70%	Hotel services	Limited liability company
Precise Idea Limited ("Precise Idea")	The BVI 17 June 2009	US\$1	N/A	N/A	N/A	N/A	100%	Investment holding	Private limited liability
Talent Bright International Limited ("Talent Bright")	The BVI 17 June 2009	US\$1	N/A	N/A	N/A	N/A	100%	Investment holding	Private limited liability
花樣年酒店管理(國際)有限公司 Fantasia Hotel Management (International) Company Limited ("Fantasia Hotel Management International")	Hong Kong 15 July 2009	HK\$1	N/A	N/A	N/A	N/A	100%	Investment holding	Private limited liability
花樣年物業管理(國際)有限公司 Fantasia Property Management (International) Company Limited ("Fantasia Property Management International")	Hong Kong 15 July 2009	HK\$1	N/A	N/A	N/A	N/A	100%	Investment holding	Private limited liability
寧夏回族自治區新聖基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited* ("Xingshengji Construction")	The PRC 22 July 2009	RMB20,000,000	N/A	N/A	N/A	N/A	100%	Provision of construction services	Company limited liability
深圳市滙恒置業有限公司 Shenzhen Huiheng Property Company Limited* ("Shenzhen Huiheng")	The PRC 20 April 2006	RMB10,000,000	N/A	N/A	N/A	N/A	100%	Property development	Limited liability company
香港康年貿易有限公司 Hong Kong Kangnian Trading Company Limited ("HK Kangnian")	Hong Kong 24 September 2009	US\$500,000	N/A	N/A	N/A	N/A	100%	Investment holding	Private limited liability
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Company Limited*	The PRC 14 August 2009	RMB1,200,000	N/A	N/A	N/A	N/A	100%	Property development	Limited liability company

* The English name is for identification purpose only.

(1) These companies had been disposed of during the Relevant Periods.

(2) These associates became subsidiaries in 2007. Details are set out in note 40 (a).

(3) This company was subsidiary since it was controlled by Shenzhen Fantasia Investment, a 52% owned subsidiary of the Company, before the disposal by the Group in 2007.

(4) This company was deregistered on 24 August 2009.

The financial year end of the Company and its subsidiaries is 31 December. No statutory audited financial statements have been prepared for the Company, Fantastic Victory, Wisdom Regal and Ace Link Pacific since their respective dates of incorporation as there are no statutory requirements for these entities to prepare audited financial statements.

No statutory audited financial statements have been prepared for Shenzhen Flower, Shenzhen Funian, Shenzhen Tianlan, San Jiao Zhou, Dongguan Xingyan, Huizhou Xingyan, Tianjin Xingyan and Pujiang Daxigu as they were domestic enterprises established in the PRC and not subject to the statutory audit requirement. Audited financial statements of Winning Sky, Fantasia Group (China), Tianjin Songjiang Fantasia, Shenzhen Fantasia Investment, Shenzhen Xingyan, Shenzhen Fantasia Colour, Tianjin Fantasia, Chengdu Tonghe Investment, Shenzhen Huaqianli, Shenzhen Zhifu, Shenzhen Fantasia Management, Shenzhen Kaiyuan, Fantasia Chengdu Development, Fantasia Chengdu Ecological, Chengdu Huawanli, Chengdu Huaqianli, Chengdu Huabaili, Dongguan Fantasia and Shenzhen Yahao for the year ended 31 December 2006, or since their respective dates of incorporation or establishment to 31 December 2006, where this is a shorter period, in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") are prepared for management purposes.

The statutory financial statements of the following Company's subsidiaries for the Relevant Periods, or since their respective dates of establishment or incorporation, where there is a shorter period, were prepared in accordance with HKFRS or relevant accounting principles and financial regulations in the PRC and were audited by the following certified public accountants in Hong Kong or the PRC:

Name of company	Financial year	Name of auditors
Fantasia Investment	Year ended 31 December 2006	Dave Kwok & Co., Certified Public Accountants
	Years ended 31 December 2007 and 2008	Deloitte Touche Tohmatsu
Chi Fu Development	Year ended 31 December 2006	David MK Yeung & Company, Certified Public Accountants
	Years ended 31 December 2007 and 2008	Deloitte Touche Tohmatsu
Enco Development	Year ended 31 December 2006	Dave Kwok & Co., Certified Public Accountants
	Years ended 31 December 2007 and 2008	Deloitte Touche Tohmatsu
Joytime Investment Limited	For the period from 6 November 2007 (date of incorporation) to 31 December 2008	Deloitte Touche Tohmatsu
Gold Genius Holdings Limited	For the period from 8 November 2007 (date of incorporation) to 31 December 2008	Deloitte Touche Tohmatsu
Fantasia Group (China)	For the period from 20 January 2006 (date of establishment) to 31 December 2006	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
	Years ended 31 December 2007 and 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Tianjin Songjiang Fantasia	For the period from 29 May 2006 (date of establishment) to 31 December 2006	天津市興業有限責任會計師事務所 (Tianjin Xingye Certified Public Accountants Company Limited*)
	Years ended 31 December 2007 and 2008	天津市興業有限責任會計師事務所 (Tianjin Xingye Certified Public Accountants Company Limited*)

Name of company	Financial year	Name of auditors
Shenzhen Fantasia Investment	Years ended 31 December 2006, 2007 and 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Shenzhen Xingyan	Years ended 31 December 2006, 2007 and 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Shenzhen Fantasia Colour	For the period from 25 August 2006 (date of establishment) to 31 December 2006 Year ended 31 December 2007 Year ended 31 December 2008	深圳中瑞華正會計師事務所 (Shenzhen Zhongrui Huazheng Certified Public Accountants*) 深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*) 深圳中瑞華正會計師事務所 (Shenzhen Zhongrui Huazheng Certified Public Accountants*)
Huizhou Daya Bay	For the period from 8 June 2007 (date of establishment) to 31 December 2007 Year ended 31 December 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*) 深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Tianjin Fantasia	For the period from 12 June 2006 (date of establishment) to 31 December 2006 Years ended 31 December 2007 and 2008	天津市興業有限責任會計師事務所 (Tianjin Xingye Certified Public Accountants Company Limited*) 天津市興業有限責任會計師事務所 (Tianjin Xingye Certified Public Accountants Company Limited*)
Chengdu Tonghe Investment	Years ended 31 December 2006 and 2007 Year ended 31 December 2008	四川永立會計師事務所有限責任公司 (Sichuan Yongli Certified Public Accountants Company Limited*) 四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Shenzhen Huaqianli	For the period from 28 August 2006 (date of establishment) to 31 December 2006 Years ended 31 December 2007 and 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*) 深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Shenzhen Zhifu	Year ended 31 December 2006 Year ended 31 December 2007 Year ended 31 December 2008	深圳恒平會計師事務所 (Shenzhen Hengping Certified Public Accountants*) 深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*) 深圳民生會計師事務所 (Shenzhen Minsheng Certified Public Accountants*)
Shenzhen Hongwei	Year ended 31 December 2006, 2007 and 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Shenzhen Fantasia Management	Year ended 31 December 2006	深圳中瑞華正會計師事務所 (Shenzhen Zhongrui Huazheng Certified Public Accountants*)

<u>Name of company</u>	<u>Financial year</u>	<u>Name of auditors</u>
Shenzhen Colour Life Network	Year ended 31 December 2007	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
	Year ended 31 December 2008	深圳中瑞華正會計師事務所 (Shenzhen Zhongrui Huazheng Certified Public Accountants*)
	For the period from 12 June 2007 (date of establishment) to 31 December 2007	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
	Year ended 31 December 2008	深圳星源會計師事務所 (Shenzhen Xingyuan Certified Public Accountants*)
Shenzhen Kaiyuan	Year ended 31 December 2006	深圳星源會計師事務所 (Shenzhen Xingyuan Certified Public Accountants*)
	Year ended 31 December 2007	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
	Year ended 31 December 2008	深圳星源會計師事務所 (Shenzhen Xingyuan Certified Public Accountants*)
Shenzhen Liantang	Year ended 31 December 2008	深圳星源會計師事務所 (Shenzhen Xingyuan Certified Public Accountants*)
Fantasia Chengdu Development	Year ended 31 December 2006	四川振華會計師事務所有限責任公司 (Sichuan Zhenhua Certified Public Accountants Company Limited*)
	Year ended 31 December 2007	四川永立會計師事務所有限責任公司 (Sichuan Yongli Certified Public Accountants Company Limited*)
	Year ended 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Fantasia Chengdu Ecological	For the period from 7 September 2006 (date of establishment) to 31 December 2006	四川振華會計師事務所有限責任公司 (Sichuan Zhenhua Certified Public Accountants Company Limited*)
	Year ended 31 December 2007	四川衡立泰會計師事務所有限公司 (Sichuan Henglitai Certified Public Accountants Company Limited*)
	Year ended 31 December 2008	四川振華會計師事務所有限責任公司 (Sichuan Zhenhua Certified Public Accountants Company Limited*)
Chengdu Huawanli	Years ended 31 December 2006 and 2007	四川永立會計師事務所有限責任公司 (Sichuan Yongli Certified Public Accountants Company Limited*)
	Year ended 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)

<u>Name of company</u>	<u>Financial year</u>	<u>Name of auditors</u>
Chengdu Huaqianli	For the period from 6 November 2006 (date of establishment) to 31 December 2006	四川永立會計師事務所有限責任公司 (Sichuan Yongli Certified Public Accountants Company Limited*)
	Year ended 31 December 2007	四川永立會計師事務所有限責任公司 (Sichuan Yongli Certified Public Accountants Company Limited*)
	Year ended 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Chengdu Huabaili	Year ended 31 December 2006	四川永道合會計師事務所有限責任公司 (Sichuan Yongdaohe Certified Public Accountants Company Limited*)
	Year ended 31 December 2007	四川永立會計師事務所有限責任公司 (Sichuan Yongli Certified Public Accountants Company Limited*)
	Year ended 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Dongguan Fantasia	For the period from 4 December 2006 (date of establishment) to 31 December 2006	深圳財智會計師事務所 (Shenzhen Caizhi Certified Public Accountants*)
	Year ended 31 December 2007	東莞市信成會計師事務所 (Dongguan Xincheng Certified Public Accountants*)
	Year ended 31 December 2008	開元信德會計師事務所有限公司深圳分所 (Carea Schinda Certified Public Accountants Co., Ltd. Shenzhen Branch*)
Shenzhen Yahao	Year ended 31 December 2006	深圳財智會計師事務所 (Shenzhen Caizhi Certified Public Accountants*)
	Years ended 31 December 2007 and 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Shenzhen Kangnian	For the period from 9 February 2007 (date of establishment) to 31 December 2007	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
	Year ended 31 December 2008	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
Sichuan Ximei	Year ended 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Tianjin Fuda	Years ended 31 December 2007 and 2008	天津市興業有限責任會計師事務所 (Tianjin Xingye Certified Public Accountants Company Limited*)

<u>Name of company</u>	<u>Financial year</u>	<u>Name of auditors</u>
Yixing Jiangnan Shuixiang	Year ended 31 December 2007	江蘇天業會計師事務所有限公司無錫分所 (Jiangsu Tianye Certified Public Accountants Company Limited Wuxi Branch*)
	Year ended 31 December 2008	宜興方正會計師事務所有限公司 (Yixing Fangzheng Certified Public Accountants Company Limited*)
Shenzhen Xingyanhang	For the period from 23 April 2007 (date of establishment) to 31 December 2007	深圳平海會計師事務所 (Shenzhen Pinghai Certified Public Accountants*)
	Year ended 31 December 2008	深圳恒兆會計師事務所 (Shenzhen Hengzhao Certified Public Accountants*)
Chengdu Xinjin Youbang	Year ended 31 December 2007	四川永立會計師事務所有限責任公司 (Sichuan Yongli Certified Public Accountants Company Limited*)
	Year ended 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Chengdu Wangcong	For the period from 6 August 2008 (date of establishment) to 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Chengdu Jiurong	For the period from 22 August 2007 (date of establishment) to 31 December 2008	四川維誠會計師事務所有限公司 (Sichuan Weicheng Certified Public Accountants Company Limited*)
Shenzhen Caiyue Hotel Management	For the period from 20 August 2008 (date of establishment) to 31 December 2008	深圳市星源會計師事務所 (Shenzhen Xingyuan Certified Public Accountants*)

* The English name is for identification purpose only

For the purpose of this report, we have undertaken our own independent audit of the consolidated financial statements of the Company (the "Underlying Financial Statements"), which were prepared in accordance with the HKFRS, for the Relevant Periods, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, we have examined the Underlying Financial Statements in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements and in accordance with the basis set out in note 1 to the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

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 Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an 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 to the Financial Information, the Financial Information give, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 and of the Company as at 31 December 2007, 2008 and 30 June 2009 and of the consolidated results and cash flows of the Group for the Relevant Periods.

The comparative consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statement of changes in equity of the Group for the six months ended 30 June 2008 together with the notes thereon have been extracted from the Group's consolidated financial information for the same period (the "30 June 2008 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consisted principally of making enquiries of the Group's management and applying analytical procedures to the 30 June 2008 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2008 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 HKFRS.

A. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	NOTES	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	7	342,339	772,057	1,174,211	334,337	1,342,994
Cost of sales		(187,859)	(549,220)	(704,734)	(235,912)	(786,858)
Gross profit		154,480	222,837	469,477	98,425	556,136
Other income, gains and losses	8	145,313	2,726	59,034	49,097	7,601
Gain (loss) on fair value changes of investment properties	16	81,608	86,875	13,807	(23,546)	(10,019)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		—	2,170	302	289	—
Selling and distribution expenses ...		(15,206)	(39,616)	(49,837)	(31,202)	(34,561)
Administrative expenses		(71,353)	(94,458)	(162,677)	(78,232)	(89,899)
Finance costs	9	(8,056)	(12,167)	(69,941)	(49,256)	(15,127)
Impairment loss recognised in respect of goodwill	21	(22,515)	—	(2,305)	—	—
Share of results of associates		(416)	(1,548)	(3,789)	(1,767)	(1,227)
Profit (loss) before taxation	10	263,855	166,819	254,071	(36,192)	412,904
Income tax expense	11	(86,268)	(82,552)	(156,550)	(12,123)	(195,537)
Profit (loss) and total comprehensive income (loss) for the year/period		<u>177,587</u>	<u>84,267</u>	<u>97,521</u>	<u>(48,315)</u>	<u>217,367</u>
Profit (loss) for the year/period attributable to:						
Owners of the Company		91,094	68,797	84,259	(30,910)	235,650
Minority interests		86,493	15,470	13,262	(17,405)	(18,283)
		<u>177,587</u>	<u>84,267</u>	<u>97,521</u>	<u>(48,315)</u>	<u>217,367</u>
Earnings (loss) per share – Basic (RMB)	14	<u>277.68</u>	<u>0.62</u>	<u>0.02</u>	<u>(0.01)</u>	<u>0.06</u>

Consolidated statements of financial position

	NOTES	As at 31 December			As at 30 June
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	43,517	36,181	50,504	47,389
Investment properties	16	340,911	459,039	476,079	502,189
Interests in associates	17	15,911	6,650	11,248	11,819
Advance to an associate	18	—	65,377	58,240	64,842
Prepaid lease payments	19	14,710	9,052	1,561	1,505
Premium on prepaid lease payments	20	26,305	—	—	—
Prepayment	7	—	—	—	68,007
Goodwill	21	—	—	—	—
Deferred tax assets	23	—	14,560	41,531	67,122
		<u>441,354</u>	<u>590,859</u>	<u>639,163</u>	<u>762,873</u>
CURRENT ASSETS					
Properties for sales	25	796,322	2,027,853	3,769,841	4,073,234
Prepaid lease payments	19	385	256	112	112
Trade and other receivables	26	97,951	213,575	145,739	276,232
Advances to associates	18	261,353	—	—	—
Amount due from a director	27	—	—	—	13,306
Amount due from a shareholder	28	—	8	21	21
Amounts due from customers for contract works	30	4,464	6,141	1,349	1,175
Amounts due from related parties	31	—	10,340	26,856	23,190
Held-for-trading investments	32	—	—	3,000	—
Tax recoverable		6,418	21,331	30,346	9,285
Restricted bank deposits	33	33,054	18,032	37,849	49,273
Bank balances and cash	33	386,266	1,320,657	303,046	1,200,929
		<u>1,586,213</u>	<u>3,618,193</u>	<u>4,318,159</u>	<u>5,646,757</u>
CURRENT LIABILITIES					
Trade and other payables	34	116,277	337,257	566,116	865,995
Deposits received on sale of properties		605,800	1,126,332	1,092,459	851,476
Amounts due to directors	35	100,966	27,456	54,012	554
Amounts due to related parties	36	123,601	2,892	99,340	—
Loans from shareholders	37	—	—	683,460	683,190
Tax payable		146,094	158,441	229,787	375,255
Borrowings – due within one year	38	65,117	317,943	373,050	416,000
		<u>1,157,855</u>	<u>1,970,321</u>	<u>3,098,224</u>	<u>3,192,470</u>
NET CURRENT ASSETS		<u>428,358</u>	<u>1,647,872</u>	<u>1,219,935</u>	<u>2,454,287</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>869,712</u>	<u>2,238,731</u>	<u>1,859,098</u>	<u>3,217,160</u>
NON-CURRENT LIABILITIES					
Deferred tax liabilities	23	28,533	56,538	58,991	54,846
Amount due to a related party	36	—	—	—	99,340
Loans from shareholders	37	—	730,460	—	—
Borrowings – due after one year	38	221,098	49,930	353,750	1,383,250
		<u>249,631</u>	<u>836,928</u>	<u>412,741</u>	<u>1,537,436</u>
		<u>620,081</u>	<u>1,401,803</u>	<u>1,446,357</u>	<u>1,679,724</u>
CAPITAL AND RESERVES					
Registered capital/share capital	39	412	9	9	9
Reserves		<u>326,939</u>	<u>1,058,985</u>	<u>1,145,955</u>	<u>1,381,605</u>
Equity attributable to owners of the Company		<u>327,351</u>	<u>1,058,994</u>	<u>1,145,964</u>	<u>1,381,614</u>
Minority interests		<u>292,730</u>	<u>342,809</u>	<u>300,393</u>	<u>298,110</u>
		<u>620,081</u>	<u>1,401,803</u>	<u>1,446,357</u>	<u>1,679,724</u>

Statements of financial position

THE COMPANY

	NOTES	As at 31 December		As at 30 June
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investments in subsidiaries	24	79,175	188,032	219,307
Advances to subsidiaries	24	1,306,508	1,257,013	1,236,243
		<u>1,385,683</u>	<u>1,445,045</u>	<u>1,455,550</u>
CURRENT ASSETS				
Other receivables	26	72,802	101	—
Amount due from a shareholder	28	8	8	8
Banks balances and cash	33	17	13	13
		<u>72,827</u>	<u>122</u>	<u>21</u>
CURRENT LIABILITIES				
Amounts due to subsidiaries	29	—	383	383
Accruals	34	3,397	10,130	28,249
Loans from shareholders	37	—	683,460	683,190
		<u>3,397</u>	<u>693,973</u>	<u>711,822</u>
NET CURRENT ASSETS (LIABILITIES)		<u>69,430</u>	<u>(693,851)</u>	<u>(711,801)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,455,113</u>	<u>751,194</u>	<u>743,749</u>
NON-CURRENT LIABILITY				
Loans from shareholders	37	730,460	—	—
		<u>724,653</u>	<u>751,194</u>	<u>743,749</u>
CAPITAL AND RESERVES				
Share capital	39	9	9	9
Reserves		<u>724,644</u>	<u>751,185</u>	<u>743,740</u>
		<u>724,653</u>	<u>751,194</u>	<u>743,749</u>

Consolidated statements of changes in equity

	Attributable to owners of the Company									
	Registered capital/share capital	Share premium	Special reserve	Contribution reserve	Statutory reserves	Discretionary reserve	Accumulated profits	Sub-total	Minority interests	Total
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000 (note iii)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	52,011	—	—	91,440	19,576	1,477	106,161	270,665	219,253	489,918
Profit and total comprehensive income for the year	—	—	—	—	—	—	91,094	91,094	86,493	177,587
Acquisition of additional equity interests in Shenzhen Xingyan and Shenzhen Fantasia Management	—	—	—	3,038	—	—	—	3,038	(3,288)	(250)
Acquisition of additional equity interest in Chengdu Huawanzi	—	—	(595)	—	—	—	—	(595)	(8,656)	(9,251)
Acquisition of equity interests in Enco Development and Shenzhen Hongwei (note 40(b))	—	—	—	27,224	—	—	—	27,224	1,049	28,273
Elimination of paid-in capital of existing subsidiaries upon group restructuring	(51,599)	—	—	(12,476)	—	—	—	(64,075)	—	(64,075)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	16,322	16,322
Disposal of a subsidiary (note 41)	—	—	—	—	—	—	—	—	(18,443)	(18,443)
Transfer	—	—	—	—	6,299	—	(6,299)	—	—	—
At 31 December 2006 and 1 January 2007	412	—	(595)	109,226	25,875	1,477	190,956	327,351	292,730	620,081
Profit and total comprehensive income for the year	—	—	—	—	—	—	68,797	68,797	15,470	84,267
Issue of shares	9	734,890	—	—	—	—	—	734,899	—	734,899
Elimination of paid-in capital of existing subsidiaries upon Group Reorganisation	(412)	—	—	(78,964)	—	—	—	(79,376)	—	(79,376)
Acquisition of equity interests in Yixing Jiangnan Shuixiang, Chengdu Xinjin Youbang and Sichuan Ximei (note 40(a))	—	—	—	—	—	—	—	—	38,553	38,553
Acquisition of additional equity interests in Chengdu Huabaili, Shenzhen Kangnian and Chengdu Huaqianli ..	—	—	—	2,764	—	—	—	2,764	(38,001)	(35,237)
Surplus on disposal of associates upon Group Reorganisation	—	—	—	2,730	—	—	—	2,730	—	2,730
Disposal of equity interests in Shenzhen Huawanzi, Shenzhen Funian, Shenzhen Flower and San Jiao Zhou (note 41)	—	—	—	2,133	—	—	—	2,133	(7,031)	(4,898)
Partial disposal of equity interests in Chengdu Tonghe Investment, Shenzhen Fantasia Management, Shenzhen Fantasia Colour and Shenzhen Kaiyuan	—	—	—	—	—	—	—	—	5,848	5,848

Attributable to owners of the Company

	Registered capital/share capital		Share premium	Special reserve	Contribution reserve	Statutory reserves	Discretionary reserve	Accumulated profits	Sub-total		Minority interests	
	RMB'000	RMB'000							RMB'000	RMB'000	RMB'000	RMB'000
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	35,990	35,990
Transfer	—	—	—	—	—	1,982	—	(1,982)	—	—	—	—
Dividend paid	—	—	—	—	—	—	—	(304)	(304)	—	(750)	(1,054)
At 31 December 2007 and 1 January 2008	9	734,890	(595)	37,889	27,857	1,477	257,467	1,058,994	342,809	1,401,803	84,259	97,521
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	84,259	84,259	13,262	—	—
Acquisition of additional equity interests in Shengzhen Hongwei, Huizhou Daya Bay, Chengdu Xinjin Youbang, Chengdu Tonghe, Chengdu Huawaili and Sichuan Ximei	—	—	—	—	396	—	—	—	396	(56,185)	—	(55,789)
Capitalisation of shareholder loans	—	—	—	—	2,315	—	—	—	2,315	1,543	—	3,858
Transfer	—	—	—	—	—	1,151	—	(1,151)	—	—	—	—
Dividend paid	—	—	—	—	—	—	—	—	—	(1,036)	—	(1,036)
At 31 December 2008 and 1 January 2009	9	734,890	(595)	40,600	29,008	1,477	340,575	1,145,964	300,393	1,446,357	217,367	16,000
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	235,650	235,650	(18,283)	—	—
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	16,000	—	—
At 30 June 2009	9	734,890	(595)	40,600	29,008	1,477	576,225	1,381,614	298,110	1,679,724	—	—
For the six months ended 30 June 2008 (Unaudited)	—	—	—	—	—	—	—	—	—	—	—	—
At 1 January 2008	9	734,890	(595)	37,889	27,857	1,477	257,467	1,058,994	342,809	1,401,803	(30,910)	(48,315)
Loss and total comprehensive loss for the period	—	—	—	—	—	—	—	(30,910)	(30,910)	(17,405)	—	—
Acquisition of additional equity interests in Chengdu Tonghe, Chengdu Huawaili, Huizhou Daya Bay and Chengdu Xinjin Youbang	—	—	—	—	396	—	—	—	396	(18,685)	—	(18,289)
Acquisition of equity interests in Chengdu Jiurong (note 40(a))	—	—	—	—	—	—	—	—	—	63,236	—	63,236
At 30 June 2008	9	734,890	(595)	38,285	27,857	1,477	226,557	1,028,480	369,955	1,398,435	—	—

Notes:

- (i) Special reserve arising from the acquisition of additional equity interests represents the difference between the consideration paid and the carrying amount of net assets acquired and the goodwill or discount on acquisition.
- (ii) Contribution reserve represents (1) the contribution/distribution to shareholders during the Group Reorganisation, (2) the difference between the consideration paid and the fair value of net assets acquired from related parties, (3) the difference between the consideration received and the carrying amount of net assets disposed of to related parties during the Group Reorganisation and (4) the capitalisation of shareholder loans.
- (iii) The statutory reserves and discretionary reserve are non-distributable and the transfer to these reserves are determined by the board of directors or the shareholders' meeting in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.

Statements of changes in equity

THE COMPANY

	Share Capital	Share premium	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 17 October 2007 (date of incorporation)	—	—	—	—
Issue of shares during the period	9	734,890	—	734,899
Loss and total comprehensive loss for the period	—	—	(10,246)	(10,246)
At 31 December 2007 and 1 January 2008	9	734,890	(10,246)	724,653
Profit and total comprehensive income for the year	—	—	26,541	26,541
At 31 December 2008 and 1 January 2009	9	734,890	16,295	751,194
Loss and total comprehensive loss for the period	—	—	(7,445)	(7,445)
At 30 June 2009	9	734,890	8,850	743,749
For the six months ended 30 June 2008 (Unaudited)				
At 1 January 2008	9	734,890	(10,246)	724,653
Profit and total comprehensive income for the period	—	—	37,791	37,791
At 30 June 2008	9	734,890	27,545	762,444

Consolidated statements of cash flows

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit (loss) before taxation	263,855	166,819	254,071	(36,192)	412,904
Adjustments for:					
(Gain) loss on fair value changes of investment properties	(81,608)	(86,875)	(13,807)	23,546	10,019
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	—	(2,170)	(302)	(289)	—
Impairment loss recognised in respect of goodwill	22,515	—	2,305	—	—
Loss on partial disposal of subsidiaries	—	2,458	—	—	—
Discount on acquisition of subsidiaries	(2,316)	—	—	—	—
Discount on acquisition of additional interest in a subsidiary	(251)	—	—	—	—
(Gain) loss on disposal of subsidiaries	(133,360)	—	89	89	—
Gain on disposal of associates	—	(1,632)	—	—	—
Share of results of associates	416	1,548	3,789	1,767	1,227
Release of prepaid lease payments	411	372	149	93	56
Release of premium on prepaid lease payments	822	617	—	—	—
Depreciation of property, plant and equipment	6,176	8,066	8,940	4,317	4,413
Loss (gain) on disposal of property, plant and equipment	21	7	1,727	1,173	(49)
Allowance on bad and doubtful debts, net	1,735	1,159	2,495	1,073	303
Interest income	(2,382)	(2,396)	(7,951)	(6,296)	(1,014)
Finance costs	8,056	12,167	69,941	49,256	15,127
Net foreign exchange (gain) loss	(1,041)	2,120	(35,586)	(33,263)	106
Operating cash flows before movements in working capital	83,049	102,260	285,860	5,274	443,092
Increase in properties for sales	(507,680)	(558,980)	(1,358,250)	(561,826)	(235,857)
Decrease (increase) in trade and other receivables	129,951	(21,415)	89,313	15,982	(130,796)
Increase in prepayment	—	—	—	—	(68,007)
(Increase) decrease in amounts due from customers for contract works	(4,464)	(1,677)	4,792	2,416	174
Decrease (increase) in held-for-trading investments	2,300	—	(3,000)	—	3,000
(Decrease) increase in trade and other payables	(20,253)	(52,898)	223,856	78,580	298,357
Increase (decrease) in deposits received on sale of properties	479,718	520,532	(33,873)	169,758	(240,983)
Cash generated from (used in) operations	162,621	(12,178)	(791,302)	(289,816)	68,980
Enterprise income tax ("EIT") paid, net	(15,439)	(45,793)	(101,239)	(95,714)	(47,852)
Land appreciation tax ("LAT") paid	(1,331)	(9,834)	(17,643)	(6,919)	(10,892)
Interest paid	(14,746)	(20,567)	(127,232)	(53,355)	(81,141)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	131,105	(88,372)	(1,037,416)	(445,804)	(70,905)

		Year ended 31 December			Six months ended 30 June	
	NOTES	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES						
Purchases of property, plant and equipment		(6,648)	(11,262)	(26,192)	(6,267)	(1,611)
Increase in investment properties		—	(27,353)	(2,521)	(882)	(39,358)
Prepaid lease payments paid		—	—	(15,139)	(15,139)	—
Proceeds from disposal of property, plant and equipment		2	97	296	10	362
Acquisition of investments in associates/capital contribution in an associate		(6,000)	—	(3,000)	(3,000)	—
Proceeds from disposal of investment properties		397	—	—	—	3,229
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	40(a)	(26,000)	(371,423)	(157,760)	(74,456)	—
Acquisition of business (net of cash and cash equivalents acquired)	40(b)	(7,016)	—	(2,498)	(2,498)	—
Acquisition of additional equity interests in subsidiaries		(250)	(75,784)	(241,783)	(43,602)	—
Proceeds from partial disposal of subsidiaries . . .		—	3,390	—	—	—
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	41	196,943	652	(119)	(119)	—
Proceeds from disposal of associates		—	11,566	—	—	—
Interest received		2,382	2,396	7,951	6,296	1,014
Decrease (increase) in restricted bank deposits		18,694	15,022	(19,817)	(30,749)	(11,424)
Repayment from (advance to) related parties		101,832	2,365	(1,402)	(3,640)	3,666
Advance to a director		—	—	—	—	(13,306)
(Advance to) repayment from associates		(257,219)	192,014	1,750	—	(8,400)
(Advance to) repayment from a shareholder		—	(8)	(13)	8	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		17,117	(258,328)	(460,247)	(174,038)	(65,828)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
FINANCING ACTIVITIES					
New borrowings raised	424,000	447,480	800,000	584,400	1,302,000
Repayment of borrowings	(488,431)	(365,413)	(440,868)	(224,125)	(229,550)
Loans from shareholders	—	735,686	—	—	—
Advance from (repayment to) directors	145,900	(66,392)	35,017	(2,768)	(53,458)
Advance from (repayment to) related parties	143,221	(151,659)	98,558	(2,892)	—
Contribution from minority shareholders	16,322	35,990	—	—	16,000
Distribution to shareholders	(64,075)	(79,376)	—	—	—
Proceeds on issue of shares	—	734,899	—	—	—
Dividend paid to minority shareholders	—	(750)	(1,036)	—	—
Dividend paid to shareholders prior to the Group Reorganisation	—	(304)	—	—	—
NET CASH FROM FINANCING ACTIVITIES	176,937	1,290,161	491,671	354,615	1,034,992
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	325,159	943,461	(1,005,992)	(265,227)	898,259
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	61,199	386,266	1,320,657	1,320,657	303,046
Effect of foreign exchange rate changes	(92)	(9,070)	(11,619)	(9,548)	(376)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, represented by bank balances and cash	386,266	1,320,657	303,046	1,045,882	1,200,929

Notes to the financial information

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Group Reorganisation, the Company became the holding company of the companies now comprising the Group on 6 December 2007. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Group was under the common control of Ms. Zeng Jie and Mr. Pan Jun (together referred to "Controlling Equity Holders"). The Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting under Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the group structure as at 31 December 2007 had been in existence during the two years ended 31 December 2007, or since the respective dates of incorporation or establishment, where this is a shorter period of the entities comprising the Group, except for the change of effective interests in the following entities existence during the two years ended 31 December 2007:

	Acquisition	Disposal
Year ended 31 December 2006		
Enco Development	100%	—
Shenzhen Yahao	100%	—
Chi Fu Development	100%	—
Shenzhen Zhifu	100%	—
San Jiao Zhou	90%	—
Shenzhen Kaiyuan	100%	—
Shenzhen Hongwei	60%	—
Shenzhen Fantasia Management	48.2%	—
Chengdu Huawanli	30%	—
Shenzhen Xingyan	24.48%	—
Chengdu Huabaili	20.6%	—
Chengdu Tonghe Investment	6.03%	—
Shenzhen Tianqi Trading Company Limited	—	36.4%
Year ended 31 December 2007		
Tianjin Fuda	100%	—
Shenzhen Kangnian	40%	—
Shenzhen Huaqianli	70%	—
Dongguan Fantasia	70%	—
Sichuan Ximei	66.36%	—
Yixing Jiangnan Shuixiang	60%	—
Chengdu Xinjin Youbang	94.52%	—
Chengdu Huaqianli	9.99%	—
Shenzhen Funian	—	70%
Shenzhen Tianlan	—	70%
San Jiao Zhou	—	90%
Shenzhen Flower	—	41.6%
Shenzhen Fantasia Management	—	30%
Shenzhen Fantasia Colour	—	30%
Shenzhen Kaiyuan	—	30%
Chengdu Tonghe Investment	—	0.51%
Chengdu Huabaili	—	0.51%
Chengdu Huawanli	—	0.38%
Fantasia Chengdu Ecological	—	0.01%

The above acquisitions and disposals have been accounted for from the respective effective date of the acquisitions or up to the respective effective date of the disposals and in accordance with the respective equity interests in the individual companies attributable to the controlling shareholders before the Group Reorganisation. The interests of owners of the Company other than the Controlling Equity Holders in the combining companies have been presented as minority interests in the Group's Financial Information.

The consolidated statement of financial position of the Group as at 31 December 2006 has been prepared to present the assets and liabilities of the companies comprising the Group as at that date as if the group structure immediately after the Group Reorganisation had been in existence at those dates except for:

- (i) Chengdu Huawanli has been accounted for as a 100% owned subsidiary at 31 December 2006.
- (ii) Chengdu Huaqianli has been accounted for as a 89.5% owned subsidiary at 31 December 2006.
- (iii) Fantasia Chengdu Ecological has been accounted for as a 100% owned subsidiary at 31 December 2006.
- (iv) Shenzhen Fantasia Colour has been accounted for as a 100% owned subsidiary at 31 December 2006.
- (v) San Jiao Zhou has been accounted for as a 90% owned subsidiary at 31 December 2006.
- (vi) Shenzhen Fantasia Management has been accounted for as a 100% owned subsidiary at 31 December 2006.
- (vii) Shenzhen Flower has been accounted for as a 41.6% owned subsidiary at 31 December 2006.
- (viii) Chengdu Tonghe Investment has been accounted for as a 100% owned subsidiary at 31 December 2006.
- (ix) Chengdu Huabaili has been accounted for as a 100% owned subsidiary at 31 December 2006.
- (x) Shenzhen Funian and Shenzhen Tianlan both have been accounted for as 70% owned subsidiaries at 31 December 2006.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (i.e. the functional currency of the principal subsidiaries).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "New HKFRSs") which are effective for the Group's financial year beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these New HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations.

HKFRSs (Amendments)	<i>Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008¹</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs 2009²</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements¹</i>
HKAS 32 (Amendment)	<i>Classification of Rights Issues³</i>
HKAS 39 (Amendment)	<i>Eligible Hedged items¹</i>
HKFRS 2 (Amendment)	<i>Group Cash-settled Share-based payment Transactions⁴</i>
HKFRS 1 (Amendment)	<i>Additional Exemptions for First Time Adopters⁴</i>
HKFRS 3 (Revised)	<i>Business Combinations¹</i>
HK(IFRIC) – INT 17	<i>Distributions of Non-cash Assets to Owners¹</i>
HK(IFRIC) – INT 18	<i>Transfer of Assets from Customers⁵</i>

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

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

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

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

5 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the 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 HKFRSs issued by the HKICPA. 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 the Hong Kong Companies Ordinance.

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, other than under the Group Reorganisation, or disposed of during the Relevant Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposed, as appropriate.

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.

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial information are presented as if the entities or business had been consolidated at the end of previous reporting period or when they first came under common control, whichever is the shorter.

Business combinations other than involving entities under common control

The acquisition of businesses, other than those involving entities under common control, 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 HKFRS 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 consolidated statements of comprehensive income.

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.

Acquisition of additional interest in subsidiaries (other than under common control)

On acquisition of additional interests in subsidiaries, the excess of the cost of the acquisition over the fair values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to goodwill, while discount arising on the excess of the fair values of the underlying assets and liabilities attributable to the additional interest in the subsidiaries over the cost of the acquisition is credited to consolidated statements of comprehensive income.

The difference between the cost of the acquisition and the goodwill/discount on acquisition and the carrying amount of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to special reserve.

Investments in a subsidiaries

Investments in a subsidiaries are included in the Company's statements of financial position at cost less any identified impairment losses.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purpose, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and 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 the 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 statements of comprehensive income in the year/period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties 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 statements of comprehensive income for the period in which they arise.

Property that is being constructed or developed for future use as investment property is classified as investment property. 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 construction is completed.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 statements of comprehensive income in the year/period in which the item is derecognised.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interests 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 associate, less any identified impairment loss. Where the Group's share of losses of an associate equals or exceeds the Group's 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in consolidated statements of comprehensive income.

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.

Goodwill

Goodwill arising on an acquisition of a business 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 business recognised at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

For the purposes 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 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 statements of comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

Properties for sale

Completed properties and properties under development for sale in the ordinary course of business is included in current assets and stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses.

Where property for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in consolidated statements of comprehensive income.

Installation contracts

Where the outcome of a contract for the installation of security systems can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

Financial instruments

Financial assets and financial liabilities are recognised in the statements 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 values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statements of comprehensive income.

Financial assets

The Group's financial assets are generally classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL").

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 and points 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.

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 the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, advances to associates, a shareholder, a director and related parties, restricted bank deposits and bank balances) 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).

Financial assets at fair value through profit or loss

Financial assets at FVTPL are classified as financial assets held for trading.

A financial asset is 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.

At each date of statements of financial position 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.

Impairment of financial assets

Financial assets, other than held-for-trading investments, are assessed for indicators of impairment at the end of each 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 impacted.

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 trade and other 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 average 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 trade 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 trade and other receivables are 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 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 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

Trade and other payables, amounts due to directors and related parties, loans from shareholders and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company 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 designed 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 HKAS 37 "Provisions, contingent liabilities and contingent assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of the 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 or any new asset obtained and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated statements of comprehensive income.

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 consolidated statements of comprehensive income.

Impairment losses other than goodwill (see accounting policy in respect of goodwill above)

At each reporting date, 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, such 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.

Revenue recognition

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

Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the possession of the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position as deposits received on sale of properties under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Agency fee, service income, management fee, parking fee and consultation fee

Agency fee, service income, management fee, parking fee and consultation fee are recognised when services are provided.

Contract revenue

Contract revenue is recognised when the outcome of the contract can be estimated reliably and the stage of completion at the end of reporting period can be measured reliably. Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the year/period. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable.

Hotel operation

Revenue from hotel operation is recognised upon provision of services.

Interest income

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.

Government grants

Government grants are recognised as income when there is reasonable assurance that the conditions attached to such grants are complied with and the rights to receive such grants have been established. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated statements of comprehensive income and are reported separately as other income.

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.

All other borrowing costs are recognised as an expense in the year/period in which they are incurred.

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 on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to consolidated statements of comprehensive income 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 on a straight-line basis over the lease term.

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 net profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further 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 reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax 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 differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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 tax is charged or credited in the consolidated statements of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme which are defined contribution schemes are charged as an expenses when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. 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 included in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management has made various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information 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.

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

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount of RMB796,322,000, RMB2,027,853,000, RMB3,769,841,000 and RMB4,073,234,000 at 31 December 2006, 2007, 2008 and 30 June 2009, respectively. Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale and completed properties for sale.

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 estimate 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.

Deferred tax assets

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of comprehensive income upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 Group's overall strategy remains unchanged during the Relevant Periods. The capital structure of the Group consists of debt, which includes amounts due to directors disclosed in note 35, amounts due to related parties disclosed in note 36, loans from shareholders disclosed in note 37, borrowings disclosed in note 38, net of cash and cash equivalents disclosed in note 33, and equity attributable to owners of the Company, comprising registered capital/share capital and reserves. The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP				THE COMPANY		
	As at 31 December			As at 30 June 2009	As at 31 December		As at 30 June 2009
	2006	2007	2008		2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets							
Loans and receivables (including cash and cash equivalents)	707,998	1,456,396	505,571	1,475,197	1,306,533	1,257,034	1,236,264
Held-for-trading investments	—	—	3,000	—	—	—	—
Financial liabilities							
Amortised cost	601,357	1,392,139	2,058,888	3,381,819	730,460	683,843	683,573

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, advances to associates, a director, a shareholder, related parties, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to directors and related parties, loans from shareholders and borrowings. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. 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.

(c) Foreign currency risk management

The Group and the Company have bank balances, advances to subsidiaries, amounts due to directors, loans from shareholders and borrowings which are denominated in foreign currencies, hence exposures to exchange rate fluctuations arises.

The carrying amount of the Group and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting periods are as follow:

	THE GROUP				THE COMPANY		
	As at 31 December			As at 30 June 2009	As at 31 December		As at 30 June 2009
	2006	2007	2008		2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
United States Dollars ("USD")	—	968,315	1,125	171	1,306,508	7	7
Hong Kong Dollars ("HKD")	1,821	2,651	3,617	5,323	17	6	6

	THE GROUP				THE COMPANY		
	As at 31 December			As at 30 June 2009	As at 31 December		As at 30 June 2009
	2006	2007	2008		2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities							
USD	—	730,460	683,460	683,190	730,460	683,460	683,190
HKD	32,061	32,761	—	—	—	—	—

The Group and the Company currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group and the Company mainly exposes to the effects of fluctuation in USD and HKD against RMB.

The following table details the Group and the Company's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. 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. The sensitivity analysis includes advances to subsidiaries, bank balances, amounts due to directors, loans from shareholders and borrowings. A positive number indicates an increase in post-tax profit for the year/period where the

RMB strengthens against the relevant currency. For a 5% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit for the year/period.

	THE GROUP				THE COMPANY		
	Year ended 31 December			Six months ended 30 June 2009	Year ended 31 December		Six months ended 30 June 2009
	2006	2007	2008		2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD							
Increase (decrease) in profit for the year/period	<u>—</u>	<u>(11,893)</u>	<u>34,117</u>	<u>34,151</u>	<u>(28,802)</u>	<u>34,173</u>	<u>34,159</u>

	THE GROUP				THE COMPANY		
	Year ended 31 December			Six months ended 30 June 2009	Year ended 31 December		Six months ended 30 June 2009
	2006	2007	2008		2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
HKD							
Increase (decrease) in profit for the year/period	<u>1,512</u>	<u>1,506</u>	<u>(181)</u>	<u>(266)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>

(d) Interest rate risk management

The Group and the Company is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group and the Company is also exposed to fair value interest rate risk relates primarily to its balance with a related party, loans from shareholders and fixed-rate borrowings (see notes 36, 37 and 38). The Group and the Company currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group and Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HKD borrowings and Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate") from the Group's RMB borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the above-mentioned non-derivative instruments at the end of reporting period. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of the respective reporting periods, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's post-tax profit for the year/period would increase/decrease by approximately RMB1,641,000, RMB6,666,000 for the two years ended 31 December 2007, while post-tax profit for the year ended 31 December 2008 and the six months ended 30 June 2009 would decrease/increase by approximately RMB1,755,000 and RMB1,745,000, respectively.

(e) *Other price risks*

The Group is exposed to equity price risk through its investments in listed mutual funds which comprised a portfolio of equity instruments issued by entities operating in manufacturing industry sector quoted in the Shenzhen Stock Exchange. The Group will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If the prices of the mutual funds had been 5% higher/lower, the Company's and Group's profit for the year/period would increase/decrease by nil, nil, approximately RMB150,000 and nil for the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively.

(f) *Credit risk management*

As at the end of each reporting period, the Company's and 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 provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and Company's statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 46.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

For properties that are still under construction, 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 total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon.

Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(g) *Liquidity risk management*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings, advances from directors, related parties, loans from shareholders as a significant source of liquidity. As at 31 December 2006, 2007, 2008 and 30 June 2009, the Group has total available unutilised overdraft and bank loan facilities of approximately nil, RMB40,000,000, nil and RMB444,000,000, respectively.

The following table details the Group and the Company's remaining contractual maturity for its 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 and the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity table

THE GROUP

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2006								
Non-derivative financial liabilities								
Trade and other payables . .	—	4,820	15,345	68,926	1,484	—	90,575	90,575
Amounts due to directors . . .	—	100,966	—	—	—	—	100,966	100,966
Amounts due to related parties	—	123,601	—	—	—	—	123,601	123,601
Borrowings								
– fixed rate	6.61	—	—	51,437	170,168	—	221,605	195,100
– variable rate	6.69	38	76	26,685	68,196	8,663	103,658	91,115
		<u>229,425</u>	<u>15,421</u>	<u>147,048</u>	<u>239,848</u>	<u>8,663</u>	<u>640,405</u>	<u>601,357</u>
As at 31 December 2007								
Non-derivative financial liabilities								
Trade and other payables . .	—	20,227	82,033	150,093	11,105	—	263,458	263,458
Amounts due to directors . . .	—	27,456	—	—	—	—	27,456	27,456
Amounts due to related parties	—	2,892	—	—	—	—	2,892	2,892
Loans from shareholders . . .	12	—	—	—	883,857	—	883,857	730,460
Borrowings								
– fixed rate	7.42	—	—	325,285	54,635	—	379,920	362,300
– variable rate	4.70	32	63	284	1,516	6,792	8,687	5,573
		<u>50,607</u>	<u>82,096</u>	<u>475,662</u>	<u>951,113</u>	<u>6,792</u>	<u>1,566,270</u>	<u>1,392,139</u>
As at 31 December 2008								
Non-derivative financial liabilities								
Trade and other payables . .	—	140,942	187,043	162,866	4,425	—	495,276	495,276
Amounts due to directors . . .	—	54,012	—	—	—	—	54,012	54,012
Amounts due to related parties	—	99,340	—	—	—	—	99,340	99,340
Loans from shareholders . . .	12	—	—	744,971	—	—	744,971	683,460
Borrowings								
– fixed rate	8.96	—	—	36,303	—	—	36,303	35,000
– variable rate	8.36	3,893	10,786	376,441	374,870	38,980	804,970	691,800
		<u>298,187</u>	<u>197,829</u>	<u>1,320,581</u>	<u>379,295</u>	<u>38,980</u>	<u>2,234,872</u>	<u>2,058,888</u>

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2009								
Non-derivative financial liabilities								
Trade and other payables		138,233	370,048	281,112	10,092	—	799,485	799,485
Amounts due to directors	—	554	—	—	—	—	554	554
Loans from shareholders	12			724,181	—	—	724,181	683,190
Amount due to a related party	7.02	581	1,162	5,230	111,544	—	118,517	99,340
Borrowings								
– fixed rate	4.37	729	1,458	200,729	—	—	202,916	200,000
– variable rate	5.44	89,745	32,656	176,656	1,454,461	41,558	1,795,076	1,599,250
		<u>229,842</u>	<u>405,324</u>	<u>1,387,908</u>	<u>1,576,097</u>	<u>41,558</u>	<u>3,640,729</u>	<u>3,381,819</u>

THE COMPANY

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2007								
Non-derivative financial liabilities								
Loans from shareholders ...	12	<u>—</u>	<u>—</u>	<u>—</u>	<u>883,857</u>	<u>—</u>	<u>883,857</u>	<u>730,460</u>
As at 31 December 2008								
Non-derivative financial liabilities								
Amounts due to subsidiaries		383	—	—	—	—	383	383
Loans from shareholders ...	12	<u>—</u>	<u>—</u>	<u>744,971</u>	<u>—</u>	<u>—</u>	<u>744,971</u>	<u>683,460</u>
		<u>383</u>	<u>—</u>	<u>744,971</u>	<u>—</u>	<u>—</u>	<u>745,354</u>	<u>683,843</u>
As at 30 June 2009								
Non-derivative financial liabilities								
Amounts due to subsidiaries	—	383	—	—	—	—	383	383
Loans from shareholders ...	12	<u>—</u>	<u>—</u>	<u>724,181</u>	<u>—</u>	<u>—</u>	<u>724,181</u>	<u>683,190</u>
		<u>383</u>	<u>—</u>	<u>724,181</u>	<u>—</u>	<u>—</u>	<u>724,564</u>	<u>683,573</u>

(h) Fair value

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

- 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; and
- the fair value of other financial assets and financial liabilities are 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.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments to report segment information for the Relevant Periods.

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions, which is consistent with the internal information that are regularly reviewed by the directors, the chief operating decision maker, for the purposes of resource allocation and assessment of performance.

The Group has five reportable operating segments as follows:

Property development – developing and selling of properties in the PRC

Property investment – leasing of investment properties

Property agency services – provision of property agency and other related services

Property operation services – provision of property management and other related services

Hotel services – provision of hotel management and other related services

Other operations include the provision of tourism and entertainment services, interior design services.

Inter-segment revenue are eliminated on consolidation.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment mainly without allocation of central administration costs and directors' salaries, some items of other income, gains and losses set out in note 8, share of results of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker also reviews the segment assets attributable to each operating segment, which comprises assets other than interests in associates, advances to associates, amounts due from a director, a shareholder and related parties, restricted bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by operating segments for the Relevant Periods under review:

Segment revenues, results, assets and other material items for 2006:

	Property development	Property investment	Property agency services	Property operation services	Hotel services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenues	241,209	7,283	74,899	14,986	—	3,962	342,339
Inter-segment revenues	—	—	7,550	453	—	—	8,003
Segment result	62,480	88,203	4,586	3,771	—	(639)	158,401
Additions to non-current assets	2,439	—	3,379	867	—	35,392	42,077
Gain on fair value changes of investment properties	—	81,608	—	—	—	—	81,608
Impairment loss recognised in respect of goodwill	—	—	—	—	—	22,515	22,515
Release of prepaid lease payments ...	112	—	—	—	—	155	267
Release of premium on prepaid lease payments	—	—	—	—	—	822	822
Depreciation of property, plant and equipment	3,401	—	1,609	182	—	937	6,129
Segment assets	895,961	345,361	11,639	17,567	—	43,959	1,314,487

Inter-segment revenues are charged at prevailing market rate.

Segment revenues, results, assets and other material items for 2007:

	Property development	Property investment	Property agency services	Property operation services	Hotel services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenues	619,168	10,649	97,151	41,857	—	3,232	772,057
Inter-segment revenues	—	—	11,341	2,157	—	—	13,498
Segment result	57,687	99,370	18,078	10,453	—	1,075	186,663
Additions to non-current assets	6,257	31,253	2,640	2,635	—	—	42,785
Gain on fair value changes of investment properties	—	86,875	—	—	—	—	86,875
Release of prepaid lease payments ...	112	—	—	—	—	116	228
Release of premium on prepaid lease payments	—	—	—	—	—	617	617
Depreciation of property, plant and equipment	4,005	—	2,753	469	—	696	7,923
Segment assets	2,163,658	463,689	10,401	30,611	—	—	2,668,359

Inter-segment revenues are charged at prevailing market rate.

Segment revenues, results, assets and other material items for 2008:

	Property development	Property investment	Property agency services	Property operation services	Hotel services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenues	1,064,604	11,029	40,224	57,875	479	—	1,174,211
Inter-segment revenues	—	—	17,767	5,989	70	—	23,826
Segment result	296,010	23,765	(9,255)	17,600	(2,656)	—	325,464
Additions to non-current assets	5,162	3,233	10,061	4,901	8,386	—	31,743
Gain on fair value changes of investment properties	—	13,807	—	—	—	—	13,807
Impairment loss recognised in respect of goodwill	—	—	—	2,305	—	—	2,305
Release of prepaid lease payments	113	—	—	—	—	—	113
Depreciation of property, plant and equipment	4,816	—	2,579	940	495	—	8,830
Segment assets	3,901,890	481,310	14,347	36,732	8,026	—	4,442,305

Inter-segment revenues are charged at prevailing market rate.

Segment revenues, results, assets and other material items for June 2008:

	Property development	Property investment	Property agency services	Property operation services	Hotel services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenues	281,628	5,300	17,595	29,814	—	—	334,337
Inter-segment revenues	—	—	4,089	992	—	—	5,081
Segment result	16,553	(18,614)	(10,874)	6,849	—	—	(6,086)
Additions to non-current assets	2,750	489	1,256	2,576	—	—	7,071
Loss on fair value changes of investment properties	—	23,546	—	—	—	—	23,546
Release of prepaid lease payments	57	—	—	—	—	—	57
Depreciation of property, plant and equipment	2,549	—	1,358	344	—	—	4,251
Segment assets	2,953,281	437,074	20,700	32,333	—	—	3,443,388

Inter-segment revenues are charged at prevailing market rate.

Segment revenues, results, assets and other material items for June 2009:

	Property development	Property investment	Property agency services	Property operation services	Hotel services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External revenues	1,287,470	5,454	22,396	26,001	1,673	—	1,342,994
Inter-segment revenues	—	—	5,814	1,569	—	—	7,383
Segment result	447,898	(5,238)	4,475	7,640	(580)	—	454,195
Additions to non-current assets	238	39,358	55	1,310	—	—	40,961
Loss on fair value changes of investment properties	—	10,019	—	—	—	—	10,019
Release of prepaid lease payments	56	—	—	—	—	—	56
Depreciation of property, plant and equipment	2,220	—	1,027	576	532	—	4,355
Segment assets	4,320,261	507,746	11,963	122,004	7,537	—	4,969,511

Inter-segment revenues are charged at prevailing market rate.

Reconciliation:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenues:					
Total revenues for reportable segments	346,380	782,323	1,198,037	339,418	1,350,377
Others	3,962	3,232	—	—	—
Elimination of inter-segment revenues	(8,003)	(13,498)	(23,826)	(5,081)	(7,383)
Group's total revenues (note)	<u>342,339</u>	<u>772,057</u>	<u>1,174,211</u>	<u>334,337</u>	<u>1,342,994</u>
Profit or loss:					
Segment result	158,401	186,663	325,464	(6,086)	454,195
Elimination of inter-segment result	—	—	(2,826)	(3,115)	(754)
Unallocated amounts:					
Unallocated income	7,585	2,720	43,537	39,559	1,014
Unallocated corporate expenses	(7,071)	(8,023)	(35,980)	(15,438)	(25,197)
Finance costs	(8,056)	(12,167)	(69,941)	(49,256)	(15,127)
Impairment loss recognised in respect of goodwill	(22,515)	—	(2,305)	—	—
Gain (loss) on disposal of a subsidiary	133,360	—	(89)	(89)	—
Share of results of associates	(416)	(1,548)	(3,789)	(1,767)	(1,227)
Loss on partial disposal of subsidiaries	—	(2,458)	—	—	—
Discount on acquisition of subsidiaries	2,316	—	—	—	—
Discount on acquisition of additional interest in a subsidiary	251	—	—	—	—
Gain on disposal of associates	—	1,632	—	—	—
Profit (loss) before taxation	<u>263,855</u>	<u>166,819</u>	<u>254,071</u>	<u>(36,192)</u>	<u>412,904</u>
	As at 31 December			As at 30 June	
	2006	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	RMB'000	
Assets:					
Total assets for reportable segments	1,270,528	2,668,359	4,442,305	4,969,511	
Others	43,959	—	—	—	
Unallocated assets:					
Interests in associates	15,911	6,650	11,248	11,819	
Advances to associates	261,353	65,377	58,240	64,842	
Amount due from a director	—	—	—	13,306	
Amount due from a shareholder	—	8	21	21	
Amounts due from related parties	—	10,340	26,856	23,190	
Restricted bank deposits	33,054	18,032	37,849	49,273	
Bank balances and cash	386,266	1,320,657	303,046	1,200,929	
Others	16,496	119,629	77,757	76,739	
Group's total assets	<u>2,027,567</u>	<u>4,209,052</u>	<u>4,957,322</u>	<u>6,409,630</u>	
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other material items:					
Release of prepaid lease payments					
Reportable segment totals	112	112	113	57	56
Others	155	116	—	—	—
Unallocated amount	144	144	36	36	—
Group's total	<u>411</u>	<u>372</u>	<u>149</u>	<u>93</u>	<u>56</u>
Depreciation of property, plant and equipment					
Reportable segment totals	5,192	7,227	8,830	4,251	4,355
Others	937	696	—	—	—
Unallocated amount	47	143	110	66	58
Group's total	<u>6,176</u>	<u>8,066</u>	<u>8,940</u>	<u>4,317</u>	<u>4,413</u>
Additions to non-current assets					
Reportable segment totals	6,685	42,785	31,743	7,071	40,961
Others	35,392	—	—	—	—
Unallocated amount	3	528	37	16	8
Group's total	<u>42,080</u>	<u>43,313</u>	<u>31,780</u>	<u>7,087</u>	<u>40,969</u>

Note: Included in revenue for the period ended 30 June 2009 is an amount of RMB88,007,000 in respect of completed properties sold in exchange for the advertising spaces provided by the customers. The prepaid advertising spaces of RMB68,007,000 and RMB20,000,000 are recorded in prepayment under non-current assets and trade and other receivables under current assets, respectively. There were no such arrangement in the other reporting periods.

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are located in the PRC.

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

8. OTHER INCOME, GAINS AND LOSSES

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	2,382	2,396	7,951	6,296	1,014
Forfeiture income on deposits received	—	406	1,040	—	—
Fair value change on held-for-trading investments	4,162	324	—	—	199
Government grant (note)	—	—	14,052	9,202	5,868
Compensation on late repayment of advances receivable	1,001	—	—	—	—
Waiver of payable upon of early termination of construction contract	250	—	—	—	—
Exchange gain	1,041	—	35,586	33,263	—
Loss on partial disposal of subsidiaries	—	(2,458)	—	—	—
Discount on acquisition of subsidiaries (note 40(b))	2,316	—	—	—	—
Discount on acquisition of additional interest in a subsidiary	251	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	—	—	49
Gain (loss) on disposal of subsidiaries (note 41)	133,360	—	(89)	(89)	—
Gain on disposal of associates	—	1,632	—	—	—
Others	550	426	494	425	471
	<u>145,313</u>	<u>2,726</u>	<u>59,034</u>	<u>49,097</u>	<u>7,601</u>

Note: The amount represents the grants received from the relevant PRC government to encourage the development of real estate industry. The subsidies were granted on a discretionary basis to the Group during the year ended 31 December 2008 and the six months ended 30 June 2009.

9. FINANCE COSTS

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on:					
– borrowings wholly repayable within five years	14,458	17,898	40,787	12,067	37,317
– borrowings not wholly repayable within five years	288	234	4,224	117	2,833
– amount due to a related party	—	—	—	—	1,522
– loans from shareholders	—	2,435	82,221	41,171	40,991
Less: Amount capitalised in properties for sales	(6,690)	(8,400)	(57,291)	(4,099)	(67,536)
	<u>8,056</u>	<u>12,167</u>	<u>69,941</u>	<u>49,256</u>	<u>15,127</u>

Borrowing costs capitalised arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.63%, 7.42%, 10.14%, 10.14% and 7.15% for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively, to expenditure on qualifying asset.

10. PROFIT (LOSS) BEFORE TAXATION

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit (loss) before taxation has been arrived at after charging (crediting):					
Staff costs including directors' emoluments	66,999	93,316	101,856	42,345	43,390
Retirement benefit scheme contributions . . .	2,941	5,879	10,139	4,874	5,414
Total staff costs	69,940	99,195	111,995	47,219	48,804
Auditor's remuneration	12	269	237	—	—
Release of prepaid lease payments	411	372	149	93	56
Release of premium on prepaid lease payments	822	617	—	—	—
Depreciation of property, plant and equipment	6,176	8,066	8,940	4,317	4,413
Loss (gain) on disposal of property, plant and equipment	21	7	1,727	1,173	(49)
Allowance on bad and doubtful debts, net . .	1,735	1,159	2,495	1,073	303
Cost of inventories recognised as expenses	106,711	418,651	549,543	174,909	701,521
Net exchange (gain) loss	(1,041)	2,120	(35,586)	(33,263)	106
Rental expenses in respect of rented premises under operating leases	6,589	7,576	7,317	3,956	4,467
Gross rental income from investment properties	(7,283)	(10,649)	(11,029)	(5,300)	(5,454)
Less: direct operating expenses from investment properties that generated rental income	688	324	1,373	657	673
	<u>(6,595)</u>	<u>(10,325)</u>	<u>(9,656)</u>	<u>(4,643)</u>	<u>(4,781)</u>

11. INCOME TAX EXPENSE

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:					
PRC taxes					
EIT	30,542	50,492	76,831	23,699	122,877
LAT	46,066	2,585	104,237	—	102,396
	<u>76,608</u>	<u>53,077</u>	<u>181,068</u>	<u>23,699</u>	<u>225,273</u>
Deferred tax (note 23)					
Current	9,660	15,370	(23,383)	(10,447)	(25,912)
Overprovision in prior years	—	—	(1,135)	(1,129)	(3,824)
Attributable to change in tax rate	—	14,105	—	—	—
	<u>9,660</u>	<u>29,475</u>	<u>(24,518)</u>	<u>(11,576)</u>	<u>(29,736)</u>
	<u>86,268</u>	<u>82,552</u>	<u>156,550</u>	<u>12,123</u>	<u>195,537</u>

No provision for Hong Kong Profits Tax has been made in the Financial Information as the income of the Group neither arise in nor is derived from Hong Kong.

The Group's PRC enterprise income tax is calculated at 15% and 33% of the estimated assessable profits for the companies established in the regions of Shenzhen and Chengdu, respectively, for the years ended 31 December 2006 and 2007.

On March 16, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% and increased from 15% to 25% progressively from 1 January 2008 onwards.

Under the Provisional Regulations on LAT of the PRC promulgated on 27 January 1995, the PRC subsidiaries are also subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from transfers of properties in the PRC effective from 1 January 1994.

The income tax expense for the Relevant Periods can be reconciled to the profit (loss) before taxation per consolidated statements of comprehensive income (loss) as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit (loss) before taxation	263,855	166,819	254,071	(36,192)	412,904
Tax at PRC enterprise income tax rate of 15% for the years ended 31 December 2006 and 2007; 25% for the year ended 31 December 2008, six months ended 30 June 2008 and 2009 (note 1)	39,578	25,023	63,518	(9,048)	103,226
Tax effect of share of results of associates	62	232	947	442	307
Tax effect of income not taxable for tax purposes	(1,642)	(2,003)	(85)	(911)	—
Tax effect of expenses not deductible for tax purposes (note 2)	6,406	4,857	22,831	8,593	18,205
Tax effect of tax losses not recognised	2,159	6,607	7,219	15,544	12,966
Utilisation of tax losses previous not recognised	(2,062)	(1,705)	—	—	(3,640)
Tax effect of different tax rates on subsidiaries	2,611	12,591	(14,359)	347	(6,255)
LAT	46,066	2,585	104,237	—	102,396
Effect of LAT on enterprise income tax	(6,910)	(388)	(26,059)	—	(25,599)
Overprovision in prior year	—	—	(1,135)	(1,129)	(3,824)
Change in opening deferred tax liabilities or deferred tax assets resulting from an change in applicable tax rate	—	14,105	—	—	—
Differential tax rate on temporary difference of subsidiaries (note 3)	—	20,648	(564)	(1,715)	(2,245)
Income tax expense for the year/period	86,268	82,552	156,550	12,123	195,537

Notes:

- (1) Majority of the PRC subsidiaries of the Group are situated in the Shenzhen and Zhuhai Special Economic Zones for the years ended 31 December 2007 and 2006 and they were entitled to a preferential EIT rate of 15%. Commencing on 1 January 2008, the majority assessable profits were derived from subsidiaries situated in Chengdu of the PRC and the applicable income tax rate has changed to 25%.
- (2) The amounts represent the tax effect of expenses incurred in offshore companies, including the interest on loans from shareholders and impairment loss recognised in respect of goodwill.
- (3) The differential tax rate on temporary difference of subsidiaries is due to the new PRC Enterprise Income Tax Law promulgated on 16 March 2007 which unifies the income tax rate of domestic and foreign enterprises. Under the New Law and Implementation Regulations, the Enterprise Income tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% and increased from 15% to 25% respectively from 1 January 2008 onwards.

12. DIRECTORS' AND EMPLOYEES' REMUNERATION

Details of the emoluments paid to the directors of the Company during the Relevant Periods are as follow:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors					
– fee	—	—	—	—	—
– salaries and other benefits	2,151	2,891	4,423	2,090	2,000
– discretionary bonus	240	270	180	29	379
– contributions to retirement benefits scheme	52	45	70	6	34
	<u>2,443</u>	<u>3,206</u>	<u>4,673</u>	<u>2,125</u>	<u>2,413</u>

The emoluments of the directors on a named basis are as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Zeng Jie (曾寶寶)	1,016	1,336	1,342	670	670
Pan Jun (潘軍)	815	1,074	1,244	574	584
Feng Huiming (馮輝明)	612	796	1,199	525	551
Chan Sze Hon (陳思翰)	—	—	888	356	608
	<u>2,443</u>	<u>3,206</u>	<u>4,673</u>	<u>2,125</u>	<u>2,413</u>

The five highest paid individuals of the Group for the two years ended 31 December 2006 and 2007 included two directors while for the year ended 31 December 2008, the six months ended 30 June 2008 included three directors, and the six months ended 30 June 2009 included four directors, details of which are set out above. The remunerations of the remaining three individuals for the two years ended 31 December 2006 and 2007, the remaining two individuals for the year ended 31 December 2008 and the six months ended 30 June 2008 and the remaining one individual for the six months ended 30 June 2009 are as follows:

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employees					
– salaries and other benefits	1,302	1,388	2,155	1,077	387
– discretionary bonus	728	863	47	16	233
– contributions to retirement benefits scheme	49	47	34	1	10
	<u>2,079</u>	<u>2,298</u>	<u>2,236</u>	<u>1,094</u>	<u>630</u>

The emoluments of each of the remaining three highest paid individuals in the Group for the two years ended 31 December 2006 and 2007 were below HK\$1,000,000 while each of the remaining two highest paid individuals of the Group for the year ended 31 December 2008 and the six months 30 June 2008 were within the range from HK\$1,000,000 to HK\$1,500,000 and below HK\$1,000,000, respectively. The remaining one individual for the six months ended 30 June 2009 was below HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the directors 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 waived any remuneration during the Relevant Periods.

13. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. However, in respect of the Relevant Periods, the following dividends were paid by Shenzhen Xingyan and Shenzhen Fantasia Colour to their then shareholders.

	THE GROUP				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends paid	<u>—</u>	<u>1,054</u>	<u>1,036</u>	<u>—</u>	<u>—</u>

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the Relevant Periods is based on the profit (loss) attributable to owners of the Company for the Relevant Periods and by reference to the weighted average number of 328,050, 110,167,479, 3,645,000,000, 3,645,000,000 and 3,645,000,000 shares for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 which has been adjusted to reflect the shares in issue, comprising 100,000 shares in issue before the capitalisation issues and shares issued pursuant to the capitalisation issue as more fully described in the section headed "Written resolutions of our Shareholders" in Appendix VIII to the Prospectus.

15. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP				
	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2006	17,825	6,082	8,134	7,086	39,127
Acquisition of business (note 40(b))	9,648	—	2,986	283	12,917
Additions	—	2,290	3,353	1,005	6,648
Disposals	—	—	(4)	(142)	(146)
Disposal of a subsidiary (note 41)	—	—	(7)	—	(7)
At 31 December 2006 and 1 January 2007	27,473	8,372	14,462	8,232	58,539
Acquisition of assets and liabilities through acquisition of subsidiaries (note 40(a))	—	782	16	—	798
Additions	—	1,860	7,628	1,774	11,262
Disposals	—	—	(268)	—	(268)
Disposal of subsidiaries (note 41)	(9,648)	—	(2,945)	(264)	(12,857)
At 31 December 2007 and 1 January 2008	17,825	11,014	18,893	9,742	57,474
Acquisition of business (note 40(b))	—	—	45	5	50
Additions	8,142	10,436	6,837	777	26,192
Disposals	(2,357)	(392)	(1,462)	(213)	(4,424)
At 31 December 2008 and 1 January 2009	23,610	21,058	24,313	10,311	79,292
Additions	397	73	809	332	1,611
Disposals	—	(313)	(333)	(206)	(852)
At 30 June 2009	24,007	20,818	24,789	10,437	80,051
DEPRECIATION					
At 1 January 2006	1,495	2,014	3,277	2,186	8,972
Provided for the year	1,460	1,696	1,935	1,085	6,176
Eliminated on disposals	—	—	(1)	(122)	(123)
Disposal of a subsidiary (note 41)	—	—	(3)	—	(3)
At 31 December 2006 and 1 January 2007	2,955	3,710	5,208	3,149	15,022
Provided for the year	1,309	2,665	2,817	1,275	8,066
Eliminated on disposals	—	—	(164)	—	(164)
Disposal of subsidiaries (note 41)	(1,154)	—	(370)	(107)	(1,631)
At 31 December 2007 and 1 January 2008	3,110	6,375	7,491	4,317	21,293
Provided for the year	770	3,092	3,594	1,484	8,940
Eliminated on disposals	(240)	(99)	(950)	(156)	(1,445)
At 31 December 2008 and 1 January 2009	3,640	9,368	10,135	5,645	28,788
Provided for the period	570	1,514	1,612	717	4,413
Eliminated on disposals	—	(101)	(285)	(153)	(539)
At 30 June 2009	4,210	10,781	11,462	6,209	32,662
CARRYING AMOUNTS					
At 31 December 2006	24,518	4,662	9,254	5,083	43,517
At 31 December 2007	14,715	4,639	11,402	5,425	36,181
At 31 December 2008	19,970	11,690	14,178	4,666	50,504
At 30 June 2009	19,797	10,037	13,327	4,228	47,389

The following useful lives are used in the calculation of depreciation:

Buildings	Over the shorter of the term of lease or 50 years
Leasehold improvements	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 10 years

As at 31 December 2006, 2007, 2008 and 30 June 2009, certain of the Group's buildings with an aggregate carrying amount of approximately RMB15,487,000, RMB14,466,000, RMB11,860,000 and RMB11,493,000, respectively were pledged to bank to secure certain banking facilities granted to the Group.

16. INVESTMENT PROPERTIES

THE GROUP

FAIR VALUE	Completed	Under development	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2006	259,700	—	259,700
Disposals	(397)	—	(397)
Net change in fair value recognised in the consolidated statement of comprehensive income	81,608	—	81,608
At 31 December 2006 and 1 January 2007	340,911	—	340,911
Additions	—	27,353	27,353
Transfer from completed properties for sales	3,900	—	3,900
Net change in fair value recognised in the consolidated statement of comprehensive income	86,875	—	86,875
At 31 December 2007 and 1 January 2008	431,686	27,353	459,039
Additions	—	2,521	2,521
Transfer from completed properties for sales	712	—	712
Net change in fair value recognised in the consolidated statement of comprehensive income	(24,739)	38,546	13,807
Transfers upon completion of construction work	68,420	(68,420)	—
At 31 December 2008 and 1 January 2009	476,079	—	476,079
Additions	—	39,358	39,358
Disposals	(3,229)	—	(3,229)
Net change in fair value recognised in the consolidated statement of comprehensive income	(10,019)	—	(10,019)
At 30 June 2009	462,831	39,358	502,189

The fair values of the Group's completed investment properties were arrived at on the basis of a valuation carried out at the end of respective reporting periods by Jones Lang LaSalle Sallmanns Limited. Jones Lang LaSalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate.

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.

As at 31 December 2006, 2007, 2008 and 30 June 2009, the carrying amount of RMB74,601,000, RMB81,000,000, RMB158,908,000 and RMB160,037,000, respectively, represents car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there was no special provisions to obtain any title certificates, according to the relevant laws and regulations in Shenzhen.

As at 31 December 2006, 2007, 2008 and 30 June 2009, certain of the Group's investment properties with aggregate fair value of approximately RMB188,410,000, RMB304,100,000, RMB281,850,000 and RMB271,488,000, respectively were pledged to secure the banking facilities granted to the Group.

The investment properties are held under medium-term lease in the PRC.

17. INTERESTS IN ASSOCIATES

	THE GROUP			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	17,500	3,750	6,750	6,750
Share of post-acquisition results	(1,589)	(1,062)	(4,851)	(6,078)
Capital contributions	—	3,962	9,349	11,147
	<u>15,911</u>	<u>6,650</u>	<u>11,248</u>	<u>11,819</u>

Included in interests in associates are fair value adjustments of nil, approximately RMB3,962,000, RMB9,349,000 and RMB11,147,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, on interest-free non-current advances to associates.

Included in the cost of investment in associates are goodwill of nil, approximately RMB517,000, RMB517,000 and RMB517,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, arising on acquisition of an associate.

Details of the Group's associates, which were established in the PRC, at the end of respective reporting periods are as follows:

Name of associates	Registered capital	Equity interest attributable to the Group As at 31 December				Principal activities
		2006	2007	2008	As at 30 June 2009	
深圳市立方建築設計顧問有限公司 Shenzhen Cube Architecture Designing Consultants Company Limited ("Cube Architecture") (note 1)	RMB1,000,000	31%	N/A	N/A	N/A	Property consulting
東莞市歐普泰建築技術有限公司 Dongguan Ouputai Architecture Technology Company Limited ("Dongguan Ouputai")	RMB3,000,000	30%	30%	30%	30%	Property consulting
深圳市僑置科技有限公司 Shenzhen Qiaozhi Technology Company Limited ("Shenzhen Qiaozhi") (note 1)	RMB4,000,000	20%	N/A	N/A	N/A	Inactive
上海天濶投資有限公司 Shanghai Tiankuo Investment Company Limited ("Shanghai Tiankuo") (note 1)	RMB30,000,000	30%	N/A	N/A	N/A	Investment holding
深圳喜福會會所管理有限公司 Shenzhen Xi Fu Hui Club Management Company Limited ("Xi Fu Hui") (note 1)	RMB10,000,000	25%	N/A	N/A	N/A	Operation of club house and property management
Shenzhen Huaqianli	RMB10,000,000	30%	Note 2	Note 2	Note 2	Investment holding
Dongguan Fantasia	RMB10,000,000	30%	Note 2	Note 2	Note 2	Property development
東莞市左庭右院實業投資有限公司 Dongguan Zuoting Youyuan Industry Investment Company Limited ("Dongguan Zuoting Youyuan")	RMB18,000,000	0%	37.5%	37.5%	37.5%	Property development

Notes:

1. These associates were disposed of during the Relevant Periods. For details, please refer to note 47.
2. These associates became subsidiaries during the year ended 31 December 2007.

The summarised financial information in respect of the Group's associates is set out below:

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	340,489	258,190	223,032	203,373
Total liabilities	286,279	252,402	219,349	202,960
Net assets	54,210	5,788	3,683	413
Group's share of net assets of associates	15,911	2,171	1,382	155
	Year ended 31 December			Six months ended 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	275	124	—	—
Loss for the year/period	(1,558)	(4,506)	(10,104)	(3,273)
Group's share of results of associates	(416)	(1,548)	(3,789)	(1,227)

18. ADVANCES TO ASSOCIATES

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Dongguan Fantasia	191,214	—	—	—
Shenzhen Huaqianli	70,139	—	—	—
Dongguan Zuoting Youyuan	—	65,377	58,240	64,842
	261,353	65,377	58,240	64,842
Analysed for reporting purposes as:				
Current asset	261,353	—	—	—
Non-current asset	—	65,377	58,240	64,842
	261,353	65,377	58,240	64,842

The amounts represent the advances to associates which are non-trade nature.

The amounts are interest free, unsecured and are repayable on demand except the advance to Dongguan Zuoting Youyuan, which will not be recoverable within one year from the end of respective reporting periods and the advance is therefore considered as non-current. Such interest-free advance is measured at amortised cost using the average effective interest method at the rate of 6.5% per annum for the Relevant Periods.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	THE GROUP			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Leasehold land in Hong Kong under long lease	7,666	7,522	—	—
Leasehold land in the PRC under medium-term lease	7,429	1,786	1,673	1,617
	<u>15,095</u>	<u>9,308</u>	<u>1,673</u>	<u>1,617</u>

Analysed for reporting purposes as:

Current asset	385	256	112	112
Non-current asset	<u>14,710</u>	<u>9,052</u>	<u>1,561</u>	<u>1,505</u>
	<u>15,095</u>	<u>9,308</u>	<u>1,673</u>	<u>1,617</u>

During the year ended 31 December 2006, the Group disposed of its equity interest in Tianqi Trading Company Limited ("Tianqi Trading") to a third party. The assets of Tianqi Trading included the prepaid lease payment of approximately RMB130,869,000 (note 41).

During the year ended 31 December 2007, the Group disposed of its equity interest in San Jiao Zhou to Xi Fu Hui, a company in which Ms. Zeng Jie and Mr. Pan Jun have beneficial interests. The assets of San Jiao Zhou included the prepaid lease payment of approximately RMB5,415,000.

During the year ended 31 December 2008, the Group disposed of the prepaid lease payment amounting to approximately RMB7,486,000 to Ms. Zeng Jie, a director of the Company.

During the year ended 31 December 2008, Pujiang Daxigu acquired prepaid lease payments of approximately RMB15,139,000. On 28 February 2008, the Group disposed of its equity interest in Pujiang Daxigu to Shenzhen Tiankuo Investment Company Limited ("Shenzhen Tiankuo"), a company in which Ms. Zeng Jie and Mr. Pan Jun have beneficial interests. The assets of Pujiang Daxigu included the prepaid lease payment of approximately RMB15,139,000.

As at 31 December 2006, 2007, 2008 and 30 June 2009, certain of the Group's prepaid lease payments with a carrying amount of approximately RMB9,565,000, RMB9,308,000, RMB1,673,000 and RMB1,617,000 respectively, were pledged to secure the banking facilities granted to the Group.

20. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represent the fair value adjustment on the prepaid lease payments in respect of a leasehold land in the PRC under medium-term lease acquired through purchase of a subsidiary during the year ended 31 December 2006 and are amortised over the period of the remaining lease term on a straight-line basis.

	THE GROUP RMB'000
COST	
At 1 January 2006	—
Acquisition of business (note 40(b))	27,127
At 31 December 2006 and 1 January 2007	27,127
Disposal of a subsidiary (note 41)	(27,127)
At 31 December 2007, 1 January 2008, 31 December 2008 and 30 June 2009	—
AMORTISATION	
At 1 January 2006	—
Amortised for the year	822
At 31 December 2006 and 1 January 2007	822
Amortised from 1 January 2007 to 21 September 2007 (date of disposal of a subsidiary)	617
Disposal of a subsidiary (note 41)	(1,439)
At 31 December 2007, 1 January 2008, 31 December 2008 and 30 June 2009	—
CARRYING AMOUNTS	
At 31 December 2006	26,305
At 31 December 2007	—
At 31 December 2008	—
At 30 June 2009	—

21. GOODWILL

	THE GROUP RMB'000
COST	
At 1 January 2006	—
Arising on acquisition of business (note 40(b))	22,515
At 31 December 2006, 1 January 2007, 31 December 2007 and 1 January 2008	22,515
Arising on acquisition of business (note 40(b))	2,305
At 31 December 2008, 1 January 2009 and 30 June 2009	24,820
IMPAIRMENT	
At 1 January 2006	—
Impairment loss recognised for the year	22,515
At 31 December 2006, 1 January 2007, 31 December 2007, 1 January 2008	22,515
Impairment loss recognised for the year	2,305
At 31 December 2008, 1 January 2009 and 30 June 2009	24,820
CARRYING AMOUNTS	
At 31 December 2006	—
At 31 December 2007	—
At 31 December 2008	—
At 30 June 2009	—

During the year ended 31 December 2006, the Group acquired 70% equity interest in Enco Development and its subsidiaries and 60% equity interest in Shenzhen Hongwei from independent third parties, of which the goodwill amounted to approximately RMB17,199,000 and RMB5,316,000, respectively. The Group acquired the above interests solely for the purpose of rationalisation of the organisation structure.

During the year ended 31 December 2008, the Group acquired 70% equity interest in Shenzhen Liantang from independent third parties, of which the goodwill amounted to approximately RMB2,305,000. The Group acquired the above interests for the purpose of expansion of property operation services business.

Goodwill acquired in a business combination or acquisition of additional interest in subsidiaries are allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination or additional interest in subsidiaries.

22. IMPAIRMENT TESTING ON GOODWILL

During the year ended 31 December 2006, the Group recognised an impairment loss of RMB22,515,000 in relation to goodwill arising on acquisition of San Jiao Zhou, a subsidiary of Enco Development, and Shenzhen Hongwei. For the purposes of impairment testing, goodwill set out in note 21 has been allocated to two individual CGUs, which San Jiao Zhou is engaged in provision of tourism and entertainment services and Shenzhen Hongwei is engaged in provision of interior design services. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2006 allocated to two CGUs is nil.

During the year ended 31 December 2008, the Group recognised an impairment loss of RMB2,305,000 in relation to goodwill arising on acquisition of Shenzhen Liantang. For the purposes of impairment testing, goodwill set out in note 21 has been allocated to one individual CGU, which is engaged in provision of property management services. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2008 and 30 June 2009 allocated to this CGU is nil.

23. DEFERRED TAXATION

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

THE GROUP

	Fair value adjustment of investment properties	Temporary difference on accruals	Revaluation of properties arising from business combination	Tax losses	Others (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	12,698	(11,123)	—	—	1,086	2,661
Charge (credit) to the consolidated statement of comprehensive income for the year	12,241	3,487	(104)	—	(5,964)	9,660
Acquisition of subsidiaries (note 40(b))	—	—	16,212	—	—	16,212
At 31 December 2006 and 1 January 2007	24,939	(7,636)	16,108	—	(4,878)	28,533
Charge (credit) to the consolidated statement of comprehensive income for the year	22,261	4,280	(78)	(14,560)	3,467	15,370
Disposal of subsidiaries (note 41)	—	—	(16,030)	—	—	(16,030)
Effect of change in tax rate . .	16,626	(966)	—	—	(1,555)	14,105
At 31 December 2007 and 1 January 2008	63,826	(4,322)	—	(14,560)	(2,966)	41,978
Charge (credit) to the consolidated statement of comprehensive income for the year	3,527	130	—	(8,336)	(18,704)	(23,383)
Overprovision in prior years	—	(315)	—	(6)	(814)	(1,135)
At 31 December 2008 and 1 January 2009	67,353	(4,507)	—	(22,902)	(22,484)	17,460
(Credit) charge to the consolidated statement of comprehensive income for the period	(2,723)	(1,393)	—	273	(22,069)	(25,912)
Overprovision in prior years	—	—	—	(1,040)	(2,784)	(3,824)
At 30 June 2009	64,630	(5,900)	—	(23,669)	(47,337)	(12,276)

Note: Others mainly represents the deductible temporary difference arising from LAT provision.

For the purpose of presentation of statements of financial position, certain deferred taxation assets and liabilities has been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	THE GROUP			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	—	(14,560)	(41,531)	(67,122)
Deferred tax liabilities	28,533	56,538	58,991	54,846
	<u>28,533</u>	<u>41,978</u>	<u>17,460</u>	<u>(12,276)</u>

The Group had unutilised tax losses of approximately RMB41,353,000, RMB140,283,000, RMB208,385,000 and RMB238,449,000 at 31 December 2006, 2007, 2008 and 30 June 2009, respectively. A deferred tax asset has been recognised in respect of nil, approximately RMB58,240,000, RMB96,016,000 and RMB90,911,000 of such tax losses as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB41,353,000, RMB82,043,000, RMB112,369,000 and RMB147,538,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, due to the unpredictability of future profits streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of reporting periods will expire in the following years:

	THE GROUP			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
2007	843	—	—	—
2008	2,107	557	—	—
2009	7,589	4,513	4,513	4,313
2010	14,704	14,279	14,279	9,343
2011	12,469	6,407	6,407	5,748
2012	—	51,606	51,606	48,434
2013	—	—	26,465	20,221
2014	—	—	—	50,098
No expiry	<u>3,641</u>	<u>4,681</u>	<u>9,099</u>	<u>9,381</u>
	<u>41,353</u>	<u>82,043</u>	<u>112,369</u>	<u>147,538</u>

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was nil, nil, approximately RMB272,504,000 and RMB604,680,000 at 31 December 2006, 2007, 2008 and 30 June 2009, respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

24. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY		
	As at 31 December		As at 30 June
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted equity investment, at cost	1	1	1
Capital contributions	79,174	188,031	219,306
	<u>79,175</u>	<u>188,032</u>	<u>219,307</u>
Advances to subsidiaries	<u>1,306,508</u>	<u>1,257,013</u>	<u>1,236,243</u>

Included in investments in subsidiaries are fair value adjustments of approximately RMB79,174,000, RMB188,031,000 and RMB219,306,000 as at 31 December 2007, 2008 and 30 June 2009, respectively, on interest-free non-current advances to subsidiaries.

The advances to subsidiaries are unsecured and non-interest bearing. In the opinion of the directors, the Company will not be able to recover the advance within one year from the end of respective reporting periods and the advances are therefore considered as non-current. Such interest-free advances are measured at amortised cost using the effective interest method at the rate of 6.5% per annum for the Relevant Periods.

25. PROPERTIES FOR SALES

	THE GROUP			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Completed properties for sales	14,382	14,519	432,142	814,351
Under development	781,940	2,013,334	3,337,699	3,258,883
	<u>796,322</u>	<u>2,027,853</u>	<u>3,769,841</u>	<u>4,073,234</u>

As at 31 December 2006, 2007, 2008 and 30 June 2009, certain of the Group's properties for sales with a carrying amount of RMB308,801,000, RMB252,003,000, RMB818,751,000 and RMB997,939,000, respectively, were pledged to secure certain banking facilities granted to the Group. As at 30 June 2009, land use right which was included in property under development amounting to approximately RMB51,000,000 was pledged to secure the bank loan borrowed by Shenzhen Funian, an entity that a director of the Company, Ms. Zeng Jie, has beneficial interests (note 47).

As at 31 December 2006, 2007, 2008 and 30 June 2009, the Group was in the process of obtaining the land use right certificates for certain properties with an aggregate carrying amount of approximately RMB99,142,000, RMB316,095,000, RMB90,956,000 and nil, respectively.

As at 31 December 2006, 2007, 2008 and 30 June 2009, prepaid lease payment with an aggregate carrying amount of approximately RMB560,172,000, RMB613,080,000, RMB2,412,936,000 and RMB2,461,998,000, respectively were held for the purpose of property development for sale and included in the carrying amounts of properties for sales.

During the years ended 31 2006, 2007 and 2008 and the six months ended 30 June 2009, completed properties for sales with an aggregate carrying amount of nil, approximately RMB1,730,000, RMB410,000 and nil were transferred to investment properties upon the signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amount, amounting to nil, approximately RMB2,170,000, RMB302,000 and nil were recognised in the consolidated statements of comprehensive income.

Included in the amount are properties under development for sales of approximately RMB467,817,000, RMB1,415,086,000, RMB1,601,632,000 and RMB1,787,811,000 in relation to property development projects that are expected to complete after one year from the end of respective reporting periods as at 31 December 2006, 2007, 2008 and 30 June 2009.

26. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, normally within 30 days from date of the sales and purchase agreements.

Rental income derived from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and service fee income is received in accordance with the terms of the relevant property service agreements, normally within 30 - 90 days from the issuance of invoices.

Hotel operation income is in the form of cash sales.

	THE GROUP				THE COMPANY		
	As at 31 December			As at 30 June 2009	As at 31 December		As at 30 June 2009
	2006	2007	2008		2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	11,473	16,773	45,085	73,581	—	—	—
Other receivables	15,852	25,209	34,474	50,055	—	—	—
Deposits for the acquisition of land use right	43,000	58,000	19,432	—	—	—	—
Deposits for the acquisition of properties for sales (note 1)	—	—	—	80,000	—	—	—
Prepayments and other deposits (note 2)	6,626	74,718	8,553	30,220	72,802	101	—
Prepayments for construction materials	11,162	1,672	289	26,584	—	—	—
Other tax prepayment (note 3)	9,838	37,203	37,906	15,792	—	—	—
	<u>97,951</u>	<u>213,575</u>	<u>145,739</u>	<u>276,232</u>	<u>72,802</u>	<u>101</u>	<u>—</u>

Notes:

- (1) During the six months ended 30 June 2009, the Group has made a deposits of RMB80,000,000 in relation to acquisition of certain properties for sales from another independent property developer.
- (2) Prepayments and other deposits of the Group and the Company in 2007 and 2008 included amounts of approximately RMB72,802,000 and RMB101,000, respectively, which are denominated in USD, foreign currency of the relevant group entities.
- (3) During the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the Group is required to prepay business tax amounting to approximately RMB30,188,000, RMB56,053,000, RMB38,377,000 and RMB26,587,000 respectively, in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. The amount of approximately RMB9,610,000, RMB33,821,000, RMB35,224,000 and RMB11,318,000 has been prepaid during the Relevant Periods and included in other tax prepayment.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts at the end of reporting period:

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 30 days	7,123	10,207	14,189	50,406
31 to 90 days	2,669	4,158	28,876	16,645
91 to 180 days	236	1,170	1,740	833
181 to 365 days	1,062	484	260	5,697
Over 1 year	383	754	20	—
	<u>11,473</u>	<u>16,773</u>	<u>45,085</u>	<u>73,581</u>

For property investment and property operation services, before accepting any new customer, the Group has assessed the potential customer's credit quality of each customers. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB2,011,000, RMB2,951,000, RMB2,789,000 and RMB8,809,000 at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
31 to 90 days	330	543	769	2,279
91 to 180 days	236	1,170	1,740	833
181 to 365 days	1,062	484	260	5,697
Over 1 year	383	754	20	—
	<u>2,011</u>	<u>2,951</u>	<u>2,789</u>	<u>8,809</u>

Movement in the allowance for doubtful debts in respect of trade and other receivables

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	2,757	4,492	5,651	2,513
Impairment losses reversed	—	(411)	(144)	—
Impairment losses written off	—	—	(5,633)	(797)
Impairment losses recognised	1,735	1,570	2,639	303
Balance at end of the year/period	<u>4,492</u>	<u>5,651</u>	<u>2,513</u>	<u>2,019</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB4,492,000, RMB5,651,000, RMB2,513,000 and RMB2,019,000 of which the debtors have been in dispute with the Group.

27. AMOUNT DUE FROM A DIRECTOR

THE GROUP

	Maximum balance outstanding								
	As at 1 January 2006	As at 31 December			As at 30 June 2009	Year ended 31 December			Six months ended 30 June 2009
	2006	2006	2007	2008	2009	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Zeng Jie	—	—	—	—	13,306	—	—	—	13,306

The amount is interest free, unsecured and is repayable on demand. At the date of this report, the balance has been fully settled.

28. AMOUNT DUE FROM A SHAREHOLDER

THE GROUP AND THE COMPANY

The amount is unsecured, interest free and is repayable on demand. At the date of this report, the balance has been fully settled.

29. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest free and repayable on demand. The amounts are denominated in USD.

30. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	THE GROUP			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognised profits less				
recognised losses	6,576	14,186	30,678	10,720
Less: Progress billings	(2,112)	(8,045)	(29,329)	(9,545)
	<u>4,464</u>	<u>6,141</u>	<u>1,349</u>	<u>1,175</u>

No retentions held by customers for contract works was included in amounts due from customers for contract work.

No advance had been received during the Relevant Periods.

31. AMOUNTS DUE FROM RELATED PARTIES

THE GROUP

		Maximum balance outstanding							
	As at 1 January 2006	As at 31 December			As at 30 June 2009	Year ended 31 December			Six months ended 30 June 2009
		2006	2007	2008		2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
深圳天闊投資有限公司									
Shenzhen Tiankuo (note a) . . .	83,152	—	—	—	—	83,152	79,319	—	—
新東海實業(深圳)有限公司									
Xin Dong Hai (Shenzhen)									
Company Limited (“Xin Dong Hai”) (note a)	18,609	—	—	—	—	18,609	—	—	—
Xi Fu Hui (note a)	—	—	9,548	9,550	9,550	—	9,550	9,550	9,550
Ice Apex Limited									
(note a)	—	—	—	12	12	—	—	12	12
Graceful Star Overseas									
Limited (note a)	—	—	—	12	12	—	—	12	12
Palace Place Limited									
(note a)	—	—	—	13	13	—	—	13	13
Enco Development (note a) . .	—	—	—	—	3	—	—	—	3
Pujiang Daxigu (note a)	—	—	—	16,669	—	—	—	16,669	16,669
Tang Xue Bin 唐學斌									
(note b)	—	—	64	—	—	—	64	64	—
Lu Ying 路瑩 (note c)	—	—	678	600	600	—	1,428	678	600
Jin Jiang Lin 金江林 (note d) . . .	—	—	50	—	1,000	—	50	50	1,000
天津松江集團有限公司									
Tianjin Songjiang Group									
Company Limited									
“Songjiang Group”									
(note e)	—	—	—	—	12,000	—	—	—	12,000
	101,761	—	10,340	26,856	23,190	101,761	90,411	27,048	39,859

Notes:

- (a) Entities where the directors of the Company, Ms. Zeng Jie and Mr. Pan Jun, have controlling and beneficial interests.
(b) Tang Xue Bin is a director of Shenzhen Fantasia Management during the Relevant Periods.
(c) Lu Ying is the shareholder of Shenzhen Xingyan during the Relevant Periods.
(d) Jing Jiang Lin is a director of Dongguan Fantasia during the Relevant Periods.
(e) Songjiang Group held 40% equity interests in Tianjin Songjiang Fantasia during the Relevant Periods.

The amounts represent the advances to related parties which are non-trade nature.

The amounts are interest free, unsecured and are repayable on demand. At the date of this report, the balance has been fully settled.

32. HELD-FOR-TRADING INVESTMENTS

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Mutual funds listed in the PRC	—	—	3,000	—

The fair values of the held-for-trading investments were determined based on quoted market prices. The investments were disposed of in 2009.

33. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH*THE GROUP**Restricted bank deposits*

The deposits carry interest rates ranging from 0.72% to 0.94% per annum for the Relevant Periods. The restricted bank deposits will be released upon the buyers obtained the individual property ownership certificate.

*THE GROUP AND THE COMPANY**Bank balances and cash*

The Group's and the Company's bank balances carry variable interest rates ranging from 0.76% to 0.78% per annum during the Relevant Periods.

At 31 December 2006, 2007, 2008 and 30 June 2009, bank balances of the Group denominated in USD, foreign currency of the relevant group entities, are nil, approximately RMB968,315,000, RMB1,125,000 and RMB171,000, respectively.

At 31 December 2006, 2007, 2008 and 30 June 2009, bank balances of the Group denominated in HKD, foreign currency of the relevant group entities, are approximately RMB1,821,000, RMB2,648,000, RMB3,616,000 and RMB5,323,000, respectively.

34. TRADE AND OTHER PAYABLES

	THE GROUP				THE COMPANY		
	As at 31 December			As at 30 June 2009	As at 31 December		As at 30 June 2009
	2006	2007	2008		2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	33,520	173,291	325,534	675,843	—	—	—
Other payables	43,432	58,879	139,096	98,569	—	—	—
Other tax payables	4,928	24,296	21,218	30,073	—	—	—
Payroll payable	8,637	16,424	17,001	10,516	—	—	—
Welfare payable	2,307	2,927	2,817	2,645	—	—	—
Retention payable	2,679	11,937	10,828	11,912	—	—	—
Accruals	20,774	49,503	49,622	36,437	3,397	10,130	28,249
	<u>116,277</u>	<u>337,257</u>	<u>566,116</u>	<u>865,995</u>	<u>3,397</u>	<u>10,130</u>	<u>28,249</u>

Trade payables principally comprise amounts outstanding for purchase of construction materials and ongoing expenditures. The average credit period for purchase of construction materials ranged from 6 months to 1 year.

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

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 60 days	1,386	171,519	313,334	234,669
61 to 180 days	31,301	1,531	5,827	330,292
181 to 365 days	833	241	6,373	112,986
1 - 2 years	—	10,453	715	5,765
2 - 3 years	2,323	—	9,865	3,795
Over 3 years	356	1,484	248	248
	<u>36,199</u>	<u>185,228</u>	<u>336,362</u>	<u>687,755</u>

The balances of RMB2,679,000, RMB11,937,000, RMB10,828,000 and RMB9,808,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively with age over 1 year represent the retention money of approximately 5% to 10% of the construction contract price.

35. AMOUNTS DUE TO DIRECTORS

At 31 December 2006, 2007, 2008 and 30 June 2009, the carrying amounts denominated in HKD, foreign currency of the relevant group entities, are approximately RMB24,298,000, RMB26,200,000, nil and nil respectively.

The amounts are interest free, unsecured and are repayable on demand. At the date of this report, the balance has been fully settled.

36. AMOUNTS DUE TO RELATED PARTIES

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Tiankuo (note a)	122,914	—	—	—
San Jiao Zhou (note a)	—	782	—	—
Xin Dong Hai (note a)	687	—	—	—
Jing Liu 敬柳 (note b)	—	2,110	—	—
Songjiang Group (note c)	—	—	99,340	99,340
	<u>123,601</u>	<u>2,892</u>	<u>99,340</u>	<u>99,340</u>
Shown as current liabilities	123,601	2,892	99,340	—
Shown as non-current liabilities	—	—	—	99,340
	<u>123,601</u>	<u>2,892</u>	<u>99,340</u>	<u>99,340</u>

Notes:

- The directors of the Company, Ms. Zeng Jie and Mr. Pan Jun, have controlling and beneficial interest in Shenzhen Tiankuo, San Jiao Zhou and Xin Dong Hai during the Relevant Periods.
- Jing Liu is the shareholder of Yixing Jiangnan Shuixiang during the Relevant Periods.
- Pursuant to the agreement entered into between Tianjin Songjiang Fantasia and Songjiang Group in April 2009, the full amount with Songjiang Group has changed to interest bearing which carried fixed interest rate at 7.02% per annum with effect from 10 April 2009 and is repayable on 9 April 2011, accordingly, this amount has been reclassified as non-current liability as at 30 June 2009.

The balances represent the advances from related parties which are non-trade nature.

Except for the amount due to Songjiang Group as at 30 June 2009, the amounts are interest free, unsecured and are repayable on demand.

37. LOANS FROM SHAREHOLDERS

	THE GROUP AND THE COMPANY			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Fantasia (Cayman) Limited	—	547,845	512,595	512,393
Wellluck Properties Limited	—	182,615	170,865	170,797
	<u>—</u>	<u>730,460</u>	<u>683,460</u>	<u>683,190</u>
Shown as current liabilities	—	—	683,460	683,190
Shown as non-current liabilities	—	730,460	—	—
	<u>—</u>	<u>730,460</u>	<u>683,460</u>	<u>683,190</u>

The amounts are denominated in USD, foreign currency of the Company.

The Group borrowed USD100,000,000 (equivalent to RMB730,460,000) on 21 December 2007 which carried fixed interest rate at 12% per annum. At the date of this report, the balance has been fully settled.

The Group has pledged all shares, interests, participations or other equivalents in equity, registered capital or other ownership interest of certain subsidiaries of the Group to secure the shareholders' loans granted to the Group.

38. BORROWINGS

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	286,215	367,873	726,800	1,599,250
Other loan	—	—	—	200,000
	<u>286,215</u>	<u>367,873</u>	<u>726,800</u>	<u>1,799,250</u>
Secured	276,215	277,873	460,550	1,599,250
Unsecured	10,000	90,000	266,250	200,000
	<u>286,215</u>	<u>367,873</u>	<u>726,800</u>	<u>1,799,250</u>

The amount is repayable as follows:

Within one year	65,117	317,943	373,050	416,000
More than one year, but not exceeding two years	135,143	286	37,000	1,015,500
More than two years, but not exceeding five years	80,673	45,074	279,750	336,750
More than five years	5,282	4,570	37,000	31,000
	<u>286,215</u>	<u>367,873</u>	<u>726,800</u>	<u>1,799,250</u>
Less: Amounts due within one year shown under current liabilities	65,117	317,943	373,050	416,000
	<u>221,098</u>	<u>49,930</u>	<u>353,750</u>	<u>1,383,250</u>

All borrowings are denominated in RMB except for secured bank borrowings amounting to approximately RMB6,114,000, RMB5,573,000, nil and nil as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively are denominated in HKD, foreign currency of relevant group entities.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings:				
Within one year	40,000	317,800	35,000	200,000
More than one year, but not exceeding two years	75,000	—	—	—
More than two years, but not exceeding five years	80,100	44,500	—	—
	<u>195,100</u>	<u>362,300</u>	<u>35,000</u>	<u>200,000</u>

In addition, the Group has variable-rate borrowings which carry interest linked to HIBOR and Benchmark Rate. Interest is repricing every six months.

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Variable-rate borrowings:				
Within one year	25,117	143	338,050	216,000
More than one year, but not exceeding two years	60,143	286	37,000	1,015,500
More than two years, but not exceeding five years . . .	573	574	279,750	336,750
More than five years	5,282	4,570	37,000	31,000
	<u>91,115</u>	<u>5,573</u>	<u>691,800</u>	<u>1,599,250</u>

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
Effective interest rate:				
Fixed-rate borrowings	5.58% to 7.49% per annum	5.58% to 7.49% per annum	8.96% per annum	4.374% per annum
Variable-rate borrowings:				
HIBOR	+2.55% per annum	+2.55% per annum	N/A	N/A
Benchmark Rate	+1.77% to 2% per annum	N/A	+0.76% to 1.51% per annum	-0.68% to +1.08% per annum

The borrowings with the carrying amounts of nil, RMB90,000,000, RMB157,000,000 and RMB661,000,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, are guaranteed by Ms. Zeng Jie and Mr. Pan Jun, the directors of the Company. At the date of this report, the guarantees had been released.

39. REGISTERED CAPITAL/SHARE CAPITAL

	THE GROUP AND THE COMPANY		
	Number of shares	Amount HK\$	Equivalent to RMB'000
Ordinary shares of HK\$0.1 each			
Authorised:			
At 17 October 2007 (date of incorporation) and at 31 December 2007, 1 January 2008 and 31 December 2008 and 30 June 2009	<u>1,000,000</u>	<u>100,000</u>	<u>90</u>
Issued and fully paid:			
At 17 October 2007 (date of incorporation)	1	1	—
Issue of shares	<u>99,999</u>	<u>9,999</u>	<u>9</u>
On 31 December 2007, 1 January 2008, 31 December 2008 and 30 June 2009	<u>100,000</u>	<u>10,000</u>	<u>9</u>

- (1) At the time of incorporation, 1 share was issued at par to the subscriber to provide the initial capital to the Company.
- (2) On 30 November 2007, the Company issued 8 ordinary shares to Fantasy Pearl International Limited ("Fantasy Pearl") in exchange for the entire issued share capital of Winning Sky, Fantastic Victory, Wisdom Regal and Ace Link Pacific.
- (3) On 21 December 2007, 87,091 ordinary shares were issued at par to Fantasy Pearl. The purpose of issuing these shares is to provide additional working capital.

- (4) On 21 December 2007, 12,900 ordinary shares were issued to independent private investors pursuant to a subscription agreement at the same date, at aggregate consideration of US\$100,000,000 (equivalent to RMB734,891,000). The proceeds were used to reduce borrowings and to provide additional working capital to the Company.
- (5) Pursuant to written resolutions of all the shareholders passed on 27 October 2009, the authorised share capital of the Company was increased from HK\$100,000 to HK\$8,000,000,000 which rank pari passu in all respects with the shares then in issue. In addition, the directors authorised to capitalise HK\$364,490,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 3,644,900,000 shares.

At 31 December 2006, the share capital of the Group represented the combined share capital of Fantasia Investment, Winning Sky and Enco Development of approximately RMB10,000, RMB401,000 and RMB1,000, respectively.

40. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2006

On 28 September 2006, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Chi Fu Development and Shenzhen Zhifu from independent third parties at a consideration of approximately RMB52,000,000. This transaction has been accounted for as purchase of assets and liabilities.

Details of the net assets acquired in respect of the acquisition of Chi Fu Development and Shenzhen Zhifu are summarised below:

	<u>RMB'000</u>
Net assets acquired	
Properties under development for sales	51,796
Trade and other receivables	278
Amount due to a related party	(74)
	<u>52,000</u>
Total consideration satisfied by	
Cash	26,000
Amount due to a related party	10,400
Amount due to a director	15,600
	<u>52,000</u>
Net cash outflow arising from acquisition	<u>(26,000)</u>

For the year ended 31 December 2007

On 21 June 2007, the Group acquired the assets and liabilities of a property project through the acquisition of remaining 70% equity interests in Shenzhen Huaqianli and Dongguan Fantasia from an independent third party at a consideration of approximately RMB7,000,000. Prior to the acquisition, the Group held 30% equity interest in these entities and they have been accounted for as interests in associates. They became wholly-owned subsidiaries of the Group after the acquisition.

On 28 August 2007, the Group acquired the assets and liabilities of a property project through the acquisition of 60% equity interests in Yixing Jiangnan Shuixiang from independent third parties at a consideration of approximately RMB40,000,000.

On 1 November 2007, the Group acquired a property project and its related assets and liabilities from an independent third party at a consideration of approximately RMB111,804,000. The purchase was by way of the acquisition of 100% equity interests in Tianjin Fuda.

On 30 December 2007, the Group acquired a property project and its related assets and liabilities from independent third parties at a consideration of approximately RMB216,870,000. The purchase was by way of the acquisition of 94.52% equity interests in Chengdu Xinjin Youbang.

On 30 June 2007, the Group acquired a property project and its related assets and liabilities from independent third parties at a consideration of approximately RMB4,800,000. The purchase was by way of the acquisition of 66.36% equity interests in Sichuan Ximei.

The above transactions have been accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions are summarised below:

	<u>RMB'000</u>
Net assets acquired	
Property, plant and equipment	798
Interest in an associate	3,750
Properties under development for sales	611,147
Other receivables	116,227
Bank balances and cash	9,051
Other payables	(275,277)
Amounts due to related parties	(40,948)
	<u>424,748</u>
Minority interests	(38,553)
Less: interests in associates held prior to the acquisition	(5,721)
Total consideration satisfied by cash	<u>380,474</u>
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid	(380,474)
Bank balances and cash acquired	9,051
	<u>(371,423)</u>

For the year ended 31 December 2008

The Group acquired a property project and its related assets and liabilities from independent third parties at two stages. On 18 June 2008, the Group acquired 60% equity interests in Chengdu Jiurong at a consideration of approximately RMB94,855,000 and resulted in the minority interests of approximately RMB63,236,000 as at 30 June 2008. On 11 September 2008, the Group acquired the remaining 40% equity interests in Chengdu Jiurong at a consideration of approximately RMB63,236,000 and Chengdu Jiurong became a wholly owned subsidiary.

The above transaction has been accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transaction are summarised below:

	<u>RMB'000</u>
Net assets acquired	
Properties under development for sales	140,863
Other receivables	17,892
Bank balances and cash	332
Other payables	(850)
Tax payable	(145)
	<u>158,092</u>
Total consideration satisfied by cash	<u>158,092</u>
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid	(158,092)
Bank balances and cash acquired	332
	<u>(157,760)</u>

(b) *Acquisition of business*

For the year ended 31 December 2006

On 30 October 2006, the Group acquired 100% equity interests in Shenzhen Kaiyuan from independent third parties at a consideration of approximately RMB4,004,000. Shenzhen Kaiyuan is principally engaged in the provision of security system design, installation and maintenance services. This acquisition has been accounted for using the purchase method. The discount on acquisition was approximately RMB2,316,000.

On 14 June 2006, the Group acquired 60% equity interests in Shenzhen Hongwei from an independent third party at a consideration of approximately RMB5,000,000. Shenzhen Hongwei is principally engaged in the provision of interior design services. This acquisition has been accounted for using the purchase method. The goodwill on acquisition was approximately RMB5,316,000.

On 25 January 2006, the Controlling Equity Holders acquired 100% equity interests in Enco Development which owns 100% equity interests in Shenzhen Yahao and 90% equity interests in San Jiao Zhou from independent third parties at an aggregate consideration of approximately RMB27,224,000 and in turn transferred these companies to the Group at nil consideration. These companies are principally engaged in the provision of tourism and entertainment services. This acquisition has been accounted for using the purchase method. The goodwill on acquisition was approximately RMB17,199,000.

The aggregate net assets acquired in the above transactions, goodwill and discount on acquisition arising, are as follows:

	Acquisition of equity interest in Enco Development and its subsidiaries			Acquisition of equity interests in Shenzhen Kaiyuan and Shenzhen Hongwei	Total
	Carrying amount before acquisition	Fair value adjustments	Fair value	Aggregate carrying amount before acquisition and Aggregate fair value	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets acquired					
Property, plant and equipment	12,756	—	12,756	161	12,917
Prepaid lease payments	5,685	—	5,685	—	5,685
Premium on prepaid lease payments	—	27,127	27,127	—	27,127
Trade and other receivables ..	209	—	209	9,250	9,459
Amount due from a related party	—	—	—	71	71
Bank balances and cash	666	—	666	1,322	1,988
Trade and other payables	(17,806)	—	(17,806)	(3,885)	(21,691)
Amounts due to related parties	—	—	—	(683)	(683)
Tax payable	—	—	—	(232)	(232)
Deferred tax liabilities	—	(16,212)	(16,212)	—	(16,212)
Borrowings	(1,351)	—	(1,351)	—	(1,351)
	<u>159</u>	<u>10,915</u>	<u>11,074</u>	<u>6,004</u>	<u>17,078</u>
Minority interests			(1,049)	—	(1,049)
Goodwill			17,199	5,316	22,515
Discount on acquisition			—	(2,316)	(2,316)
			<u>27,224</u>	<u>9,004</u>	<u>36,228</u>
Total consideration satisfied by					
Cash			—	9,004	9,004
Contribution from Controlling Equity Holders			27,224	—	27,224
			<u>27,224</u>	<u>9,004</u>	<u>36,228</u>
Net cash outflow arising on acquisition					
Cash consideration paid			—	(9,004)	(9,004)
Bank balances and cash acquired			666	1,322	1,988
			<u>666</u>	<u>(7,682)</u>	<u>(7,016)</u>

Shenzhen Kaiyuan contributed approximately RMB213,000 to the Group's profit for the period between the date of acquisition and at 31 December 2006. Had the acquisition been completed on 1 January 2006, total group revenue for the year would be increased by approximately RMB15,871,000 and profit for the year would be increased by approximately RMB1,878,000.

Shenzhen Hongwei did not contribute significantly to the Group's cash flow, revenue and profit for the year ended 31 December 2006 since the date of acquisition. The contribution to the Group's revenue and profit for the year ended 31 December 2007 by Shenzhen Hongwei would be insignificant had the acquisition been completed on 1 January 2007.

Enco Development and its subsidiaries contributed approximately a loss of RMB1,184,000 to the Group's profit for the period between the date of acquisition and the reporting date. The contribution to

the Group's turnover and profit for the year ended 31 December 2006 by Enco Development and its subsidiaries would be insignificant had the acquisition been completed on 1 January 2006.

The above additional information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

For the year ended 31 December 2008

On 9 September 2008, the Group acquired 100% equity interests in Shenzhen Liantang, which was engaged in provision of property operation services, from independent third parties at a consideration of approximately RMB6,000,000. This acquisition has been accounted for using the purchase method. The amount of goodwill on acquisition was approximately RMB2,305,000.

On 28 February 2008, the Group acquired 100% equity interests in Joytime from Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at a consideration of RMB2. Joytime was engaged in investment holding and the Group acquired the equity interests in the aforesaid company solely for the purpose of rationalisation of the organisation structure. This acquisition has been accounted for using the purchase method.

On 28 February 2008, the Group acquired 100% equity interests in Gold Genius from Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at a consideration of RMB2. Gold Genius was engaged in investment holding and the Group acquired the equity interests solely in the aforesaid company for the purpose of rationalisation of the organisation structure. This acquisition has been accounted for using the purchase method.

The aggregate net assets acquired in the above transactions and goodwill arising are as follows:

	Carrying amount before acquisition and fair value
	RMB'000
Net assets acquired	
Property, plant and equipment	50
Amounts due from directors	19
Trade and other receivables	6,080
Bank balances and cash	3,502
Trade and other payables	(5,916)
Amounts due to related parties	(40)
Goodwill	2,305
Total consideration satisfied by Cash	<u>6,000</u>
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid	(6,000)
Bank balances and cash acquired	3,502
	<u>(2,498)</u>

Shenzhen Liantang, Joytime and Gold Genius did not contribute significantly to the Group's cashflow, revenue and profit for the year ended 31 December 2008 since the date of acquisition. The contribution to the Group's revenue and profit for the year ended 31 December 2008 by Shenzhen Liantang, Joytime and Gold Genius would be insignificant had the acquisition been completed on 1 January 2008.

41. DISPOSAL OF SUBSIDIARIES

On 4 January 2006, the Group disposed of its 36.4% effective equity interests in Tianqi Trading, a subsidiary of Shenzhen Fantasia Investment, to an independent third party at approximately RMB196,974,000.

On 5 September 2007, the Group disposed of its 70% equity interests in Shenzhen Tianlan to Shenzhen Tiankuo at approximately RMB7,000,000.

On 5 September 2007, the Group disposed of its 70% equity interests in Shenzhen Funian to Shenzhen Tiankuo at approximately RMB7,000,000.

On 17 September 2007, the Group disposed of its 41.6% equity interests in Shenzhen Flower to Shenzhen Tiankuo at approximately RMB800,000.

On 21 September 2007, the Group disposed of its 90% equity interests in San Jiao Zhou to Xi Fu Hui at approximately RMB10,000,000.

On 28 February 2008, the Group disposed of its 100% equity interests in Chi Fu Development to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at approximately RMB39,491,000.

On 28 February 2008, the Group disposed of its 100% equity interests in Enco Development to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at approximately RMB416,000.

On 28 February 2008, the Group disposal of its 100% equity interests in Pujiang Daxigu to Shenzhen Tiankuo at approximately RMB1,000,000.

The summary net assets of the subsidiaries disposed of at the respective balance sheet dates are as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Net assets (liabilities) disposed of			
Property, plant and equipments	4	11,226	—
Prepaid lease payments	130,869	5,415	15,139
Premium of prepaid lease payments	—	25,688	—
Properties for sales	—	212	—
Trade and other receivables	—	3,157	—
Amounts due from directors	—	—	39,907
Amounts due from related parties	—	30,950	—
Bank balances and cash	31	598	119
Trade and other payables	(8,070)	(1,399)	(15)
Amount due to a related party	(40,777)	(30,103)	—
Amount due to an immediate holding company	—	—	(14,154)
Tax payable	—	(16)	—
Deferred tax liabilities	—	(16,030)	—
	82,057	29,698	40,996
Minority interests	(18,443)	(7,031)	—
Gain on disposal recognised as contribution reserve	—	2,133	—
Gain (loss) on disposal of a subsidiary	133,360	—	(89)
Total consideration	196,974	24,800	40,907
Satisfied by:			
Cash	196,974	1,250	—
Amounts due from related parties	—	23,550	—
Amounts due from directors	—	—	40,907
	196,974	24,800	40,907
Net cash inflow (outflow) arising on acquisition:			
Cash consideration	196,974	1,250	—
Bank balances and cash disposed of	(31)	(598)	(119)
	196,943	652	(119)

The subsidiaries disposed of did not contribute significantly to the Group's cash flows, turnover and profit from operations during the Relevant Periods prior to disposal.

42. MAJOR NON-CASH TRANSACTIONS

On 30 April 2006, the Group acquired additional interest in Chengdu Huawanli at a consideration of RMB9,000,000. The consideration was settled through trade and other payables at 31 December 2006.

On 28 September 2006, the Group acquired a property project and its related assets and liabilities of Chi Fu Development and its subsidiary at a consideration of RMB52,000,000, of which RMB26,000,000 was settled through amount due to a related party and director amounting to approximately RMB10,400,000 and RMB15,600,000, respectively, at 31 December 2006.

On 5 September 2007, the Group disposed of its 70% equity interests in Shenzhen Funian at a consideration of RMB7,000,000. The consideration was settled through amount due from a related party at 31 December 2007.

On 5 September 2007, the Group disposed of its 70% equity interests in Shenzhen Tianlan at a consideration of RMB7,000,000. The consideration was settled through amount due from a related party at 31 December 2007.

On 21 September 2007, the Group disposed of its 90% equity interests in San Jiao Zhou at a consideration of RMB10,000,000. The amount of RMB9,550,000 was settled through amount due from a related party.

On 15 October 2007, the Group disposed of its 25% equity interests in Xi Fu Hui at a consideration of RMB2,500,000. The consideration was settled through amounts due from directors at 31 December 2007.

On 28 February 2008, the Group disposed of its 100% equity interests in Chi Fu Development to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company at a consideration of approximately RMB39,491,000. The consideration was settled through amounts due from directors at 31 December 2008.

On 28 February 2008, the Group disposed of its 100% equity interests in Enco Development to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at a consideration of approximately RMB416,000. The consideration was settled through amounts due from directors at 31 December 2008.

On 20 March 2008, the Group disposed of its property, plant and equipment and prepaid lease payment to Ms. Zeng Jie, director of the Company at considerations of approximately RMB956,000 and RMB7,486,000, respectively. The consideration was settled through amounts due from directors at 31 December 2008.

On 21 March 2008, the Group disposed of its 100% equity interests in Pujiang Daxigu to Shenzhen Tianguo at a consideration of approximately RMB1,000,000. The consideration was settled through amounts due from directors at 31 December 2008.

43. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of respective reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	6,526	7,422	5,785	5,933
In the second to the fifth year inclusive	7,527	7,703	15,952	15,887
After the fifth year	—	—	18,537	11,240
	<u>14,053</u>	<u>15,125</u>	<u>40,274</u>	<u>33,060</u>

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 10 years with fixed rentals.

The Group as lessor

At the end of respective reporting periods, the Group has contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	6,985	7,720	7,291	8,382
In the second to the fifth year inclusive	26,563	26,505	27,660	29,958
After the fifth year	75,985	69,471	56,905	60,452
	<u>109,533</u>	<u>103,696</u>	<u>91,856</u>	<u>98,792</u>

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

44. OTHER COMMITMENTS

	THE GROUP			As at 30 June 2009
	As at 31 December			
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Construction commitments contracted for but not provided in the Financial Information	<u>220,023</u>	<u>412,696</u>	<u>1,012,435</u>	<u>1,135,023</u>
Commitment in respect of the acquisition of additional interest in subsidiaries contracted for but not provided in the Financial Information	<u>2,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Commitment in respect of the acquisition of a subsidiary contracted for but not provided in the Financial Information	<u>—</u>	<u>6,000</u>	<u>—</u>	<u>—</u>
Commitment in respect of the acquisition of properties for sales related to Shenzhen Meinian Plaza contracted for but not provided in the Financial Information	<u>—</u>	<u>—</u>	<u>—</u>	<u>638,500</u>

45. RETIREMENT BENEFITS PLANS

The Group operates a mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs or lower of HK\$1,000 per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

46. CONTINGENT LIABILITIES

	THE GROUP			
	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	
Guarantees given to banks for:				
– mortgage facilities granted to purchasers of the Group's properties (note a)	297,158	661,172	719,325	476,543
– bank loans to a minority shareholder (note b)	—	100,000	—	—
– bank loans to Shenzhen Funian (note c)	—	—	—	20,000
	<u>297,158</u>	<u>761,172</u>	<u>719,325</u>	<u>496,543</u>

Notes:

- a. The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, no provision for the guarantee contracts is recognised as the default risk is low.

- b. Shenzhen Jing Ji Property Development Company Limited ("Shenzhen Jing Ji") (深圳市京基房地產開發有限公司), a subsidiary of the minority shareholder of Shenzhen Fantasia Investment, has issued corporate guarantees amounting to RMB90,000,000, at nil consideration, to certain banks in respect of banking facilities granted to Shenzhen Fantasia Investment. In addition, Shenzhen Fantasia Investment issued cross guarantees amounting to RMB280,000,000 at nil consideration, to certain banks in respect of banking facilities granted to Shenzhen Jing Ji and RMB100,000,000 was drawn down by Shenzhen Jing Ji as at 31 December 2007. No provision for the guarantee contract is recognised as in the opinion of the directors, the default risk is low. The cross corporate guarantees have been released during the year ended 31 December 2008.
- c. The director of the Company, Ms. Zeng Jie, has beneficial interests in Shenzhen Funian. No provision for the guarantee contract is recognised as in the opinion of the directors, the default risk is low. At the date of this report, the bank loans have been fully repaid and the respective guarantee has been released.

47. RELATED PARTY DISCLOSURES

- 1) During the Relevant Periods, in addition to those disclosed in notes 18, 19, 27, 28, 31, 35, 36, 37, 38, 40, 41, 42, and 46, the Group had significant transactions with related parties as follows:

On 5 September 2007, the Group disposed of its 31% equity interests in Cube Architecture to Ms. Zeng Jie, a director of the Company, at a consideration of approximately RMB667,000 which is determined with reference to the initial investment cost.

On 5 September 2007, the Group disposed of its entire 30% equity interests in Shanghai Tiankuo to Shenzhen Tiankuo at a consideration of approximately RMB9,000,000 which is determined with reference to the registered capital.

On 17 September 2007, the Group disposed of its 20% equity interests in Shenzhen Qiaozhi to Shenzhen Jingrui Investment Development Company Limited (深圳京銳投資發展有限公司) at a consideration of approximately RMB1,900,000 which is determined with reference to the initial investment cost.

On 14 November 2007, the Group disposed of its entire 25% equity interests in Xi Fu Hui to Sunyeer Properties Holdings Company Limited at a consideration of approximately RMB2,500,000 which is determined with reference to the registered capital.

On 23 November 2007, the Group acquired additional 40% equity interests in Shenzhen Kangnian from Shenzhen Tiankuo at a consideration of approximately RMB65,000,000.

Cube Architecture provides design services to Shenzhen Kangnian, Shenzhen Zhifu, Tianjin Songjiang Fantasia and Chengdu Huabaili. During the year ended 31 December 2006, 2007, 2008 and period ended 30 June 2009, provision of such design services by Cube Architecture to the Group amounted to approximately RMB1,682,000, RMB2,816,000, RMB2,451,000 and nil, respectively. The directors of the Company represent that the services will be continued after the Listing.

Shenzhen Colour Life Network provides management services to San Jiao Zhou commencing on 1 January 2008. During the year ended 31 December 2008 and period ended 30 June 2009, provision of such management services by Shenzhen Colour Life Network to San Jiao Zhou amounted to approximately RMB400,000 and nil, respectively. The directors of the Company represent that the services will be continued after the Listing.

During the year ended 31 December 2006, 2007, 2008 and period ended 30 June 2009, the Group sold certain properties to its key management personnel of the Group, at a consideration of nil, approximately RMB1,038,000, RMB4,496,000 and RMB5,498,000, respectively.

During the year ended 31 December 2006, 2007, 2008 and period ended 30 June 2009, the Group received properties rental income from Xi Fu Hui of approximately RMB301,000, RMB301,000, RMB301,000 and RMB150,000, respectively. The directors of the Company represent that the rental income will be continued to receive after the Listing.

During the six months ended 30 June 2009, Fantasia Chengdu Ecological pledged certain land use right which was included in property under development amounting to approximately RMB51,000,000 to bank for loan granted to Shenzhen Funian, an entity that a director of the Company, Ms. Zeng Jie, has beneficial interests. At the date of this report, the pledge had been released.

During the six months ended 30 June 2009, San Jiao Zhou, an entity that a director of the Company, Ms. Zeng Jie, has beneficial interests, has pledged its land use right to bank for loan granted to Dongguan Fantasia. At the date of this report, the pledge had been released.

2) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	THE GROUP				
	As at 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term benefit	6,276	7,270	19,883	9,941	11,841
Post-employment benefit	139	455	378	201	305
	<u>6,415</u>	<u>7,725</u>	<u>20,261</u>	<u>10,142</u>	<u>12,146</u>

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 31 December 2009 will approximately be RMB5 million.

C. SUBSEQUENT EVENTS

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

- (a) In April 2007, Fantasia Group (China) and Songjiang Group entered into a framework agreement with the People's Government of Pixian County (郫縣人民政府) (the "Pixian Government") relating to the development of the Wangcong Ancient Sichuan Culture Park (望叢古蜀文化產業園) located in Pixian County, Chengdu, Sichuan Province. In September 2009, Fantasia Group (China) further entered into a cooperative agreement with the local government in relation to the detailed design, arrangement and improvement for parcels of land for the culture park and its ancillary facilities.
- (b) In June 2009, Fantasia Group (China), entered into an agreement with the Administrative Committee of the Dali Provincial Tourism and Vacation Zone (大理省級旅遊度假區管理委員會) for the development of the Dali Bai Ethnic Culture Resort (大理白族民俗文化度假村) (the "Yunnan Project"), which will be located near Butterfly Spring (蝴蝶泉), in Dali, Yunnan Province. In September 2009, Fantasia Group (China) entered into a cooperative agreement with the local government in relation to the detailed design, arrangement and improvement for parcels of land for the Dali Provincial Tourism and Vacation Zone (大理白族民俗文化度假村) and its ancillary facilities.
- (c) In August 2009, Fantasia Group (China) entered into a share transfer framework agreement with Suzhou CITIC Investment Co., Ltd. (蘇州中信投資有限公司) in connection with the transfer of 100% equity interest in Suzhou Huawanli Real Estate Company Limited ("Suzhou Huawanli"), a newly established project company and Suzhou LKN Real Estate Development Co., Ltd. ("Suzhou LKN"), both of which are under the control of Suzhou CITIC Investment Co., Ltd. (蘇州中信投資有限公司). Suzhou Huawanli and Suzhou LKN do not have any business activities except for holding land use rights. Total consideration for the project as stated in the framework agreement is approximately RMB786 million. The project occupied a total site area of 379,635 square meters, comprising of (i) approximately 90,860 square meters currently owned by Suzhou LKN which has a planned aggregate gross floor area ("GFA") and saleable GFA of approximately 83,864 square meters, and (ii) approximately 288,775 square meters expected to be acquired by Suzhou Huawanli which has a planned aggregate GFA and saleable GFA of approximate 449,257 square meters. As at 30 September 2009, in the opinion of the Group's property valuer, Jones Lang LaSalle Sallmanns Limited, the reference capital value of such parcels of land was approximately RMB2,740 million. At the date of this report, the Group had paid a deposit of RMB30 million upon the execution of the framework agreement and also paid a consideration of approximately RMB393 million for the share transfer under the framework agreement. The share transfer will be completed in the first half of 2010 when Suzhou Huawanli is expected to complete the acquisition of such parcels of land as agreed under the share transfer framework agreement.
- (d) In August 2009, Fantasia Group (China) entered into a share transfer framework agreement with two individual independent third parties in connection with the transfer of their 100% equity interest in Beijing Taibo Real Estate Development Co., Ltd. ("Beijing Taibo") to Fantasia Group (China) at the total consideration of approximately RMB150 million. Beijing Taibo does not have any business activities except for holding land use rights. Upon the completion of the transfer, the Group will acquire such land use rights which occupied a total site area of approximately 8,219 square meters with an estimated aggregate GFA of approximately 55,000 square meters. As at 30 September 2009, in the opinion of the Group's property valuer, Jones Lang LaSalle Sallmanns Limited, the reference capital value of such parcels of land was approximately RMB337 million. In addition, these two independent third parties also agreed, under the framework agreement, to negotiate with relevant government authorities to facilitate Beijing Taibo in obtaining the additional land use rights. In the opinion of the directors, the share transfer

will be completed in the second half of 2010 upon the acquisition of those additional parcels of land as agreed under the share transfer framework agreement are completed.

- (e) On 25 September 2009, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Shenzhen Huiheng from independent third parties at a consideration of approximately RMB10,000,000.

The above transaction will be accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transaction are summarised below:

	<u>RMB'000</u>
Net assets acquired	
Prepaid lease payments	148,091
Other receivables	70
Bank balances and cash	1
Amount due to a shareholder	(138,000)
Other payables	(162)
	<u>10,000</u>
Total consideration satisfied by cash	<u>10,000</u>
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid	(10,000)
Bank balances and cash acquired	1
	<u>(9,999)</u>

- (f) On 28 September 2009, Fantasia Group (China), entered into two trust and loan agreements with Bohai International Trust Co., Ltd. (渤海國際信託有限公司) for a total amount of approximately RMB288 million and RMB104 million, respectively. These loans are for a term of two years. At the date of this report, the Group have drawn down approximately RMB196 million.
- (g) On 30 September 2009, the Group entered into a loan facility with a subsidiary of Industrial and Commercial Bank of China Limited for US\$30 million. The loan is for a term of three months and is required to be repaid in full, together with accrued interest and all outstanding amount, on 30 December 2009, or within 3 days after date of the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Listing"). The facility is guaranteed by Mr. Pan Jun and Ms. Zeng Jie but such guarantee will be released upon the date of the Listing. At the date of this report, the Group have drawn down approximately US\$30 million.
- (h) On 30 September 2009, Shenzhen Kangnian obtained a loan commitment letter from China Construction Bank Corporation Shenzhen sub branch ("CCB Shenzhen") in connection with its initial approval as to the issuance of a financing letter of guarantee or a standby letter of credit. Subject to additional credit investigation and assessment, CCB Shenzhen provides in the commitment letter to issue a financing letter of guarantee or a standby letter of credit for the account of HK Kangnian in favor of China Construction Bank (Asia) Corporation Limited ("CCB Asia"), and to recommend and facilitate Shenzhen Kangnian to obtain a credit facility in total principal amount of US\$100 million from CCB Asia. On 28 October 2009, HK Kangnian had obtained the credit facility from CCB Asia which was secured by the standby letter of credit issued to Shenzhen Kangnian by CCB Shenzhen. At the date of this report, the Group had drawn down US\$100 million.
- (i) On 7 October 2009, HK Kangnian obtained a facility letter from China Merchants Bank Co., Ltd., Hong Kong Branch, agreeing to offer the general bank facilities in the total amount of HK\$230 million, or the amount of a standby letter of credit issued by China Merchants Bank Co., Ltd., Shenzhen Branch, whichever is lower. The Group is required to

repay the facility in full together with all unpaid interest on the maturity date, which is the date falling one year from the acceptance of the facility letter by HK Kangnian, or three banking days prior to the expiry date of the letter of credit above mentioned. At the date of this report, the Group had drawn down approximately HK\$230 million.

- (j) On 25 September 2009 and 12 October 2009, Fantasia Chengdu Ecological entered into agreements with Stated-owned Land Resources Bureau of Pujiang Country (四川省蒲江縣國土資源局) to acquire several pieces of land in Sichuan Province at aggregate consideration of approximately RMB102 million and RMB117 million, respectively.
- (k) On 27 October 2009, shareholders' resolution of the Company were passed to approve the matters set out in the paragraph headed "Written Resolutions of our Shareholders" in Appendix VIII to the Prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong