You should read the following discussion and analysis in conjunction with our audited consolidated financial statements prepared in conformity with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, together with the accompanying notes, set forth in the accountants' report included as Appendix IA to this prospectus. Information presented in this section that is not extracted or derived from the accountants' report has been extracted or derived from unaudited management accounts as of and for the two month period ended November 30, 2009 (which are not included in this prospectus) or from other records. You should read the whole of the accountants' report included as Appendix IA to this prospectus and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections headed "Risk Factors" and "Business" and elsewhere in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2006, 2007 and 2008 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are one of the leading property developers in Fujian Province. Headquartered in Xiamen, we focus on the development of high-end property developments in the more prosperous regions of Fujian Province in the Western Taiwan Strait Economic Zone, including the greater metropolitan areas of Xiamen, Quanzhou and Zhangzhou, and Fuzhou. These four regions together accounted for over 69.8% of Fujian Province's GDP in 2008. In addition, we are also expanding into selected areas in the Bohai Economic Rim and the Pearl River Delta Economic Zone with similar, if not higher, growth and prosperity potential as Xiamen, Quanzhou, Fuzhou and Zhangzhou.

The following table sets out our revenue and profit attributable to equity holders of our Company for each of 2006, 2007 and 2008 and for the nine months ended September 30, 2008 and 2009, respectively.

	Year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	327,396	371,694	331,179	329,698	550,102
Profit attributable to equity holders of our Company	50,607	159,206	168,458	156,930	276,994

We have financed our projects primarily through contributions and advances from our Shareholders and business partners, bank borrowings, pre-sale proceeds of our properties and proceeds from the Pre-IPO Placing. We typically follow a financing model under which our start-up cost is mainly financed by bank and other borrowings as well as contributions and advances from our Shareholders and business partners. This financing model supports our projects until the pre-sales stage, when we are able to repay our borrowings with pre-sale proceeds. The following points summarize our main sources of funds for our projects.

- **Contributions from Shareholders and business partners.** We have relied to a certain extent on capital contributions and advances from our Shareholders and business partners of our respective project companies to finance our projects. PRC property developers were required to make a capital contribution of not less than 35% of the total investment of a project when they applied for project-specific loans. On May 27, 2009, such contribution percentage requirement was reduced to 20% for ordinary commodity housing projects and affordable housing projects and 30% for all other property development projects.

- **Advances from Shareholders and business partners.** In the past, we have also relied to a certain extent on advances from Shareholders and business partners of our respective project companies to finance our projects. Such advances were accounted for as amounts due to related parties in our statements of financial position. Our Directors confirm that all outstanding balances with respect to the advances from the Directors and companies controlled by Mr. Wong will be settled prior to Listing.

- **Bank borrowings.** As of November 30, 2009, we had total bank borrowings of RMB2,106.2 million. We have obtained project-specific and general bank borrowings to finance our projects. Certain of our bank loans are secured by our property and equipment, investment properties, land use rights, properties under development and completed properties held for sale at an aggregate net book value of approximately RMB3,991.4 million as of November 30, 2009. In addition, Mr. Wong and his family member have provided guarantees of an aggregate amount of RMB17.8 million in respect of our bank loans as of November 30, 2009. All of such guarantees will be released prior to Listing. We usually repay such borrowings using a portion of the pre-sale proceeds from our properties that relate to the particular loan.

- **Pre-sale proceeds of properties.** Pre-sale proceeds are proceeds we receive when we enter into contracts to sell properties prior to their completion. Under applicable PRC laws, the following conditions must be fulfilled before we are permitted to commence any pre-sale activities: (i) the land premium must be paid in full and the land use rights certificate must have been obtained; (ii) the construction works planning permit and the work commencement permit must have been obtained; (iii) the funds contributed to the development of the project must amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and (iv) the pre-sale approval must have been obtained. Our customers are required to make payment for our properties by lump sum. Some customers make their payments for the purchase of our properties by obtaining mortgage financing from banks and other financial institutions, for which we typically receive an initial payment of at least 30% of the unit purchase price at the execution of the pre-sale contract and the balance typically within one-month of the execution of the pre-sale contract.

- **Proceeds from Pre-IPO Placing.** With a view to obtaining additional capital to fund our property development business, we and the Controlling Shareholders entered into a subscription agreement with the Financial Investors on August 21, 2009, pursuant to which the Financial Investors agreed to subscribe for an aggregate of 12,660 Shares (representing 11.237% of the enlarged issued share capital of the Company immediately after completion of such subscription) for a total consideration of HK$775.4 million. For further details please refer to the section in this Prospectus headed “History, Reorganization and Group Structure — Investment by Financial Investors”.

After the Listing of our Shares, we expect to fund our projects by using a combination of sources, including internally generated cash flow, bank borrowings, proceeds from the Global Offering and other funds raised from the capital markets from time to time. In particular, as of November 30, 2009, the total contracted capital commitment of our projects amounted to RMB1,333.6 million, of which approximately RMB1,050 million is intended to be funded by the net proceeds we will receive pursuant to the Global Offering. For details of the capital commitments we have made relating to our projects as of November 30, 2009, please refer to the section headed “Financial Information — Contractual Commitments and Capital Expenditure — Capital expenditure” in this prospectus. Notwithstanding the above and our Directors’ estimate, potential investors are reminded that our access to funds may be affected by various factors, including the factors discussed under the section headed “Risk Factors” in this prospectus.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 30, 2007. Pursuant to the Reorganization, our Company became the holding company of the companies now comprising the Group as of December 31, 2007. For details of the Reorganization, please refer to the section headed “History, Reorganization and Group Structure — Our Reorganization” in this prospectus. Since our Company and the subsidiaries were, and are, ultimately controlled by Mr. Wong both before and after the completion of the Reorganization, the Reorganization has been treated as a business combination under common control for accounting purposes, and the financial information of our Group for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 has been prepared using the principles of merger accounting.

The financial information presented in the accountants’ report includes the following assumptions:

- our consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 include the results, changes in equity and cash flows of all companies now comprising our Group, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period;

- our consolidated statements of financial position have been prepared to present our state of affairs as if the current structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to Mr. Wong or our Company, as appropriate, as at the respective dates;

- acquisitions other than those resulting from the Reorganization are accounted for using the purchase method; and

- inter-company transactions, balance and unrealized gains on transactions between companies comprising our Group are eliminated.

For more information on the basis of presentation of the financial information included herein, please refer to Notes 2.1 and 2.2 to the accountants' report included as Appendix IA to this prospectus.

SELECTED HISTORICAL FINANCIAL INFORMATION OF OUR GROUP

The following consolidated statements of comprehensive income for 2006, 2007 and 2008, and the nine months ended September 30, 2008 and 2009 and the selected consolidated statements of financial position information as of December 31, 2006, 2007 and 2008 and September 30, 2009, are included in the accountants' report set forth in Appendix IA to this prospectus.

Consolidated Statements of Comprehensive Income and Other Financial Data

	Year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	327,396	371,694	331,179	329,698	550,102
Cost of sales	(261,244)	(242,727)	(203,335)	(202,459)	(284,642)
Gross profit	66,152	128,967	127,844	127,239	265,460
Other income and gains	8,231	43,476	6,962	6,245	13,739
Changes in fair value of investment properties	38,145	168,247	211,366	176,187	222,836
Selling and marketing expenses	(21,751)	(46,268)	(27,143)	(23,046)	(22,846)
Administrative expenses	(23,801)	(57,650)	(64,883)	(51,189)	(53,891)
Other expenses	(3)	(589)	(247)	(247)	—
Finance costs	(240)	(1,376)	(3,324)	(2,397)	(2,368)
Share of profits and losses of:					
Jointly-controlled entities	(1,416)	(3,261)	(4,697)	(5,808)	2,002
Associates	(112)	(888)	(4,413)	(2,996)	(3,317)
Profit before tax	65,205	230,658	241,465	223,988	421,615
Tax	(13,418)	(70,581)	(75,606)	(68,867)	(147,883)
Profit for the year/period	51,787	160,077	165,859	155,121	273,732
Other comprehensive income/(loss):					
Share of other comprehensive income of jointly-controlled entities	1,532	569	649	645	5
Exchange differences on translation of foreign operations	13,737	35,166	34,637	33,838	(6,975)
Other comprehensive income/(loss) for the year/period	15,269	35,735	35,286	34,483	(6,970)
Total comprehensive income for the year/period	67,056	195,812	201,145	189,604	266,762
Profit/(loss) attributable to:					
Equity holders of the Company	50,607	159,206	168,458	156,930	276,994
Minority interests	1,180	871	(2,599)	(1,809)	(3,262)
	51,787	160,077	165,859	155,121	273,732
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company	64,639	187,418	199,135	186,905	270,055
Minority interests	2,417	8,394	2,010	2,699	(3,293)
	67,056	195,812	201,145	189,604	266,762
Other financial data					
Net cash inflow/(outflow) from operating activities	(106,999)	(72,497)	(379,217)	(283,516)	459,038

Selected Consolidated Statements of Financial Position Data

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	2,028,077	4,175,555	5,366,768	8,586,034
Current assets	1,302,625	1,535,203	2,680,853	4,241,949
Including: Cash and cash equivalents	201,520	81,059	59,679	405,580
Non-current assets	725,452	2,640,352	2,685,915	4,344,085
Including: Investment properties	209,560	533,200	882,000	1,144,523
Total liabilities	1,954,488	3,799,447	4,792,841	6,362,656
Current liabilities	1,389,418	3,083,834	4,359,644	4,923,069
Including: Interest-bearing bank and other borrowings	100,000	47,612	1,009,425	513,651
Non-current liabilities	565,070	715,613	433,197	1,439,587
Including: Interest-bearing bank and other borrowings	556,500	675,125	344,493	1,284,293
Total equity	73,589	376,108	573,927	2,223,378
Attributable to equity holders of our Company	67,477	258,368	457,503	1,412,077
Attributable to minority interests	6,112	117,740	116,424	811,301

Our non-current assets mainly comprise investment properties, prepaid land lease payments, properties under development and prepayments for the acquisition of land use rights for which land use rights certificates have not been obtained. Upon the grant of the land use rights certificate for the relevant land parcel, the prepaid land premium previously recorded as prepayments will be reclassified as prepaid land lease payments under non-current assets.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Condition of National and Local Economies and the Real Estate Markets in China

All of our revenue during the Track Record Period was generated from operations relating to residential and commercial property markets in the PRC, particularly in Fujian Province. Our business has been concentrated primarily in Fujian Province, although we have a few projects in other parts of China, including Beijing, Shanxi Province and Guangdong Province. The performance of these markets has been closely tied to macroeconomic factors, including economic growth, urbanization and increased demand for residential properties and commercial properties. The growth of our business and our results of operations have, as a result, been driven to a significant extent by increased development of the private real estate sector and increasing urbanization in China generally and Fujian Province in particular.

There have been significant adverse changes in the global economy and world markets since 2008. The global economic crisis in 2008 caused a slowdown in global capital and credit markets and the world economy generally. The crisis affected the domestic economy in the PRC and, in particular, the coastal provinces such as Fujian Province in the form of, among other factors, a decrease in demand for overseas exports. The downward pressure on the local economy contributed to diminished expectations about future growth, declining business and consumer confidence and decreased demand for stocks and residential properties in the PRC. This led to a decrease in pre-sales of our properties in 2008, which led to a decrease in cash flow generated from our operating activities, as well as the decrease in working capital. In view of the impact on the PRC economy caused by the global economic crisis, the PRC Government adopted a two-year, RMB4 trillion economic stimulus plan in November 2008, much of which was expected to be spent to finance programs in major areas such as basic infrastructure and residential housing. Since then, the PRC stock market has rebounded sharply, particularly since early 2009. In addition, the stimulus plan boosted internal consumption and demand in the PRC, leading to a GDP growth of 7.9% for the second quarter of 2009. In addition, the lowering of the lending rates for residential property buyers by the PBOC at the end of 2008 and the loosening of certain restrictive measures adopted by the PRC Government have made credit and financing more readily available and at lower rates for property buyers and property developers. As a result of the measures adopted by the PRC Government, there has been a general increase in demand for, and pricing of, property assets in the PRC since early 2009 and the number of properties pre-sold by us has also increased accordingly. We are of the view that the overall decrease in our pre-sales in 2008 has not materially and adversely affected our business and financial condition. In addition, there has been no withdrawal of any banking facilities, request for early payments of outstanding loans from banks, request to increase the amount of collateral pledged for secured borrowings, or default on the part of any customers, as a result of the recent economic conditions in the PRC.

Our operations and financial performance could be materially and adversely affected by fluctuations in both global and domestic market conditions and economy.

PRC Government Policies and Regulations Relating to the Property Sector

PRC Government policies and measures regarding property development and related industries have a direct impact on our business and results of operations. Policies and regulations include those relating to:

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

From time to time the PRC Government adjusts its macroeconomic control policies to encourage or restrict development of properties by regulating certain aspects of the value chain, such as land grants, pre-sales of properties, bank financing and taxation. These policies have led, and may continue to lead, to changes in market conditions, including price stability, costs of ownership, costs of development and the balance of supply and demand in respect of residential and commercial properties.

During the Track Record Period, the PRC Government introduced and adopted various regulations or measures in an effort to curtail overheating of the PRC property market. In September 2007, the PRC Government adopted measures that were intended to restrict or limit the ability of purchasers to obtain second mortgages. Pursuant to such measures, the amount of minimum down payment required for a mortgage loan to be paid by an existing residential property owner who purchases additional properties was increased to 40% and the loan interest rates can be no less than 1.1 times the PBOC benchmark lending rates. In view of the global economic crisis, the PRC Government had moderately loosened such measures during 2008, and had once again tightened the mortgage policy by strictly enforcing such measures in June 2009 to promote a sustainable and healthy development of the property market. In November 2009, the PRC Government introduced new rules which provide for a minimum down payment of 50% of the land premium relating to land purchases from the PRC Government and forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

In addition, during the Track Record Period, the PRC Government introduced certain restrictive measures that limit property developers' access to capital resources and financing. In particular, the PRC Government had imposed strict capital and credit conditions on property development by restricting the granting of bank loans and facilities by commercial banks to PRC property development project companies having a project capital (in the form of registered capital) of less than 35% of the total investment of a project. In May 2009, the State Council lowered the minimum capital ratio for ordinary commodity housing projects and affordable housing projects from 35% to 20%, and to 30% for all other property development projects. This policy is expected to enhance property developers' ability to procure project financing.

Please refer to the sections headed "Risk Factors — Risks Relating to the Property Sector in the PRC — The restrictive measures adopted from time to time by the PRC Government to curtail the overheating of, and foreign investment in, the PRC property market could slow the industry's rate of growth or cause the property market to decline" and "Industry Overview — Regulatory Measures Affecting the Property Market in the PRC" in this prospectus for further details.

Land Acquisition Costs

Our continuing growth will depend in large part on our ability to secure quality land at prices that can yield reasonable returns. One of the key components of our cost of sales is land acquisition costs. In recent years, land acquisition costs have risen as a result of increased demand for properties, owing to the growth of the PRC economy.

In November 2007, the PRC Government introduced regulations to increase the transparency related to the grant of state-owned land use rights for residential or commercial property developments through competitive processes, including public tender, auction or listing for bidding, administered by local governments. Under such regulations, land use rights certificates are no longer separately issued according to the proportion of the land premium paid and, instead, no land use rights certificates will be issued before the land premium has been fully paid up pursuant to the land grant contract. This is expected to be an additional factor increasing the difficulty in acquiring land and further contributing to higher land acquisition costs. For further details of the relevant PRC regulations, please refer to the section headed "Industry Overview — Regulatory Measures Affecting the Property Market in the PRC" in this prospectus.

Construction Costs

Another key component of our cost of sales is construction costs, which consists of all costs for the design and construction of a project, including primarily payments to independent contractors and the cost of construction materials and equipment. Construction costs of our projects vary not only according to the floor area and height of the buildings, but also according to the geology of the construction site. Historically, construction materials costs incurred by our contractors have been the principal driver of the construction costs of our property developments. Construction costs fluctuate as a result of changes in prices of key construction materials such as steel and cement. Construction costs have a direct affect on our gross margin.

Our contractors are generally responsible for the procurement of construction materials (including cement and steel). As part of our cost control measures, we typically cap the prices of such materials in our construction contracts with our contractors. As a result, we have generally passed the risk of short-term price fluctuation of our construction materials to our contractors. However, in some cases, the capped price may be subject to adjustment by mutual agreement between us and our contractors due to a substantial price increase or decrease in construction materials; for example, some of our contracts allow price adjustments if the cost of certain construction materials fluctuates by more than a pre-determined percentage. Despite these measures, we are still subject to long-term movement in the prices of construction materials, and our profitability may suffer if we cannot pass on such increased costs to our customers. Further, we typically pre-sell our properties prior to their completion and we may not be able to pass on any increased costs to our customers if construction costs increase subsequent to such pre-sale.

Access to Capital and Cost of Financing

Property development requires substantial capital investment for land acquisition and construction, and it may take many months or years before positive cash flows can be generated from a project. During the Track Record Period, we financed our operations primarily through bank loans, internally generated cash flows (including proceeds from the pre-sale and sale of our projects) and capital contributions from our Shareholders. Please refer to the section headed "Financial Information — Liquidity and Capital Resources" in this prospectus for further information.

Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property development. Please refer to the sections headed "Risk Factors" and "Industry Overview — Regulatory Measures Affecting the Property Market in the PRC" in this prospectus.

Tax

CIT

We are subject to CIT in China. Prior to January 1, 2008, our subsidiaries incorporated in Shenzhen and Xiamen were entitled to a preferential CIT rate of 15% and all our other PRC subsidiaries were subject to CIT at the statutory rate of 33%. Under the new Corporate Income Tax Law, a uniform tax rate of 25% is applied to all enterprises operating in the PRC with effect from January 1, 2008, including foreign-owned enterprises. For our subsidiaries incorporated in Shenzhen and Xiamen, which had previously enjoyed a preferential tax rate, a tax rate of 18% has been applied with effect from January 1, 2008 and such rate will gradually transition to the new uniform tax rate of 25% over the five-year period from January 1, 2008. Our subsidiaries made CIT provision in accordance with the relevant laws and regulations. In April 2009, the State Administration of Taxation further specified certain criteria for the determination of "*de facto* management" of foreign enterprises that are controlled by PRC enterprises, but the interpretation of the term "*de facto* management" of foreign enterprises that are not controlled by PRC enterprises is unclear. Since some members of our management are PRC residents, we may be considered a PRC "resident enterprise" which shall be subject to CIT at a tax rate of 25% on our worldwide income. Please also refer to the sections headed "Risk Factors — Risks Relating to Conducting Operations in the PRC — The treatment of our companies for PRC corporate income tax purposes is unclear" in, and "Summary of PRC Laws Relating to the Property Sector" in Appendix VI to this prospectus.

LAT

Our properties in the PRC are subject to LAT on the appreciation in the value of land and the improvements on land we hold in relation to our property development sold or pre-sold after January 1, 2006. According to relevant laws and regulations, all income from our sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation in value as defined by the relevant tax regulations. We may enjoy certain exemptions from payment of LAT for our ordinary residential properties if the appreciation in value does not exceed 20% of the total deductible items. However, because the PRC tax authorities have not strictly enforced the LAT regulations, and because local provincial tax authorities can formulate their own implementation rules for LAT according to local situations, the regulatory standards for the treatment and calculation of our final LAT is uncertain. For details of the LAT regulations, please refer to the sections headed "Industry Overview — Regulatory Measures Affecting the Property Market in the PRC" in, and "Summary of PRC Laws Relating to the Property Sector" in Appendix VI to, this prospectus.

During the Track Record Period, we made LAT payments totaling RMB3.7 million, RMB11.7 million, RMB35.5 million and RMB19.1 million, respectively, for each of 2006, 2007 and 2008 and the nine months ended September 30, 2009, to the relevant PRC Government authorities at the time and pursuant to rates specified by such authorities. We will estimate and make provision for what we believe to be the full amount of LAT for which we expect to be liable in accordance with relevant PRC tax laws and regulations in the period when the revenue from the related properties has been recognized. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. As of the date of this prospectus, we have not finalized our LAT calculation and payments with any local tax authorities in the PRC for our properties under development or for our unsold completed properties. Although we believe our provisions are made in material compliance with LAT laws and regulations, it may or may not be sufficient to cover future LAT payments. Please also refer to the section headed “Risk Factors” in this prospectus.

Valuation of our Investment Properties

Investment properties are properties held for long-term yields or for capital appreciation or both and are not occupied by us, and consist of land held under operating leases and buildings developed by the Group. Our investment properties mainly comprise of retail shops, carpark spaces, storage and office spaces. In accordance with HKAS40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties, including investment properties under construction, may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties, including investment properties under construction, as non-current assets at their fair value, as determined by an independent property valuer, as of each reporting date, because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

During the Track Record Period and for the nine months ended September 30, 2009, properties that were completed and held by our Group for investment in the PRC have been valued by DTZ, an independent property valuer. For such completed investment properties, DTZ has adopted an income approach which takes into account the expected rental income of the properties derived from the existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, DTZ has made reference to comparable sale transactions as available in the relevant market.

DTZ has valued investment properties under construction on the basis that each such property will be developed and completed in accordance with the Group’s latest development proposals. In arriving at the market value, DTZ has adopted a direct comparison approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the expended construction costs and the costs that will be expended to complete the properties to reflect the quality of the completed properties. Prospective investors should be aware that such appraised value may be different from the actual realizable value, if any, and is subject to change.

Any gain or loss arising from changes in the fair value of investment properties, including investment properties under construction, is recognized in our statement of comprehensive income in the year in which the gain or loss arises. Such fair value gain or loss is calculated based on the difference between (i) the fair value as of each reporting date as determined by the independent valuer and (ii) the total additional costs incurred by our Group during the relevant reporting period plus the fair value as of the prior reporting date. In the years ended December 31, 2006, 2007 and 2008, and the nine months ended September 30, 2008 and September 30, 2009, our Group recorded upward fair value adjustments on our investment properties, amounting to approximately RMB38.1 million, RMB168.2 million, RMB211.4 million, RMB176.2 million and RMB222.8 million, respectively, in our consolidated statements of comprehensive income (which contributed to the related deferred tax expenses for these years), representing 58.4%, 72.9%, 87.5%, 78.7% and 52.8%, respectively, of our profit before tax in the same period. The fluctuations in the fair market value of our investment properties in the Track Record Period were primarily due to the addition and completion of new investment properties, as well as their overall appreciation.

In light of the above, prospective investors should be aware that upward fair value adjustments, which reflect, among other things, unrealized capital gains in the value of our investment properties at the relevant reporting dates and sometimes arise upon the reclassification of our properties as investment properties, are not profit generated from day-to-day rental income from our investment properties, are largely dependent on the conditions prevailing in the property markets, and do not generate cash inflow to us for dividend distribution to our Shareholders unless such investment properties are disposed of and the capital gains are realized. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may go down as well as up. There can be no assurance that we will continue to record fair value gains in the future. Please see the section headed "Risk Factors — Risks relating to Our Business — Our profitability may fluctuate substantially due to the periodic reassessment of fair value gains or losses on our investment properties".

Nature and Timing of our Property Development

The number of property developments that a developer can undertake during any particular period is limited due to the substantial amount of capital required to fund land acquisitions and to pay for the cost of construction, as well as its limited management resources. Property developments may take many months, or possibly years, before any pre-sale takes place. While the pre-sale of a property generates positive cash flow for us in the period in which it is made, according to our accounting policy, we only recognize revenue upon delivery of our properties, which normally takes place from six to 24 months after the commencement of pre-sales of our properties. Because the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing and delivery of the properties that we sell. In addition, effective management of our revenue stream depends on our ability to gauge, at the launch of a particular project, the expected demand in the market at the anticipated time of completion of such project. As a result, our results of operations may fluctuate in the future. Please also refer to the sections headed "Risk Factors — Risks Relating to Our Business — Because we derive our revenue principally from the sale of our completed projects, our results of operations may vary significantly from period to period" and "Business" in this prospectus.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements for 2006, 2007 and 2008, and the nine months ended September 30, 2008 and September 30, 2009, which have been prepared in accordance with HKFRS. Our reported financial condition and results of operations are sensitive to accounting methods and assumptions and estimates that underlie the preparation of the financial statements. We continually evaluate our estimates and assumptions and base them on historical experience and on various other factors that our Directors believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our financial statements. Our Directors believe the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

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

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

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

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

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

Cost of Sales

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in such period. Prior to the recognition of revenue, completed properties held for sale are included in our statement of financial position at the lower of cost and net realizable value. Cost of sales for each property that we sell mainly comprises the cost of completed properties sold and other levies and surcharges.

Cost of sales for each property that we sell includes the specific construction cost of each property, including land acquisition costs, capitalized borrowing costs and common development and related costs (both incurred and estimated to be incurred), but excludes selling and marketing expenses and administrative expenses.

Properties under Development and Completed Properties Held for Sale

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost or net realizable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale are stated at the lower of cost or net realizable value. Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realizable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Investment Properties

Investment properties include both completed investment properties and investment properties under construction.

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

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction cost. Subsequently, they are stated at fair value at each reporting date when fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of a completed investment property or an investment property under construction are recognized in the statement of comprehensive income in the year of the retirement or disposal.

Borrowing Costs

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

Tax

CIT

We are subject to CIT in China. Prior to January 1, 2008, our subsidiaries incorporated in Shenzhen and Xiamen were entitled to a preferential CIT rate of 15% and all other PRC subsidiaries were subject to CIT at the statutory rate of 33%. Effective from January 1, 2008, all enterprises with operations in China, including our PRC subsidiaries, are subject to a standard income tax rate of 25%. For our subsidiaries incorporated in Shenzhen and Xiamen, which had previously enjoyed a preferential tax rate, a tax rate of 18% has been applied with effect from January 1, 2008 and such rate will gradually transition to the new uniform tax rate of 25% over the five-year period from January 1, 2008. Significant judgment is required in determining the provision for income tax. If the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

LAT

Under PRC tax laws and regulations, all income from our sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation in land value, calculated as the sale proceeds of properties less deductible expenditures, including borrowing costs and all property development expenditures. Because at the time we deliver a property we may not have completed the entire phase of a project or the project as a whole, our estimate of LAT provisions at that time requires us to use significant judgment with respect to, among other things, the anticipated total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of the value of land, buildings and attached facilities and the various deductible items. The provision for LAT is made based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects and could be different from the amounts that were initially recorded, and any such differences will impact our profits after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities.

Deferred tax

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

DESCRIPTION OF CERTAIN ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue represents the gross proceeds, net of business tax and other sales related taxes, from the sale of properties; gross rental income received and receivable from investment properties; and property management fee income, net of business tax received and receivable during the Track Record Period.

The following table sets forth our revenue by source for each of 2006, 2007 and 2008 and for the nine months ended September 30, 2008 and 2009, respectively.

	Year Ended December 31,			Nine Months Ended September 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Sales of properties	325,779	367,974	325,217	325,217	535,778
Management fees	1,505	2,824	4,240	3,397	6,102
Rental income	112	896	1,722	1,084	8,222
Total	327,396	371,694	331,179	329,698	550,102

As we derive substantially all of our total revenue from property development, our results of operations for a given period are dependent upon the type and GFA of properties we have completed and sold during that period, the market demand for those properties and the price we obtain from the pre-sale or sale of the properties. Conditions in the property markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC. For further details of the effect these factors have on our results of operations, please refer to the section headed "Risk Factors" in this prospectus and "Financial Information — Key Factors Affecting Our Results of Operations — Condition of National and Local Economies and the Real Estate Markets in China" above.

The table below sets forth, for the periods and the type of properties indicated, the aggregate GFA that we sold and the average selling price per sq.m. for each type, which is calculated by dividing the revenue attributable to the properties sold by type by the GFA of that type sold:

	Year Ended December 31,						Nine Months Ended September 30,			
	2006		2007		2008		2008		2009	
	GFA sold	Average Selling Price (per sq.m.)	GFA sold	Average Selling Price (per sq.m.)	GFA sold	Average Selling Price (per sq.m.)	GFA sold	Average Selling Price (per sq.m.)	GFA sold	Average Selling Price (per sq.m.)
	(sq.m.)	*(RMB)*	*(sq.m.)*	*(RMB)*	*(sq.m.)*	*(RMB)*	*(sq.m.)*	*(RMB)*	*(sq.m.)*	*(RMB)*
Residential (GFA)	48,215	4,855	63,872	5,200	46,769	6,215	46,769	6,215	20,964	25,491
Commercial (GFA)......	9,991	7,459	3,672	9,602	1,152	9,547	1,152	9,547	—	—
Other (GFA)	7,534	2,281	184	3,105	12,381	1,900	12,381	1,900	1,503	922
Total	65,740		67,728		60,302		60,302		22,467	

Consistent with industry practice in the PRC, after satisfying the conditions for pre-sales set forth in PRC laws and regulations, we often enter into pre-sale contracts with customers while the relevant properties are still under development. Please refer to the section headed "Business — Our Property Development Process — Pre-sales and Sales" in this prospectus. Typically there is a difference of between several months and 24 months from the time we commence pre-selling properties under development to the completion of the properties. We do not recognize any revenue from the pre-sale of our properties until the development of such properties is complete (upon receipt of the completion certificate) and the relevant property being delivered to the purchaser, even though the purchase price for a property is usually paid in stages prior to the completion and delivery of the property. Before the completion and delivery of pre-sold properties, deposits and purchase prices or portions thereof received from our customers are recorded as receipts in advance, which is a current liability on our consolidated statements of financial position.

Our property management income represents recurring revenue from management fees we charge in connection with our completed properties. For details of our property management business, please refer to the section headed "Business — Our Property Development Process — Property Management and Post-Sale Services" in this prospectus.

Our rental income represents recurring revenue from our investment properties, which has been historically generated from retail shops, carparks and office spaces developed by us and was generally recognized in our statement of comprehensive income on a straight-line basis over the periods covered by the respective lease terms over the Track Record Period.

Cost of Sales

The principal component of cost of sales is the cost of completed properties sold, which consists of direct costs of construction, land acquisition costs and capitalized borrowing costs on related borrowed funds during the period of construction. We recognize the cost of completed properties sold for a given period to the extent that revenue from such properties has been recognized in such period. Please refer to the paragraphs headed "Construction Costs" and "Land Acquisition Costs" under the section headed "Financial Information — Key Factors Affecting Our Results of Operations" and "Borrowing Costs" under the section headed "Financial Information — Critical Accounting Policies".

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

	Year ended December 31,						Nine months ended September 30,			
	2006		2007		2008		2008		2009	
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Construction costs	190,083	72.7%	166,780	68.7%	146,862	72.2%	146,862	72.5%	181,258	63.7%
Land acquisition costs	59,748	22.9%	56,024	23.1%	40,009	19.7%	40,009	19.8%	83,011	29.2%
Capitalized borrowing costs	9,576	3.7%	17,586	7.2%	12,617	6.2%	12,617	6.2%	16,076	5.6%
Cost of completed properties sold	259,407	99.3%	240,390	99.0%	199,488	98.1%	199,488	98.5%	280,345	98.5%
Others	1,837	0.7%	2,337	1.0%	3,847	1.9%	2,971	1.5%	4,297	1.5%
Cost of sales	261,244	100.0%	242,727	100.0%	203,335	100.0%	202,459	100.0%	284,642	100.0%
Cost per sq.m. of GFA sold *(in RMB)*	3,946		3,549		3,308		3,308		12,478	

Construction costs

Construction costs include all of the costs for the design and construction of a project, including payments to independent contractors and designers and the cost of materials and equipment, government surcharges, construction management and infrastructures.

Cost of materials is a particularly significant component of our construction costs. Construction costs fluctuate as a result of changes in prices of key construction materials, including cement, iron, steel and other key building materials. Despite our cost control measures, we are still subject to general increases in prices of construction materials, which in turn will increase our construction costs. Please see the paragraph headed "Volatility in the prices of construction materials could adversely affect our business and financial performance" under the section headed "Risk Factors — Risks Relating to Our Business" in this prospectus.

Land acquisition costs

Land acquisition costs include costs relating to the acquisition of rights to occupy, use and develop land, including land premiums (which are incurred in connection with a land grant from the PRC Government or land obtained in the secondary market by transfer, cooperative arrangement or corporate acquisition), the applicable deed tax associated with the acquisition of land, and other land-related taxes and government surcharges. Our land acquisition costs are influenced by a number of factors, including the location of the property, market conditions, the project's plot ratios, the approved use of the land and our method of acquisition, whether through PRC Government-organized tenders, auctions or listings-for-sale, through private sale transactions or through the acquisition of other companies that hold land use rights. Land acquisition costs are also affected by changes in PRC regulations. For details of PRC regulations and measures affecting the PRC real property market, please refer to the section headed "Industry Overview — Regulatory Measures Affecting the Property Market in the PRC" in, and the "Summary of the PRC Laws Relating to the Property Sector" in Appendix VI to, this prospectus.

Capitalized borrowing costs

We capitalize a portion of our cost of borrowing to the extent that such costs are directly attributable to the construction of a particular project. In general, we capitalize borrowing costs incurred from the commencement of the planning and design of a project, which predates the receipt of a permit for commencement of construction work, until the physical completion of construction. For any given project, the borrowing costs incurred after completing the construction of a project are not capitalized but are instead accounted for in our consolidated statements of comprehensive income as finance costs in the period in which they are incurred. Where the duration of a loan is longer than the time of completion of the project, we are unable to capitalize the total interest costs related to the project for the period after completion. Fluctuations in the amount and timing of capitalization from period to period may affect our finance costs.

Other Income and Gains

Other income and gains consists primarily of bank interest income, consultancy service fee income, gain on disposal of investment properties, gain on disposal of jointly-controlled entities, gain on disposal of subsidiaries, gain on disposal of financial assets at fair value through profit or loss, net exchange gains, excess over the cost of business combination and others.

Selling and Marketing Expenses

Selling and marketing expenses primarily include advertising and promotional expenses relating to the sale of properties (including television, newspaper, magazine, billboard advertisements and certain other promotional events), selling and marketing staff costs, showrooms and other selling and marketing expenses. In addition, as part of our marketing strategy, we have provided qualifying members of SCE Customers Club with certain discounts.

Administrative Expenses

Administrative expenses primarily consist of employees' salaries and benefits, office expenses, traveling expenses, entertainment expenses, telephone charges, vehicle expenses and maintenance fees, advisory and consulting fees (including audit fees and other legal and professional fees) and insurance costs, as well as amortization of the land use rights of undeveloped land.

Changes in Fair Value of Investment Properties

We recognize changes in the fair value of our investment properties, including investment properties under construction, on our consolidated statements of comprehensive income. Please see the paragraph headed "Financial Information — Key Factors Affecting Our Results of Operations — Valuation of Our Investment Properties". As of December 31, 2006, 2007 and 2008 and September 30, 2009, the fair value of our investment properties was RMB209.6 million, RMB533.2 million, RMB882.0 million and RMB1,144.5 million, respectively. For 2006, 2007 and 2008 and the nine months ended September 30, 2009, the net fair value of our investment properties increased by RMB38.1 million, RMB168.2 million, RMB211.4 million and RMB222.8 million, respectively, and the relevant deferred tax for these fair value gains charged under income tax expenses on our consolidated statements of comprehensive income was RMB9.0 million, RMB42.0 million, RMB52.8 million and RMB55.7 million, respectively. Accordingly, the change in fair value of our investment properties (net of deferred tax) was RMB29.1 million, RMB126.2 million, RMB158.6 million and RMB167.1 million and represented approximately 56.2%, 78.8%, 95.6% and 61.1% of the profit for the years 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively.

The following table shows the increases in the fair value of our investment properties, broken down by project, over the Track Record Period:

	For the year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Green Lake Garden	19,397	2,964	(4,455)	(3,455)	2,000
Jun Jing Garden	180	—	—	—	—
World City	14,436	148,893	220,821	183,642	216,836
SCE Building	4,132	16,390	(5,000)	(4,000)	4,000
Total	38,145	168,247	211,366	176,187	222,836

Finance Costs

Finance costs primarily consist of borrowing costs net of capitalized borrowing costs relating to properties under development and acquisition of land. Not all of the borrowing costs related to a project can be capitalized. As a result, our finance costs may fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period as well as changes in the amount of outstanding principal and interest rates. The total amount of interest capitalized in 2006, 2007 and 2008 and the nine months ended September 30, 2009 was RMB24.3 million, RMB60.3 million, RMB81.3 million and RMB63.0 million, respectively.

Tax

Our income tax expenses for a given year include provisions made for Hong Kong and Cayman Islands profits tax, CIT and LAT during the year.

Hong Kong and Cayman Islands profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for 2007. No provision for Hong Kong profits tax has been made for the years or periods during the Track Record Period as our Group did not generate any assessable profits arising in Hong Kong. Furthermore, the Cayman Islands currently levy no income taxes on individuals or corporations.

CIT

Please see the paragraphs headed "Key Factors Affecting Our Results of Operations — Tax — CIT" and "Critical Accounting Policies — Tax — CIT" above. For 2006, 2007 and 2008 and the nine months ended September 30, 2009, our effective tax rate for CIT was 20.3%, 21.7%, 24.4% and 22.8%, respectively. The increase in this effective tax rate during the Track Record Period was mainly attributable to (i) the increase in non-deductible expenses in 2007 and 2008, such as our expenses incurred for our Reorganization and (ii) the increase in the associated deferred tax charges to reflect the adjustment in the CIT rate from the preferential CIT rate of 15% for our subsidiaries incorporated in Shenzhen and Xiamen to the new standard CIT rate of 25% under the new PRC Corporate Tax Law, which became effective in 2008.

LAT

Please see the paragraphs headed "Key Factors Affecting Our Results of Operations — Tax — LAT" and "Critical Accounting Policies — Tax — LAT" above.

Deferred tax

Please see the paragraph headed “Critical Accounting Policies — Tax — Deferred tax” above.

The carrying value of deferred tax assets relating to recognized tax losses were RMB11.2 million, RMB22.9 million, RMB31.9 million and RMB55.4 million as of December 31, 2006, 2007 and 2008, and the nine months ended September 30, 2009, respectively.

Exchange differences on translation of foreign operations

The functional currencies of certain of our overseas subsidiaries and jointly-controlled entities and associates are currencies other than RMB. As at each of the reporting dates, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the relevant reporting date, and their statement of comprehensive incomes are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income.

CONSOLIDATED RESULTS OF OPERATIONS

The following table shows the line items of our consolidated statements of comprehensive income, expressed in absolute figures and as a percentage of revenue, for 2006, 2007 and 2008, and the nine months ended September 30, 2008 and September 30, 2009:

	Year ended December 31,						Nine months ended September 30,			
	2006		2007		2008		2008		2009	
	(RMB'000)	*(Percentage of revenue)*	*(RMB'000)*	*(Percentage of revenue)*	*(RMB'000)*	*(Percentage of revenue)*	*(RMB'000)* (unaudited)	*(Percentage of revenue)*	*(RMB'000)*	*(Percentage of revenue)*
Revenue	327,396	100.0	371,694	100.0	331,179	100.0	329,698	100.0	550,102	100.0
Cost of sales	(261,244)	(79.8)	(242,727)	(65.3)	(203,335)	(61.4)	(202,459)	(61.4)	(284,642)	(51.7)
Gross profit	66,152	20.2	128,967	34.7	127,844	38.6	127,239	38.6	265,460	48.3
Other income and gains	8,231	2.5	43,476	11.7	6,962	2.1	6,245	1.9	13,739	2.5
Changes in fair value of investment properties	38,145	11.7	168,247	45.3	211,366	63.8	176,187	53.4	222,836	40.5
Selling and marketing expenses	(21,751)	(6.6)	(46,268)	(12.4)	(27,143)	(8.2)	(23,046)	(7.0)	(22,846)	(4.2)
Administrative expenses	(23,801)	(7.4)	(57,650)	(15.5)	(64,883)	(19.6)	(51,189)	(15.5)	(53,891)	(9.8)
Other expenses	(3)	(0.0)	(589)	(0.2)	(247)	(0.1)	(247)	(0.1)	—	—
Finance costs	(240)	(0.1)	(1,376)	(0.4)	(3,324)	(1.0)	(2,397)	(0.7)	(2,368)	(0.4)
Share of profits and losses of:										
Jointly-controlled entities	(1,416)	(0.4)	(3,261)	(0.9)	(4,697)	(1.4)	(5,808)	(1.8)	2,002	0.4
Associates	(112)	(0.0)	(888)	(0.2)	(4,413)	(1.3)	(2,996)	(0.9)	(3,317)	(0.6)
Profit before tax	65,205	19.9	230,658	62.1	241,465	72.9	223,988	67.9	421,615	76.7
Tax	(13,418)	(4.1)	(70,581)	(19.0)	(75,606)	(22.8)	(68,867)	(20.9)	(147,883)	(26.9)
Profit for the year/period	51,787	15.8	160,077	43.1	165,859	50.1	155,121	47.0	273,732	49.8
Other comprehensive income/(loss):										
Share of other comprehensive income of jointly-controlled entities	1,532	0.5	569	0.1	649	0.2	645	0.2	5	0.0
Exchange differences on translation of foreign operations	13,737	4.2	35,166	9.5	34,637	10.4	33,838	10.3	(6,975)	(1.3)
Other comprehensive income/(loss) for the year/period	15,269	4.7	35,735	9.6	35,286	10.6	34,483	10.5	(6,970)	(1.3)
Total comprehensive income for the year/period	67,056	20.5	195,812	52.7	201,145	60.7	189,604	57.5	266,762	48.5
Profit attributable to:										
Equity holders of the Company	50,607	15.4	159,206	42.8	168,458	50.9	156,930	47.6	276,994	50.4
Minority interests	1,180	0.4	871	0.3	(2,599)	(0.8)	(1,809)	(0.6)	(3,262)	(0.6)
	51,787	15.8	160,077	43.1	165,859	50.1	155,121	47.0	273,732	49.8
Total comprehensive income attributable to:										
Equity holders of the Company	64,639	19.8	187,418	50.4	199,135	60.1	186,905	56.7	270,055	49.1
Minority interests	2,417	0.7	8,394	2.3	2,010	0.6	2,699	0.8	(3,293)	(0.6)
	67,056	20.5	195,812	52.7	201,145	60.7	189,604	57.5	266,762	48.5
Other financial data										
Net cash inflow/(outflow) from operating activities	(106,999)		(72,497)		(379,217)		(283,516)		459,038	

The Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008

Revenue

Our revenue increased by RMB220.4 million, or 66.8%, to RMB550.1 million in the nine months ended September 30, 2009 from RMB329.7 million in the nine months ended September 30, 2008. This increase was due to the increase in the average selling price that we realized on sales of our properties in World City in the Beijing CBD area to RMB25,491 per sq.m. for the nine months ended September 30, 2009, as compared to the average selling price of our properties in Sapphire Peninsula (Xiamen) of RMB5,393 per sq.m. for the nine months ended September 30, 2008. The average selling price of our properties sold in World City in Beijing was significantly higher given the prime location of World City in the heart of the CBD of Beijing, as well as due to the fact that our properties in World City were sold with luxurious interior furnishings (whereas we are not providing comparable interior furnishings for our properties in Sapphire Peninsula (Xiamen)). In addition, based on industry data, the residential average selling prices of properties in Beijing, the capital city of the PRC, are generally higher than that in Xiamen and other cities in Fujian Province. However, even though our average selling price increased, we experienced a decrease in total GFA sold of 22,467 sq.m. for the nine months ended September 30, 2009 from 60,302 sq.m. for the nine months ended September 30, 2008 as all of our sold properties in Sapphire Peninsula (Xiamen) were delivered in 2008. Delivery of most of our pre-sold properties in World City in Beijing is expected to take place in 2010, in accordance with the delivery schedule under the relevant property sale agreement.

Set forth in the table below is the revenue generated from each of our projects in which we sold properties and the percentage of our total revenue from property sales in this period represented by each project.

	September 30, 2008 (unaudited)		September 30, 2009	
Project	**Revenue**	**Percentage of total revenue from property sales**	**Revenue**	**Percentage of total revenue from property sales**
	RMB'000	*(%)*	*RMB'000*	*(%)*
Sapphire Peninsula (Xiamen)	325,217	100.0	1,386	0.3
World City	—	—	534,392	99.7
Total	325,217	100.0	535,778	100.0

The table below sets forth, for the periods and the types of properties in each of the projects indicated, the aggregate GFA that we sold and the average selling price per sq.m. for each type of the projects, calculated by dividing the revenue attributable to the properties sold by type by the GFA of that type sold:

	September 30, 2008 (unaudited)		September 30, 2009	
Project	**GFA sold**	**Average Selling Price (per sq.m.)**	**GFA sold**	**Average Selling Price (per sq.m.)**
	(sq.m.)	*RMB*	*(sq.m.)*	*RMB*
Sapphire Peninsula (Xiamen) — Phase I				
Residential	18,869	6,328	—	—
Commercial	—	—	—	—
Others	7,524	1,595	—	—
Total	26,393		—	
Sapphire Peninsula (Xiamen) — Phase II				
Residential	27,900	6,139	—	—
Commercial	1,152	9,547	—	—
Others	4,857	2,373	1,503	922
Total	33,909		1,503	
Beijing World City				
Residential	—	—	20,964	25,491
Commercial	—	—	—	—
Others	—	—	—	—
Total	—		20,964	

Cost of sales

Our cost of sales increased by RMB82.1 million, or 40.6%, to RMB284.6 million in the nine months ended September 30, 2009 from RMB202.5 million in the nine months ended September 30, 2008. This increase was primarily due to the higher land acquisition costs per sq.m. of GFA sold incurred for our World City project in Beijing as the site is situated in the heart of the CBD of Beijing. We had also incurred higher construction costs per sq.m. of GFA sold as a result of the luxurious interior furnishing for the residential properties of our World City project. Such luxurious interior furnishing is unique to our residential properties in World City, Beijing and we have not provided comparable interior furnishing for our properties in Sapphire Peninsula (Xiamen).

Gross profit

As a result of the above, our gross profit increased by RMB138.3 million, or 108.7%, to RMB265.5 million in the nine months ended September 30, 2009 from RMB127.2 million in the nine months ended September 30, 2008. Our gross profit margin increased from 38.6% for the nine months ended September 30, 2008 to 48.3% for the nine months ended September 30, 2009. The increase in gross profit margin was due to the magnitude of the increase in average selling price per sq.m. of GFA sold of approximately 3.7 times, which was greater than the increase in construction costs per sq.m. of GFA sold of approximately 2.8 times.

Other income and gains

Our other income and gains increased by RMB7.5 million to RMB13.7 million in the nine months ended September 30, 2009 from RMB6.2 million in the nine months ended September 30, 2008. This increase was primarily due to the realization of exchange fluctuation reserve upon deregistration of our wholly-owned subsidiary, Xiamen Guanyu Property Development Company Limited.

Changes in fair value of investment properties

Our changes in fair value of investment properties increased by RMB46.6 million, or 26.4%, to RMB222.8 million in the nine months ended September 30, 2009 from RMB176.2 million in the nine months ended September 30, 2008. The increase in fair value of investment properties was primarily due to the appreciation in value resulting from the revaluation of commercial properties in World City in Beijing for the nine months ended September 30, 2009, which were assessed by us in consideration of the improving market sentiment and the general market and economic conditions in 2009.

Selling and marketing expenses

Our selling and marketing expenses decreased by RMB0.2 million, or 0.9%, to RMB22.8 million in the nine months ended September 30, 2009 from RMB23.0 million in the nine months ended September 30, 2008. The selling and marketing expenses for both the nine months ended September 30, 2008 and 2009 mainly represent advertising and promotional expenses incurred for marketing of our projects in Beijing and Quanzhou. For the nine months ended September 30, 2009, such expenses were mainly incurred for the promotion of sales of commercial properties in the World City project in Beijing and properties in the West Lake No. 1 project in Quanzhou, as well as commission paid to one of our associated companies, SCE Property Agency, for the property agency services provided to us in relation to our Seashore Suite No. 1 and West Lake No. 1 projects. For the nine months ended September 30, 2008, such expenses were mainly incurred in connection with the pre-sale of the residential properties in World City in Beijing and the launch of the West Lake No. 1 project in the first half of 2008.

Administrative expenses

Our administrative expenses increased by RMB2.7 million, or 5.3%, to RMB53.9 million in the nine months ended September 30, 2009 from RMB51.2 million in the nine months ended September 30, 2008. This increase was primarily due to the increase in expenses incurred during the nine month period ended September 30, 2009 in relation to the initial public offering.

Finance costs

Our finance costs were approximately RMB2.4 million for both the nine months ended September 30, 2008 and 2009. The change in finance costs was negligible, as the amount of general purpose and non-project-specific loans and borrowings remained fairly consistent between the two periods. As a result, the associated interest, which cannot be capitalized, remained stable.

Share of profits and losses of jointly-controlled entities and associates

Our share of profits and losses of jointly-controlled entities and associates increased by RMB7.5 million to a loss of RMB1.3 million in the nine months ended September 30, 2009 from a loss of RMB8.8 million in the nine months ended September 30, 2008. This increase was mainly due to the increase in the profit of SCE Wuyi Oasis, one of our jointly-controlled entities.

Profit before tax

As a result of the above, our profit before tax increased by RMB197.6 million, or 88.2%, to RMB421.6 million in the nine months ended September 30, 2009 from RMB224.0 million in the nine months ended September 30, 2008.

Tax

Our tax increased by RMB79.0 million, or 114.7%, to RMB147.9 million in the nine months ended September 30, 2009 from RMB68.9 million in the nine months ended September 30, 2008. This increase was primarily due to the increase in CIT and LAT charged on the sales of our properties in World City in Beijing, which were delivered to respective customers in the first three quarters of 2009. The higher CIT and LAT charges were attributable to the higher average selling price of our properties sold in World City, which contributed to a higher revenue and higher appreciation in land value calculated with reference to the sale proceeds in the nine months ended September 30, 2009.

Profit for the period

As a result of the above, our profit for the period increased by RMB118.6 million, or 76.5%, to RMB273.7 million in the nine months ended September 30, 2009 from RMB155.1 million in the nine months ended September 30, 2008.

Other comprehensive income/(loss)

Our other comprehensive income decreased by RMB41.5 million, or 120.3%, to a loss of RMB7.0 million in the nine months ended September 30, 2009 from a gain of RMB34.5 million in the nine months ended September 30, 2008. This decrease was primarily due to the exchange differences on translation of foreign operations attributable from the appreciation in the Renminbi in the first half of 2009, thereby creating a loss from the translation of the financial statements of our overseas subsidiaries and jointly-controlled entities and associates that use Hong Kong dollars as their functional currencies into Renminbi.

Minority interests

Our loss attributable to minority shareholders increased by RMB1.5 million, or 83.3%, to RMB3.3 million in the nine months ended September 30, 2009 from RMB1.8 million in the nine months ended September 30, 2008. This increase was primarily due to the increase in the losses incurred by our non-wholly owned subsidiaries, namely Shenzhen Fanya Real Estate Development Co., Ltd. and Shanxi Yuanhong Real Estate Co., Ltd.

2008 Compared to 2007

Revenue

Our revenue decreased by RMB40.5 million, or 10.9%, to RMB331.2 million in 2008 from RMB371.7 million in 2007. This decrease was primarily due to a decrease in the number of properties and the total GFA delivered to purchasers in 2008. In 2007, we completed the sale and delivery of all our properties in Green Lake Mansion and Jade Lakefront Manor and properties in nine out of 15 blocks in Sapphire Peninsula, and the total GFA sold and delivered in 2007 was 67,728 sq.m. In 2008, we sold and delivered properties in the remaining six blocks in Sapphire Peninsula, resulting in a total GFA sold and delivered in 2008 of 60,302 sq.m. The overall average selling price remained comparable with that of 2007 due to the delivery of properties of similar types and locations.

Set forth in the table below is the revenue generated from each of our projects in which we sold properties and the percentage of our total revenue from property sales in these years represented by each project.

	2007		2008	
Project	**Revenue**	**Percentage of total revenue from property sales**	**Revenue**	**Percentage of total revenue from property sales**
	RMB'000	*(%)*	*RMB'000*	*(%)*
Green Lake Mansion	5,355	1.4	—	—
Jade Lakefront Manor	9,119	2.5	—	—
Sapphire Peninsula (Xiamen)	353,500	96.1	325,217	100.0
Total	367,974	100.0	325,217	100.0

The table below sets forth, for the periods and the types of properties in each of the projects indicated, the aggregate GFA that we sold and the average selling price per sq.m. for each type of the projects, calculated by dividing the revenue attributable to the properties sold by type by the GFA of that type sold:

	2007		2008	
Project	**GFA sold**	**Average Selling Price (per sq.m.)**	**GFA sold**	**Average Selling Price (per sq.m.)**
	(sq.m.)	*RMB*	*(sq.m.)*	*RMB*
Green Lake Mansion				
Residential	177	5,483	—	—
Commercial	187	20,438	—	—
Others	184	3,105	—	—
Total	548		—	
Jade Lakefront Manor				
Residential	—	—	—	—
Commercial	908	10,043	—	—
Others	—	—	—	—
Total	908		—	
Sapphire Peninsula (Xiamen) — Phase I				
Residential	63,695	5,199	18,869	6,328
Commercial	2,577	8,662	—	—
Others	—	—	7,524	1,595
Total	66,272		26,393	
Sapphire Peninsula (Xiamen) — Phase II				
Residential	—	—	27,900	6,139
Commercial	—	—	1,152	9,547
Others	—	—	4,857	2,373
Total	—		33,909	

Cost of sales

Our cost of sales decreased by RMB39.4 million, or 16.2%, to RMB203.3 million in 2008 from RMB242.7 million in 2007. This decrease was primarily due to the corresponding decrease in the aggregate number of properties delivered in 2008, thereby decreasing the aggregate costs recognized in connection with such sale and delivery. It is also attributable to the lower land acquisition costs and the decrease in the amount of capitalized interest costs in relation to the Sapphire Peninsula (Xiamen) in 2008.

Gross profit

As a result of the above, our gross profit decreased by RMB1.2 million, or 0.9%, to RMB127.8 million in 2008 from RMB129.0 million in 2007. Our gross profit margin increased from 34.7% in 2007 to 38.6% in 2008. The increase in gross profit margin was principally driven by a decrease in average construction costs per sq.m. of GFA sold while the overall average selling price per sq.m. of GFA sold remained comparable with that of 2007.

Other income and gains

Our other income and gains decreased by RMB36.5 million, or 83.9%, to RMB7.0 million in 2008 from RMB43.5 million in 2007. This decrease was primarily due to our realization of the non-recurring gain on disposal of our jointly-controlled entity, Chongqing Chuangquan Real Estate Development Co., Ltd., of RMB34.9 million in 2007.

Changes in fair value of investment properties

Our changes in fair value of investment properties increased by RMB43.2 million, or 25.7%, to RMB211.4 million in 2008 from RMB168.2 million in 2007. This increase in fair value of investment properties in 2008 was primarily attributable to (i) additional construction costs incurred for completing the World City development in 2008 of approximately RMB138.2 million and (ii) the appreciation in value of the investment properties in World City in Beijing as a result of completion of construction for the investment properties in, as well as the infrastructure surrounding the neighbourhood of, this development in 2008 of approximately RMB359 million. In contrast, these investment properties were under construction in 2007, which generally would result in a relatively lower fair value being recorded. Based on the valuation performed by the independent property valuer, such a substantial increase in fair value as a result of the completion of construction of the investment properties in World City in Beijing offset the depreciation in fair market value of our investment properties of approximately RMB165 million as a result of the global economic downturn in the fourth quarter of 2008.

Selling and marketing expenses

Our selling and marketing expenses decreased by RMB19.2 million, or 41.5%, to RMB27.1 million in 2008 from RMB46.3 million in 2007. This decrease was primarily due to the completion of the promotional and advertising campaign of approximately RMB11.6 million in relation to World City in the home stadium of the Houston Rockets, a US National Basketball Association (NBA) team, carried out in 2007. It is also attributable to the overall lower level of marketing activities carried out in 2008 and the relatively lower marketing costs incurred for the publication of advertisement in domestic newspapers and magazines in the same year.

Administrative expenses

Our administrative expenses increased by RMB7.2 million, or 12.5%, to RMB64.9 million in 2008 from RMB57.7 million in 2007. The increase was mainly attributable to the increase in amortization of prepaid land premium of approximately RMB10.0 million, which was partially offset by the decrease in reorganization expenses in 2008 as a result of the substantial completion of our Reorganization in 2007 and the decrease in donations previously made by us in 2008.

Other expenses

Our other expenses decreased by RMB0.4 million to RMB0.2 million in 2008 from RMB0.6 million in 2007. Other expenses for 2008 mainly comprised the loss on disposal of our subsidiary, Xiamen Hengjun Property Co., Ltd. Other expenses for 2007 mainly comprised the amount of office equipment disposed and written-off following the move and renovation of our headquarters in Xiamen to the SCE Building in 2007.

Finance costs

Our finance costs increased by RMB1.9 million to RMB3.3 million in 2008 from RMB1.4 million in 2007. This increase was primarily due to interest costs in association with the loan obtained in relation to the development of SCE Building was no longer capitalized in 2008 due to its completion of construction. It was also attributable to the increase in other borrowings obtained for general working capital purposes.

Share of profits and losses of jointly-controlled entities and associates

Our share of losses of jointly-controlled entities and associates increased by RMB5.0 million to RMB9.1 million in 2008 from RMB4.1 million in 2007. This increase was primarily due to the increase in share of loss in our jointly-controlled entity, SCE Purple Lake International, and the share of loss in our associate, Grand Richy Investments Limited, which we established in 2008.

Profit before tax

Our profit before tax increased by RMB10.8 million, or 4.7%, to RMB241.5 million in 2008 from RMB230.7 million in 2007.

Tax

Our tax increased by RMB5.0 million, or 7.1%, to RMB75.6 million in 2008 from RMB70.6 million in 2007. This increase was primarily due to an increase in deferred tax of RMB12.2 million, mainly arising from the increase in changes in fair value of our investment properties in 2008. This was partially offset by a decrease in total tax charge for 2008 of RMB7.2 million, which was mainly attributable to the decrease in Hong Kong profits tax of RMB6.7 million in 2008 as compared to that of 2007, the year in which one of our Hong Kong subsidiaries recognized a non-recurring gain on disposal of jointly-controlled entities and financial assets at fair value through profit or loss.

Profit for the year

As a result of the above, our profit for the year increased by RMB5.8 million, or 3.6%, to RMB165.9 million in 2008 from RMB160.1 million in 2007.

Other comprehensive income

Our other comprehensive income for 2008 remained fairly consistent with 2007, with a slight decrease of RMB0.4 million, or 1.1%, to RMB35.3 million in 2008 from RMB35.7 million in 2007. The other comprehensive income mainly includes exchange differences on translation of foreign operations, which primarily represent the gain arising from the translation of the financial statements of our overseas subsidiaries and jointly-controlled entities and associates that use Hong Kong dollars as their functional currencies into Renminbi.

Minority interests

Our minority interests decreased by RMB3.5 million to a loss attributable to minority shareholders of RMB2.6 million in 2008 from a profit attributable to minority shareholders of RMB0.9 million in 2007. This decrease was primarily due to the losses incurred by our non-wholly owned subsidiaries, namely Shenzhen Fanya Real Estate Development Co., Ltd. and Shanxi Yuanhong Real Estate Co., Ltd. These losses were mainly attributable to high administrative expenses incurred during the start up phase of their operations and developments. No revenue had been incurred by these two non-wholly owned subsidiaries in 2008, as no properties held by them were sold or delivered.

2007 Compared to 2006

Revenue

Our revenue increased by RMB44.3 million, or 13.5%, to RMB371.7 million in 2007 from RMB327.4 million in 2006. Revenue generated from sales of properties increased by 13.0% to RMB368.0 million in 2007, primarily due to an increase in the total GFA sold and delivered of 67,728 sq.m. in 2007, as compared to 65,740 sq.m. in 2006, reflecting an increase of 3.0%. The properties sold and delivered in 2007 mainly comprised properties in Sapphire Peninsula (Xiamen), the delivery of which began to take place in 2007. The increase was also caused by the increase in the average selling price from approximately RMB4,956 per sq.m. in 2006 to approximately RMB5,433 per sq.m. in 2007, representing an increase of 9.6%.

Set forth in the table below is the revenue generated from each of our projects in which we sold properties and the percentage of our total revenue from property sales in these years represented by each project.

Project	2006 Revenue	2006 Percentage of total revenue from property sales	2007 Revenue	2007 Percentage of total revenue from property sales
	RMB'000	*(%)*	*RMB'000*	*(%)*
Green Lake Mansion	227,578	69.9	5,355	1.4
Jade Lakefront Manor	98,201	30.1	9,119	2.5
Sapphire Peninsula (Xiamen) ...	—	—	353,500	96.1
Total	325,779	100.0	367,974	100.0

The table below sets forth, for the periods and the types of properties in each of the projects indicated, the aggregate GFA that we sold and the average selling price per sq.m. for each type of project, calculated by dividing the revenue attributable to the properties sold by type by the GFA of that type sold:

Project	2006 GFA sold	2006 Average Selling Price (per sq.m.)	2007 GFA sold	2007 Average Selling Price (per sq.m.)
	(sq.m.)	*RMB*	*(sq.m.)*	*RMB*
Green Lake Mansion				
Residential..	27,819	5,503	177	5,483
Commercial	8,615	7,187	187	20,438
Others..	4,592	2,740	184	3,105
Total	41,026		548	
Jade Lakefront Manor				
Residential..	20,396	3,971	—	—
Commercial	1,376	9,160	908	10,043
Others..	2,942	1,565	—	—
Total...	24,714		908	
Sapphire Peninsula (Xiamen) — Phase I				
Residential..	—	—	63,695	5,199
Commercial	—	—	2,577	8,662
Others..	—	—	—	—
Total	—		66,272	

Cost of sales

Our cost of sales decreased by RMB18.5 million, or 7.1%, to RMB242.7 million in 2007 from RMB261.2 million in 2006. This decrease was mainly attributable to the decrease in construction costs in 2007. This was mainly due to the fact that relatively higher construction costs per sq.m. of Green Lake Mansion and Jade Lakefront Manor properties in 2006, which included costs for enhanced renovations and public utilities for retail shops, whereas there were no such costs for the Sapphire Peninsula development.

Gross profit

As a result of the above, our gross profit increased by RMB62.8 million, or 94.9%, to RMB129.0 million in 2007 from RMB66.2 million in 2006. Our gross profit margin increased from 20.2% in 2006 to 34.7% in 2007.

Other income and gains

Our other income and gains increased by RMB35.3 million to RMB43.5 million in 2007 from RMB8.2 million in 2006. This increase was primarily due to the gain on disposal of our jointly-controlled entity, Chongqing Chuangguan Real Estate Development Co., Ltd., of RMB34.9 million in 2007. Such gain on disposal was derived from the consideration for the disposal of RMB185.8 million, less the then net asset value of Chongqing Chuangguan Real Estate Development Co., Ltd. attributable to us and expenses, such as legal fees, that we incurred for the disposal. For details of the disposal, please refer to the section headed "History, Reorganization and Group Structure — Key Developments Prior to Our Reorganization — Disposal of Chongqing Chuangguan Real Estate Development Co., Ltd." in this prospectus.

Changes in fair value of investment properties

Our changes in fair value of investment properties increased by RMB130.1 million to RMB168.2 million in 2007 from RMB38.1 million in 2006. Such increase in fair value of investment properties was calculated based on the difference between (i) the fair value as of each reporting date as determined by the independent valuer and (ii) the total additional costs incurred by the Group during the relevant reporting period, plus the fair value as of the prior reporting date. The greater increase in fair value of investment properties in 2007 was mainly driven by the higher expended construction costs incurred of our investment properties in World City in Beijing in 2007, when the construction was at a relatively advanced stage, as compared to the low amount of construction costs incurred in 2006, when the construction commenced and was at an early stage. It was also partly attributable to the appreciation in market prices of our investment properties in general.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB24.5 million, or 112.4%, to RMB46.3 million in 2007 from RMB21.8 million in 2006. This increase was primarily due to an increase in promotional and advertising expenses incurred for the pre-sale of our properties in Sapphire Peninsula and Seashore

Suite No. 1 in Xiamen and World City in Beijing. Such promotion efforts included the advertising campaign in the home stadium of the Houston Rockets, a US NBA team. For details of these developments, please refer to the section headed "Business — Our Property Development Business — Description of Our Property Development Projects" in this prospectus.

Administrative expenses

Our administrative expenses increased by RMB33.9 million, or 142.4%, to RMB57.7 million in 2007 from RMB23.8 million in 2006. This increase was primarily due to the increase in the number of management and office personnel from 56 persons in 2006 to 142 persons in 2007, which mainly represents our new hires for the administration of our new projects in Quanzhou, Shanxi, Beijing and Shenzhen in 2007, and thereby increasing our total staff costs. The increase was also attributable to (i) the discretionary bonus totalling approximately RMB3.4 million granted to staff to reward them for the pre-sales achieved in 2007 and (ii) expenses incurred for our Reorganization, including related legal fees and audit fees, of approximately RMB8.2 million in 2007. All of these contributed to a significant increase in administrative expenses as a percentage of revenue from 7.3% in 2006 to 15.5% in 2007.

Other expenses

Our other expenses increased to RMB0.6 million in 2007 from RMB3,000 in 2006. This increase was primarily due to the disposal and write-off of the office equipment following the move and renovation of our head office in Xiamen to the SCE Building in 2007.

Finance costs

Our finance costs increased by RMB1.2 million to RMB1.4 million in 2007 from RMB0.2 million in 2006. This increase was primarily due to interest costs incurred for the portion of the additional bank borrowings of RMB40.0 million used for working capital obtained by our Group in August and October 2007 and also caused by the fact that interest on the loan obtained in relation to the development of SCE Building could no longer be capitalized after its completion of construction near the end of 2007.

Share of profits and losses of jointly-controlled entities and associates

Our share of losses of jointly-controlled entities and associates increased by RMB2.6 million, or 173.3%, to RMB4.1 million in 2007 from RMB1.5 million in 2006. Our share of losses in 2006 mainly comprised of the loss associated with our jointly-controlled entity, Chongqing Chuangquan Real Estate Development Co., Ltd., which was disposed by us in 2007. Our share of losses for 2007 primarily represented the loss on our investment in our jointly-controlled entities, namely SCE Purple Lake International, which was established by us and an Independent Third Party in March 2007 and Well China International Investment Holdings Limited, which acquired SCE Golf Course in January 2007, as well as the loss on our investment in our associate, SCE Noble Mansion.

Profit before tax

As a result of the above, our profit before tax increased by RMB165.5 million, or 253.8%, to RMB230.7 million in 2007 from RMB65.2 million in 2006.

Tax

Our tax increased by RMB57.2 million, or 426.9%, to RMB70.6 million in 2007 from RMB13.4 million in 2006. This increase was primarily due to the increase in deferred tax charge of RMB25.7 million, which was mostly attributable to the gain from revaluation of investment properties being recognized in 2007. It was also caused by an increase in CIT attributable to the increase in revenue arising from the sale proceeds of our properties in Sapphire Peninsula (Xiamen) in 2007, as well as the increase in LAT charged on the sale proceeds of our properties in Sapphire Peninsula (Xiamen). No LAT was charged on the sale of properties in Green Lake Mansion and Jade Lakefront Manor, which were pre-sold prior to January 1, 2006. In addition, we had made provision for Hong Kong profits tax of RMB6.7 million for 2007, which was mainly attributable from assessable profits of one of our Hong Kong subsidiaries arising from the non-recurring gains on disposal of jointly-controlled entities and financial assets at fair value through profit or loss.

Profit for the year

As a result of the above, our profit for the year increased by RMB108.3 million, or 209.1%, to RMB160.1 million in 2007 from RMB51.8 million in 2006.

Other comprehensive income

Our other comprehensive income increased by RMB20.4 million, or 133.3%, to RMB35.7 million in 2007 from RMB15.3 million in 2006. This increase was primarily due to the translation of the financial statements of our overseas subsidiaries and jointly-controlled entities and associates that use Hong Kong dollars as their functional currencies into Renminbi, which had appreciated against the Hong Kong dollar in 2007.

Minority interests

Our minority interests of RMB0.9 million in 2007 remained fairly consistent with that of RMB1.2 million in 2006. The minority interests for both 2006 and 2007 mainly comprised profit attributable to minority shareholders of our then non-wholly owned subsidiaries, namely, Pacific Prestige Limited, Metrogold Holdings Limited, Wealthy Pacific Limited and SCP International.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We operate in a capital-intensive industry and have historically financed, and expect to continue to finance, our working capital, capital expenditure and other capital requirements through proceeds from the pre-sale and sale of properties, borrowings from commercial banks and capital contributions from shareholders. Our short-term liquidity requirements relate to servicing our debt and funding our working capital requirements, and our sources of short-term liquidity include cash balances, proceeds from pre-sales and sales of properties and new loans. Our long-term liquidity requirements relate to funding of the development of our new property projects and repayment of our long-term debt, and our sources of long-term liquidity include loans and capital contributions from shareholders.

Cash Flow

The table below summarizes our consolidated cash flow for the periods indicated:

	For the year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Selected cash flow statement data					
Net cash inflow/(outflow) from operating activities	(106,999)	(72,497)	(379,217)	(283,516)	459,038
Net cash outflow from investing activities	(237,270)	(197,769)	(427,780)	(375,911)	(765,830)
Net cash inflow from financing activities	509,184	152,083	788,789	691,315	652,696
Net increase/(decrease) in cash and cash equivalents	164,915	(118,183)	(18,208)	31,888	345,904

Net cash inflow/(outflow) from operating activities

Our cash used in operations principally comprises payments for our property development activities and land acquisitions. Our cash from operations is generated principally from proceeds received from pre-sales and sales of our properties and rental income. Our cash flows for a given period are also supplemented by increases in trade payables and other payables and accruals, which have been accrued but are not yet due. Our property development business has experienced net operating cash outflows during the Track Record Period, particularly when imbalances occurred between the timing of our cash inflows relating to the pre-sale and sale of properties and our cash outflows relating to the construction and development of properties and the acquisition of land parcels. We expanded our property development business, including the acquisition of land parcels and construction of projects, and incurred cash outflows at a more rapid rate than cash return from pre-sales and sales of our projects that were eligible for pre-sales or sales during the Track Record Period.

In the nine months ended September 30, 2009, our net cash inflow from operating activities was RMB459.0 million, which was primarily attributable to (i) operating profit before working capital changes of RMB218.9 million and (ii) an increase in receipts in advance of RMB538.2 million, which mainly represented proceeds received from the pre-sale of our properties in World City, West Lake No. 1 and Seashore Suite No.1 in 2009. These were partially offset by an increase in completed properties held for sale in the amount of RMB304.5 million, which was primarily related to additional costs associated with completing the properties in World City and Seashore Suite No. 1.

In 2008, our net cash outflow from operating activities was RMB379.2 million, which consisted primarily of (i) an increase in completed properties held for sale in the amount of RMB593.0 million, in particular, related to the additional costs associated with completing properties in World City and SCE Building and (ii) an increase in prepaid land lease payments of RMB145.1 million that we made for the land acquired for SCE International Community. These were partially offset by (i) an increase in receipts in advance in the amount of RMB210.7 million, which mainly represented proceeds received from the pre-sale of our properties in World City, Seashore Suite No. 1 and West Lake No. 1 and (ii) a decrease in properties under development of RMB198.0 million, which indicates a decrease in payments for associate development costs.

In 2007, our net cash outflow from operating activities was RMB72.5 million. The cash outflow from operating activities in 2007 consisted primarily of (i) an increase in prepaid land lease payments of RMB688.2 million, which included prepayments we made for the land acquired for West Lake No. 1, Sapphire Uptown and Sapphire Boomtown, (ii) an increase in properties under development in the amount of RMB151.7 million, which mainly related to additional payments made for developing our properties in World City and (iii) an increase in completed properties held for sale in the amount of RMB206.4 million, which included additional costs associated with completing properties in Sapphire Peninsula (Xiamen). These were partially offset by cash inflows generated primarily from proceeds from the pre-sale of our properties, including those in World City in Beijing, recorded as receipts in advance of RMB1,056.7 million and due to an increase in working capital funding received in the form of other payables.

In 2006, our net cash outflow from operating activities was RMB107.0 million. The cash outflow from operating activities in 2006 was primarily attributable to (i) an increase in properties under development in the amount of RMB330.6 million which mainly related to the additional costs associated with the development of Sapphire Peninsula in Xiamen and the construction of World City in Beijing which commenced in 2006 and (ii) an increase in deposits and other receivables in the amount of RMB313.4 million, which included prepayments made by us for the acquisition of land use rights for the development site for World City in Beijing. This was partially offset by (i) an increase in receipts in advance, being proceeds received from the pre-sale of our properties in Sapphire Peninsula (Xiamen) of RMB297.7 million and (ii) the increase in funding in the form of trade payables in the amount of RMB166.6 million.

Net cash outflow from investing activities

Our cash outflow from investing activities primarily reflects the acquisition of property and equipment and acquisition of property project companies. Our cash inflow from investing activities primarily reflects the disposal of jointly-controlled entities.

In the nine months ended September 30, 2009, our net cash outflow from investing activities was RMB765.8 million, which consisted primarily of (i) the payment for the acquisition of subsidiaries of RMB167.7 million, including in particular, the acquisition of SCE Fortune Plaza in September 2009, (ii) an increase in restricted cash of RMB247.4 million, which mainly comprised guarantee deposits required to be placed in specific bank accounts for public maintenance funds or the use of the loan proceeds and (iii) a decrease in consideration payable for the acquisition of subsidiaries and associates of RMB234.3 million, which mainly represented our settlement of outstanding payments. These were partially offset by the cash inflow generated from the dividend received from SCE Wuyi Oasis, our jointly-controlled entity, of RMB25.0 million.

In 2008, our net cash outflow from investing activities was RMB427.8 million, which primarily represented our cash used in (i) purchasing property and equipment, which mainly includes furniture, fixtures and office equipment for our new offices in Xiamen, Quanzhou and Shanxi, as well as leasehold improvements for our Xiamen headquarters and Hong Kong office of RMB18.0 million and (ii) additions to investment properties in the amount of RMB138.6 million, in particular, relating to additional costs associated with completing investment properties in World City in Beijing and SCE Building in Xiamen, (iii) the acquisition of our jointly-controlled entity, SCE Wuyi Oasis, at a consideration of approximately RMB62.0 million, (iv) a decrease in consideration payable for the acquisition of subsidiaries and associates of RMB98.0 million, which mainly represented our settlement of outstanding payments and (v) the increase in restricted cash of RMB46.7 million, which mainly comprised guarantee deposits required to be placed in specific bank accounts for public maintenance funds or the use of the loan proceeds.

In 2007, our net cash outflow from investing activities was RMB197.8 million. The cash outflow from investing activities in 2007 was mainly attributable to (i) the acquisition of jointly-controlled entities, of RMB68.8 million, which included the establishment of SCE Purple Lake International and our acquisition of Well China International Investment Holdings Limited, (ii) additions to our investment properties in the amount of RMB157.8 million, which includes development costs incurred for the development of our properties in World City in Beijing and SCE Building in Xiamen and (iii) the payment for the acquisition of subsidiaries of RMB132.0 million, including the acquisition of SCE Shanxi Yuanhong and SCE Sapphire Boomtown. These were partially offset by (i) cash generated from proceeds received from the disposal of Chongqing Chuangquan Real Estate Development Co., Ltd., our jointly-controlled entity, of RMB131.5 million and (ii) the repayment from jointly-controlled entities and associates of their balances due to us totalling RMB33.3 million.

In 2006, our net cash outflow from investing activities was RMB237.3 million. The cash outflow from investing activities in 2006 was primarily due to (i) additions to our investment properties in the amount of RMB128.4 million, which mainly included costs paid for developing our investment properties in Green Lake Mansion, SCE Building and World City and (ii) an increase in restricted cash of RMB63.9 million, which were required to be placed in designated bank accounts for the pre-sale proceeds of our properties in Sapphire Peninsula in Xiamen as guarantee deposits for the construction of such properties.

Net cash inflow from financing activities

Our cash inflow from financing activities are mainly generated from new bank loans, advances from minority shareholders of certain of our subsidiaries and contributions from minority shareholders. Our cash outflow from financing activities reflects repayment of bank loans.

In the nine months ended September 30, 2009, our net cash inflow from financing activities was RMB652.7 million, which was primarily attributable to (i) the proceeds received in relation to the subscription of 12,660 Shares of our Company by Financial Investors in August 2009 for HK$775.4 million and (ii) new bank and other borrowings in the amount of RMB998.2 million for the development of the Fortune Plaza project and the drawdown of loans pursuant to new banking facilities. These were partially offset by (i) a decrease in net amounts due from/to related parties of approximately RMB59.4 million, which mainly represented our settlement of certain amounts due to related parties and (ii) the repayment of bank and other borrowings of RMB984.2 million.

In 2008, our net cash inflow from financing activities was RMB788.8 million, which was primarily attributable to (i) new bank and other borrowings in the amount of RMB710.2 million for property development in Quanzhou, in particular, West Lake No. 1, and general working capital purposes and (ii) an increase in net amounts due from/to related parties of RMB152.0 million, the amount mainly resulted from the decrease in amount due from companies controlled by Mr. Wong of RMB116.0 million. This was partially offset by our repayment of bank loans and other borrowings of RMB79.0 million.

In 2007, our net cash inflow from financing activities was RMB152.1 million. The cash inflow from financing activities in 2007 was mainly attributable to (i) new bank and other borrowings in the amount of RMB373.9 million, which primarily included loans obtained for our World City project and (ii) the contributions from minority shareholders of RMB60.5 million, which mainly represented contributions from minority shareholders of SCE Shanxi Yuanhong and SCE Sapphire Uptown, our indirect non-wholly owned subsidiaries. This was partially offset by our repayment of bank loans and other borrowings of RMB301.9 million.

In 2006, our net cash inflow from financing activities was RMB509.2 million. The primary factors affecting the net cash inflow from financing activities in 2006 were new bank and other borrowings in the amount of RMB632.5 million obtained by us, which mainly included new bank loan obtained for our Sapphire Peninsula (Xiamen) project in Xiamen and World City in Beijing and advances from minority shareholders of SCE Sapphire Hill, one of our subsidiaries of RMB101.1 million, and were partially offset by our repayment of bank loans in the amount of RMB280.0 million.

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the pre-sale proceeds to develop the pre-sold projects. The amount and timing of cash inflow from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the PRC Government, market demand for our properties available for pre-sale, the number of properties available for pre-sale and the timing for completion of the property development project. Reduced cash inflow from pre-sales of properties would increase our reliance on external financing and increase our financing expenses, which could in turn impact our results of operations and our ability to finance our continuing property developments. Please also refer to the sections headed “Risk Factors” and “Business — Our Property Development Process — Pre-sales and Sales” in this prospectus.

None of our pre-sale proceeds, which were recorded as receipts in advance as of September 30, 2009, were recognized as sales during the period from October 1, 2009 to November 30, 2009. This is mainly attributable to the fact that (i) delivery of our pre-sold properties in World City in Beijing is expected to take place in 2010 in accordance with the delivery schedule under the relevant property sale agreements and (ii) our pre-sold properties in West Lake No. 1, Seashore Suite No.1, Noble Mansion and Phase 3 of Wuyi Oasis are still under development, and no revenue can be recognized prior to delivery of such properties.

The table below sets forth our projects available for pre-sale in the next 12 months, including those currently under pre-sale:

Project	Actual/expected pre-sale commencement date
Noble Mansion	April 2008
West Lake No. 1	April 2008
World City	November 2008
Sapphire Uptown	December 2009
SCE International Community (Phase 1)	February 2010
Sunshine Town (Phase 1)	March 2010
Purple Lake International (Phase 1)	March 2010
Sapphire Boomtown (Phase 1)	March 2010
Fortune Plaza (Phase 1)	May 2010
SCE International Community (Phase 2)	May 2010
Sapphire Boomtown (Phase 2)	May 2010
The Regent	June 2010
Purple Lake International (Phase 2)	October 2010
Golden Coast (Phase 1)	October 2010
Sapphire Peninsula (Quanzhou) (Phase 1)	October 2010
Fortune Plaza (Phase 2)	January 2011
Sapphire Boomtown (Phase 3)	January 2011

Net Current Liabilities

As of December 31, 2006, 2007 and 2008 and September 30, 2009, we had net current liabilities of approximately RMB86.8 million, RMB1,548.6 million, RMB1,678.8 million and RMB681.1 million, respectively, largely as a result of receipts in advance, trade payables and short-term bank borrowings. Trade payables mainly comprise construction costs payable. Receipts in advance represent sales proceeds received from buyers in connection with the pre-sale of our properties during the relevant periods. Short-term bank borrowings represent the portion of the bank loans obtained to finance our property developments and for general working capital purposes which shall become due in the next 12-month period. Our net current liability position has also been attributable to the fact that a substantial amount of our cash was spent on the acquisition of land parcels held for future development, which were recorded as prepaid land lease payments under non-current assets.

As of November 30, 2009, we had net current liabilities of approximately RMB215.4 million, consisting of RMB4,579.9 million of current assets and RMB4,795.3 million of current liabilities, which represented a RMB465.7 million decrease from the net current liabilities of RMB681.1 million as of September 30, 2009. Our current assets mainly comprise prepayments for the acquisition of land use rights for which land use rights certificates have not been obtained and properties under development. Our current liabilities principally comprise pre-sale proceeds received from our customers being recorded as receipts in advance.

The table below sets out our current assets, current liabilities and net current liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of November 30,
	2006	2007	2008	2009	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Properties under development	752,820	826,850	1,370,435	1,652,863	2,003,360
Completed properties held for sale	4,237	210,633	803,671	1,135,069	1,132,770
Trade receivables	3,822	676	4,597	17,368	14,580
Prepayments, deposits and other receivables	105,068	179,459	142,639	332,160	334,849
Due from related parties	150,179	142,776	126,069	122,570	137,688
Tax recoverable	19,029	57,047	90,353	73,339	91,160
Restricted cash	65,950	36,703	83,410	503,000	327,714
Cash and cash equivalents	201,520	81,059	59,679	405,580	537,740
Total current assets	1,302,625	1,535,203	2,680,853	4,241,949	4,579,861
Current liabilities					
Trade payables	233,237	364,257	436,578	359,567	337,450
Receipts in advance	630,616	1,687,269	1,898,011	2,436,352	2,718,323
Other payables and accruals	132,243	659,613	618,142	1,293,789	890,432
Interest-bearing bank and other borrowings	100,000	47,612	1,009,425	513,651	562,100
Due to related parties	281,582	285,404	368,440	260,747	225,209
Tax payable	11,740	39,679	29,048	58,963	61,711
Total current liabilities	1,389,418	3,083,834	4,359,644	4,923,069	4,795,225
Net current liabilities	(86,793)	(1,548,631)	(1,678,791)	(681,120)	(215,364)

For further details on the risks relating to our net current liabilities during the Track Record Period and as of September 30, 2009, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We had net current liabilities during the Track Record Period, and our ability to raise funding may be adversely affected by our net current liability position" in this prospectus. Please also refer to the accountants' report set out in Appendix IA to this prospectus for further details.

Trade receivables

Our trade receivables arise from sale of properties. Consideration in respect of properties is payable by the purchasers in accordance with the terms of related sale and purchase agreements. The table below sets out the aged analysis of the trade receivables that are not considered to be impaired:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	—	—	—	12,826
1 to 6 months past due	3,060	296	220	2,695
7 to 12 months past due	58	—	3,949	—
Over 1 year past due	704	380	428	1,847
Total	3,822	676	4,597	17,368

The neither past due nor impaired balance as of September 30, 2009 mainly comprises RMB12,826,000 receivables from cash sales of properties in World City in Beijing with special credit terms granted to certain customers and the effective rental receivable for rent-free periods granted to lessees of our investment properties. As of November 30, 2009, over 41% of the neither past due nor impaired balance as of September 30, 2009 were settled by relevant customers. Other past due balances of our trade receivables mainly comprise price adjustments based on actual GFA of properties delivered to customers and will normally be settled when we apply for the relevant ownership certificates for the relevant properties owners.

Due from related parties

Amount due from related parties mainly represents advances to Directors, family members of Mr. Wong, certain companies controlled by Mr. Wong and the Directors, our jointly-controlled entities and an associated company.

Our Directors confirm that all outstanding balances with the Directors, family members of Mr. Wong and companies controlled by Mr. Wong and the Directors as of September 30, 2009 will be settled prior to Listing. However, as of the Latest Practicable Date, none of the outstanding amount due from jointly controlled entities and associated company has been settled and such outstanding amount is expected to remain outstanding as of the Listing Date.

Other payables and accruals

As of December 31, 2006, 2007 and 2008 and September 30, 2009, we had total current other payables and accruals in the amount of RMB132.2 million, RMB659.6 million, RMB618.1 million and RMB1,293.8 million, respectively. The table below sets out the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	8,068	139,405	163,499	146,984
Accruals	4,556	12,010	2,636	1,635
Due to a minority shareholder of certain subsidiaries *(Note (a))*	7,316	6,316	6,316	3,440
Advances from minority shareholders of certain subsidiaries *(Note (b))*	101,056	121,529	127,230	269,809
Consideration payable for the acquisition of a subsidiary which is not a business *(Note (c))*	—	324,000	226,000	689,400
Consideration payable for the acquisition of additional interest in an associate *(Note (d))*	—	10,745	10,745	2,465
Compensation payable in connection with the acquisition of land *(Note (e))*	—	—	21,706	21,706
Amounts due to companies controlled by a shareholder	—	31,085	30,053	—
Other PRC tax payables	802	8,574	7,926	25,719
Others *(Note (f))*	13,405	8,669	24,510	134,871
	135,203	662,333	620,621	1,296,029
Non-current portion	(2,960)	(2,720)	(2,479)	(2,240)
Current portion	132,243	659,613	618,142	1,293,789

Notes:

(a) The balances are secured by certain equity interests of our subsidiaries. The balances bear interest at 5.31% per annum, except for RMB3,440,000 as at each of December 31, 2006, 2007 and 2008 and September 30, 2009, which were interest-free and are repayable in accordance with the terms of the relevant subcontracting and share transfer agreements and are not trade related. During the period from October 1, 2009 to the Latest Practicable Date, none of the outstanding amount due to the minority shareholder as of September 30, 2009 had been settled and such outstanding amount is expected to remain outstanding as of the Listing Date.

(b) The balances are unsecured, interest-free and repayable on demand and mainly represents advances from certain minority shareholders of a number of our project companies in Shenzhen, Quanzhou and Zhangzhou. The increase by RMB142.6 million from RMB127.2 million as of December 31, 2008 to RMB269.8 million as of September 30, 2009 was mainly attributable to additional advances from minority shareholders of SCE Fortune Plaza being recorded in our consolidated financial statements after completion of the acquisition in September 2009. During the period from October 1, 2009 to the Latest Practicable Date, RMB101,954,000 of the outstanding advances from the minority shareholders as of September 30, 2009 were settled and the remaining balance of RMB167,855,000 is expected to remain outstanding as of the Listing Date.

(c) The balances as of December 31, 2007 and 2008 represent consideration payable for the acquisition of SCE Sapphire Boomtown. Such outstanding amount was fully settled in August 2009. In addition, the balance as of September 30, 2009 represents consideration payable for the acquisition of SCE Fortune Plaza. Such outstanding amount has been fully settled as of the Latest Practicable Date. Details of the acquisition are set out in the section headed “History, Reorganization and Group Structure — Recent Developments — (7) SCE Fortune Plaza” in this prospectus. Details of the acquisition are set out in the section headed “History, Reorganization and Group Structure — Recent Developments — (1) SCE Sapphire Boomtown” in this prospectus.

(d) This represents consideration payable for the acquisition of an additional interest in SCE Noble Mansion. During the period from October 1, 2009 to the Latest Practicable Date, none of the outstanding amount due to the minority shareholder as of September 30, 2009 had been settled and such outstanding amount is expected to remain outstanding as of the Listing Date. Details of the acquisition are set out in the section headed “History, Reorganization and Group Structure — Key Developments Prior to Our Reorganization — Acquisition of SCE Noble Mansion” in this prospectus.

(e) This represents the amount payable to the then existing residents to compensate them for the evacuation associated with the land acquisition in relation to our Sapphire Uptown project. The amount will be paid by way of settling the construction costs of new flats constructed for such residents.

(f) The increase in other payables by RMB110.4 million to RMB134.9 million as of September 30, 2009 from RMB24.5 million as of December 31, 2008 was primarily due to (i) the construction fee payable in connection with the development of the Quanzhou Haixia Sports Center for Quanzhou Sports Bureau of approximately RMB55.0 million; and (ii) advances from business partners of existing shareholders of SCE Fortune Plaza to be used for general working capital purposes by SCE Fortune Plaza of approximately RMB60.3 million.

Due to related parties

Amount due to related parties mainly represents advances from our Directors, certain companies controlled by Mr. Wong, one of our jointly-controlled entities and one of our associated companies to finance our operations and land acquisition. Our Directors confirm that all outstanding balances with our Directors and companies controlled by Mr. Wong as of September 30, 2009 will be settled prior to Listing and the amount due to the jointly-controlled entity and the associated company is expected to remain outstanding as of the Listing Date.

As of September 30, 2009, the amount due to the jointly-controlled entity and the associated company mainly included the outstanding balances of the amount due to SCE Wuyi Oasis, our jointly controlled entity, was RMB110.0 million and the amount due to SCE Noble Mansion, our associated company, was RMB71.4 million. Such amount represents dividends received in advance from each of SCE Wuyi Oasis and SCE Noble Mansion with respect to the pre-sold properties in the Wuyi Oasis and Noble Mansion projects, respectively. During the period from October 1, 2009 to the Latest Practicable Date, none of such outstanding amount has been settled. The outstanding amount will be settled upon declaration and actual payment of the dividend by each of SCE Wuyi Oasis and SCE Noble Mansion after delivery of respective pre-sold properties, which are expected to take place in 2010.

Working Capital

As at December 31, 2006, 2007 and 2008 and September 30, 2009, our cash and cash equivalents (excluding restricted cash) amounted to RMB201.5 million, RMB81.1 million, RMB59.7 million and RMB405.6 million, respectively.

Taking into account (i) the presently available banking facilities and the expected continual renewal of bank loans upon maturity, (ii) the estimated net proceeds from the Global Offering and (iii) cash generated from our operations and internal financial resources of the Group, our Directors confirm that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus.

Indebtedness

Bank and other borrowings

The following table sets forth our outstanding borrowings as of December 31, 2006, 2007 and 2008, and as of September 30, 2009:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
— Bank loans - secured	26,000	40,000	793,500	444,000
— Current portion of long term bank loans - secured	74,000	7,612	15,318	13,448
— Loan from companies controlled by the Founder	—	—	200,607	56,203
	100,000	47,612	1,009,425	513,651
Non-current				
— Bank loans - secured	536,500	675,125	344,493	1,284,293
— Bank loans - unsecured	20,000	—	—	—
	556,500	675,125	344,493	1,284,293
Total	656,500	722,737	1,353,918	1,797,944

As of September 30, 2009, we had obtained credit facilities from banks of approximately RMB2,700 million, of which RMB930 million had been utilized and approximately RMB1,770 million had not been utilized. In addition to these existing banking facilities, we obtained new credit facilities of approximately RMB3,000 million from Agricultural Bank of China and successfully obtained or renewed approximately RMB806 million interest-bearing bank borrowings subsequent to September 30, 2009. We do not anticipate any difficulties in renewing our existing loans in the foreseeable future.

As of November 30, 2009, we had aggregate banking facilities of approximately RMB5,700 million, of which RMB1,375 million were utilized. Further, as of the Latest Practicable Date, we had aggregate banking facilities of RMB12,100 million, which comprise (i) RMB100 million obtained from the Quanzhou Branch of China CITIC Bank (scheduled to mature in May 2010), (ii) RMB5,000 million obtained from the Xiamen Branch of China Construction Bank (scheduled to mature in December 2011), (iii) RMB3,000 million obtained from the Fujian Branch of China Construction Bank (scheduled to mature in December 2014), (iv) RMB1,000 million obtained from the Xiamen Lujiang sub-branch of Industrial and Commercial Bank of China (scheduled to mature in July 2010) and (v) RMB3,000 million obtained from the Xiamen Branch of the Agricultural Bank of China (scheduled to mature in October 2012).

Our outstanding bank and other borrowings amounted to RMB656.5 million, RMB722.7 million, RMB1,353.9 million and RMB1,797.9 million as of December 31, 2006, 2007, 2008, and September 30, 2009, respectively. Our bank and other borrowings increased from RMB1,797.9 million as of September 30, 2009 to RMB2,106.2 million as of November 30, 2009, which was mainly attributable to the new bank borrowings obtained by us to finance our property developments and for general working capital purposes. All of our outstanding bank loans as of November 30, 2009 are secured.

The increase in our current borrowings from RMB47.6 million as of December 31, 2007 to RMB1,009.4 million as of December 31, 2008, while non-current borrowings decreased from RMB675.1 million to RMB344.5 million for the corresponding period, was mainly due to (i) the loans obtained by us for the development of World City in Beijing and SCE Seashore Suite No. 1 amounting to RMB450.0 million and RMB148.5 million, respectively, which matured in September 2009 and by December 2009, respectively, being reclassified from long-term borrowings to current borrowings and (ii) additional new short-term bank loans and loans from companies controlled by Mr. Wong being obtained to finance payment of construction costs and costs of new land acquired. We confirm that the increase in current borrowings was not due to deterioration in our working capital position.

The decrease in our current borrowings from RMB1,009.4 million as of December 31, 2008 to RMB513.7 million as of September 30, 2009 was mainly due to the loans obtained by us for the development of World City in Beijing amounting to RMB450.0 million having matured and being fully settled in September 2009. The increase in non-current borrowings from RMB344.5 million as of December 31, 2008 to RMB1,284.3 million as of September 30, 2009 was mainly due to (i) additional long-term bank loans and borrowings of approximately RMB330.0 million being recorded in September 2009 as a result of our acquisition of SCE Fortune Plaza, (ii) the additional long-term bank loans of approximately RMB85.0 million obtained for the development of our West Lake No. 1 project, and (iii) the drawdown of loans in the amount of RMB500 million pursuant to the banking facilities of RMB1,200 million obtained from the Xiamen Branch of China Construction Bank (scheduled to mature on December 31, 2010. Such banking facilities was subsequently supplemented and amended in December 2009 by mutual agreement between us and the bank. Pursuant to the agreement, the amount of banking facilities has been increased to RMB5,000 million, and with the maturity being extended to December 2011.) and RMB1,000 million obtained from the Xiamen Lujiang sub-branch of Industrial and Commercial Bank of China (scheduled to mature on July 2, 2010) obtained by us in July 2009.

Except for secured bank loans of RMB8.7 million and RMB8.5 million as of December 31, 2008 and September 30, 2009, respectively, and other loans of RMB8.8 million as of December 31, 2008, which are denominated in Hong Kong dollars, all of our secured and unsecured borrowings are denominated in RMB.

Except for the RMB20.0 million, RMB40.0 million, RMB195.0 million and RMB444.0 million of short-term bank loans as of December 31, 2006, 2007 and 2008, and September 30, 2009, respectively, and other short-term loans of RMB15.0 million as of December 31, 2008, that bear interest at a fixed interest rate, all of our other borrowings bear interest at floating interest rates. For 2006, 2007, 2008 and the nine months ended September 30, 2009, the average interest rate was 3.7%, 8.5%, 6.2% and 3.6%, respectively, for our interest-bearing bank and other borrowings. The carrying amounts of our bank and other borrowings approximate to their fair values.

Our debt-to-adjusted capital ratio was 109.8%, 93.7% and 118.8% as of December 31, 2006, 2007 and 2008, respectively, and 35.1% as of September 30, 2009.

The table below sets forth the maturity profiles of our bank and other borrowings as of the dates indicated:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans repayable				
Within one year or on demand	100,000	47,612	808,818	457,448
In the second year	48,000	643,050	14,123	399,489
In the third to fifth years, inclusive	500,000	21,200	318,132	873,792
In the sixth to tenth years, inclusive	8,500	10,875	12,238	11,012
Total	656,500	722,737	1,153,311	1,741,741
Loans from companies controlled by Mr. Wong and repayable with one year	—	—	200,607	56,203

Pledge of assets and guarantee by Controlling Shareholders

Our bank borrowings listed above were secured by certain investment properties, properties under development and prepaid land lease payments, the details of which are set forth below.

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property and equipment	1,928	6,177	28,310	39,892
Investment properties	173,672	456,672	838,672	74,000
Prepaid land lease payments	11,933	12,963	230,385	785,982
Properties under development	528,689	506,106	674,896	1,808,222
Completed properties held for sale	—	—	607,862	3,412
Total	716,222	981,918	2,380,125	2,711,508

As of December 31, 2006, 2007 and 2008 and as of September 30, 2009, Mr. Wong, his family member and a company controlled by Mr. Chen Yuanlai provided guarantees of an aggregate amount of RMB282.5 million, RMB237.5 million, RMB226.3 million and RMB17.8 million, respectively, in respect of our bank loans, and all of such guarantees will be released prior to Listing.

As of November 30, 2009, certain of our bank borrowings were secured by the Group's property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, with an aggregate net book value of approximately RMB3,991.4 million. In addition, as of November 30, 2009, Mr. Wong and his family member have provided guarantees of an aggregate amount of RMB17.8 million in respect of certain of our bank loans amounting to RMB11.1 million, and all such guarantees will be released prior to Listing.

Contingent liabilities

The table below sets forth the financial guarantees as of the dates indicated:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of our properties *(Note (a))*....	238,032	688,347	504,211	764,211
Guarantees given to bank in connection with facilities granted to companies controlled by Mr. Wong *(Note (b))*..	—	170,000	255,500	210,500

Notes:

(a) As of December 31, 2006, 2007 and 2008 and September 30, 2009, we provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of our properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, we are responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as collaterals for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realize the pledged properties through open auction. We are responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

Our guarantee period starts from the date of the grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and our Directors consider that in the case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made for the guarantees.

As of November 30, 2009, the outstanding guarantees in respect of the mortgage loans provided by banks to purchasers of our properties were approximately RMB842.3 million. Please also see the section headed "Business — Our Property Development Process — Payment and End-user Financing" in this prospectus.

(b) The fair value of the guarantees is not significant and our Directors consider that the risk of default in payment is remote, and therefore no provision for the guarantees has been made. As of November 30, 2009, such outstanding guarantees was approximately RMB70.5 million.

In addition, our share of the jointly-controlled entities' and associates' own financial guarantees which are not included in the above, is as follows:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of our jointly-controlled entities' properties	—	—	59,614	350,168
Guarantees in respect of mortgage facilities for certain purchasers of our associates' properties	—	—	—	27,030

All guarantees and financial assistance from and to the Controlling Shareholders and Directors will be fully settled or released prior to Listing.

As of December 31, 2006, 2007 and 2008 and September 30, 2009, and November 30, 2009, being the latest practicable date for the purpose of this contingent liability statement prior to publication, we did not have any significant contingent liabilities.

During the Track Record Period, we leased certain of our office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to ten years. The table below set out our total future minimum lease payments under non-cancellable operating leases falling due as of the dates indicated:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	960	899	695	1,491
In the second to fifth years, inclusive	258	385	—	3,119
In the sixth to tenth years, inclusive	—	—	—	1,624
	1,218	1,284	695	6,234

As of November 30, 2009, our total future minimum lease payments under non-cancellable operating leases amounted to RMB6.0 million, of which RMB1.4 million are falling due within one year, RMB3.1 million in the second to fifth years, inclusive, and RMB1.5 million in the sixth to tenth years, inclusive.

Capital Expenditure and Contractual Commitments

Capital expenditure

Our capital expenditure is primarily for properties under development, completed properties held for sale and construction of investment and owner-occupied properties in the PRC and property and equipment. Set forth below is a summary of our capital expenditure as of the dates indicated.

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
- Capital expenditure for properties under development, completed properties held for sale and construction of investment and owner-occupied properties in the PRC	1,008,423	532,638	1,110,644	1,395,270
- Capital expenditure for acquisition of property and equipment	—	3,609	—	—
- Acquisition of jointly-controlled entities	—	14,668	—	—
Total	1,008,423	550,915	1,110,644	1,395,270

In addition, our share of the jointly-controlled entities' own capital commitments which are not included in the above, is as follows:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Capital expenditure for jointly controlled entities' properties under development	—	13,958	52,205	19,835
Capital expenditure for associates' properties under development	—	25,200	14,689	12,105

The above represents our share of the capital expenditure for the properties under development in (i) the Purple Lake International project in Quanzhou developed by SCE Purple Lake International, a jointly controlled-entity which we established in 2007, (ii) the Wuyi Oasis project in Fuzhou developed by SCE Wuyi Oasis, a jointly controlled-entity which we acquired in 2008, (iii) the Noble Mansion project in Quanzhou developed by SCE Noble Mansion, one of our associated companies, and the construction of Noble Mansion was commenced in August 2007, and (iv) the Golden Coast project in Shishi, Quanzhou developed by SCE Golden Coast, one of our associated companies that we acquired in 2008.

Contractual commitments and obligations

As of November 30, 2009, our contractual commitments in connection with our property development activities amounted to RMB1,333.6 million, primarily relating to contracted construction fees on current projects and capital commitments in respect of future property developments and acquisition of land as discussed in this prospectus. For details of our current and planned property development projects, please refer to the sections headed "Projects under development", "Projects held for future development", and "Projects contracted to be acquired" in the "Business" section in this prospectus.

The following table sets out the maturity profile of our borrowings and amounts due to related parties as of November 30, 2009 based on the contractual undiscounted payments:

	Payments due by period				
	Within one year or on demand	In the second year	In the third to fifth years, inclusive	In the sixth to tenth years, inclusive	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	670,555	442,225	1,242,114	13,046	2,367,940
Due to related parties	225,209	—	—	—	225,209
Total	895,764	442,225	1,242,114	13,046	2,593,149

Other Commitments and Arrangements

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

Restricted Bank Deposits

Pursuant to relevant regulations in the PRC, a number of our property development companies are required to place in designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payment of the construction fees of the relevant property projects when approval from relevant local PRC Government authorities is obtained. As of December 31, 2006, 2007 and 2008, and September 30, 2009, such guarantee deposits amounted to RMB65.3 million, RMB10.2 million, RMB1.5 million and RMB4.0 million, respectively.

In addition, according to the relevant loan facility agreement signed by one of our subsidiaries with its bank, it is required to place the pre-sale proceeds of its properties in specific bank accounts. The deposits can only be used for the payment of property development costs incurred by the subsidiary and the repayment of the respective loan. As of December 31, 2007 and 2008, such deposits amounted to RMB23.9 million and RMB6.8 million, respectively.

Further, according to the relevant mortgage facility agreements signed by a number of our subsidiaries with their banks, they are required to place in designated bank accounts certain amounts as deposits for potential defaults of mortgage loans advanced to property purchasers. Such guarantee deposits will be released only after the property ownership certificate of the relevant property has been passed to the bank. As of December 31, 2007 and 2008 and September 30, 2009, such deposits amounted to RMB1.8 million, RMB9.8 million and RMB7.9 million, respectively.

Moreover, pursuant to a management agreement entered into between the Quanzhou Sports Bureau and SCE Sports Center, the funds advanced by the Quanzhou Sports Bureau and deposited in a designated bank account can only be used for the payment of construction costs and expenditures incurred for the construction of the sports and recreation facilities in Quanzhou. As of September 30, 2009, such deposits amounted to RMB10.1 million.

In addition to the restrictions disclosed above, a number of our subsidiaries are also required to place certain amounts as guarantee deposits for public maintenance funds or the use of loan proceeds in designated bank accounts. As of December 31, 2006, 2007 and 2008 and September 30, 2009, such deposits amounted to RMB0.6 million, RMB0.8 million, RMB65.3 million and RMB481.1 million, respectively.

DISCLAIMER

Save as disclosed in the section headed “Indebtedness”, as of November 30, 2009, being the latest practicable date for the purpose of the indebtedness statement, we did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, guarantees or any other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since November 30, 2009.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risk in the ordinary course of business. We maintain our accounting records and prepare our financial statements in Renminbi.

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

Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors' fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our construction costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, we do not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same saving rate of unrestricted deposits throughout the Track Record Period. Our exposure to the risk of changes in interest rates relates to our bank deposits and bank borrowings with floating interest rates. We have not used any interest rate swaps to hedge our exposure to interest rate risk, but will consider hedging significant interest rate risk should the need arise. Please also see the section headed "Risk Factors" in this prospectus.

Foreign Currency Risk

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

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

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

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

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

Credit Risk

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

The credit risk of our other financial assets, which mainly comprise of cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, which include properties held for future development and under development for sale, completed properties held for sale, completed investment properties, investment properties under construction, and buildings and land held for our own use, as of November 30, 2009, are set out in the property valuation report in Appendix IV to this prospectus.

The reconciliation of the net book value of our properties as derived from our audited financial statements as of September 30, 2009 to the property valuation report in Appendix IV, is set forth below:

	As of November 30, 2009
	RMB in millions
Net book value of the following properties as of September 30, 2009:	
Property and equipment — Buildings	56.8
Prepaid land lease payments	1,915.1
Investment properties	1,144.5
Properties under development	2,231.2
Completed properties held for sale	1,135.1
Total	6,482.7
Add: Additions during the period from October 1, 2009 to November 30, 2009 (unaudited)	439.6
Less: Sale of properties during the period from October 1, 2009 to November 30, 2009 (unaudited)	(6.2)
Less: Depreciation for buildings during the period from October 1, 2009 to November 30, 2009 (unaudited)	(0.1)
Less: Amortization of prepaid land lease payments during the period from October 1, 2009 to November 30, 2009 (unaudited)	(7.5)
Net book value of properties of the Group as of November 30, 2009 subject to valuation as set out in the Property Valuation Report in Appendix IV to this prospectus	6,908.5
Revaluation surplus, before CIT, LAT and minority interests	9,772.4
	16,680.9
Value of properties attributable to us as of November 30, 2009, as set forth in the property valuation report in Appendix IV	15,552.5
Add: Value of properties attributable to minority interests as of November 30, 2009	3,566.9
Less: Value of properties attributable to the Group through jointly-controlled entities and associates as of November 30, 2009	(2,438.5)
	16,680.9

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2009

Bases and Assumptions

We have prepared our estimated profits attributable to equity holders of our Company for the year ended December 31, 2009 on the basis of our audited consolidated results for the nine months ended September 30, 2009 and an estimate of our consolidated results for the three months ended December 31, 2009. Our profit estimate has been presented on a basis consistent in all material respects with the accounting policies normally adopted by us as summarized in the accountants' reports in Appendix IA to this prospectus. We have made the following principal assumptions in the preparation of our profit estimate:

- there will be no material changes in existing political, legal, fiscal, market or economic conditions in the PRC;

- there will be no changes in policies, legislation, regulations, or practices in the PRC which may adversely affect our Group's business or operations;

- there will be no significant changes in the government policies in the PRC governing the pricing and selling of our properties;

- there will be no material changes in the bases or rates of taxation or the policies with respect to imposition of such taxation, in the PRC;

- there will be no material changes in the rates of inflation, interest, or foreign currency exchange from those presently prevailing in the markets relevant to the business activities of our Group;

- our Group's operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in the section headed "Risk Factors" in this prospectus; and

- our Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

Further assumptions made when valuing our investment properties, in addition to the assumptions underlying the basis of valuation used to estimate the fair value of investment properties as adopted by our independent property valuer, include assumptions that (i) the interior decoration work for the investment properties in World City in Beijing will be completed in accordance with schedule at the projected costs; (ii) the current financial, economic and political conditions which prevail in the PRC and in the cities and provinces near our investment properties, and which are material to the rental income generated by our investment properties, will remain unchanged; (iii) the conditions in which our investment properties are being operated and which are material to the revenue and costs of such properties will be unchanged; (iv) property-specific factors such as the provision of building facilities, building specifications, heating/ventilation/air conditioning and other mechanical systems, ancillary supporting retail services, quality of property management and tenants' profiles will remain unchanged; and (v) the leases relating to any lease-expired units of the properties will be renewed at normal commercial terms.

Summary of the World City Project

The following table provides a summary of the World City project, which was the main source of revenue of our Company for the year ended December 31, 2009 and is projected to contribute approximately 96% of the total estimated revenue of our Company for the year ended December 31, 2009:

Up to September 30, 2009				
Sale proceeds received[1]	**Pre-sales/ sales GFA[1]**	**2008 average selling price per sq.m. in respect of properties sold/pre-sold**	**First nine months of 2009 average selling price per sq.m. in respect of properties sold/pre-sold**	**Actual completion date**
(RMB million)	***(sq.m.)***	***(RMB/sq.m.)***	***(RMB/sq.m.)***	
1,477.7	54,023	33,497	28,339	November 2008

Note:

(1) The delivery of 61% of the pre-sold GFA in World City, which contributed 62% of the sale proceeds received up to September 30, 2009, is expected to take place in 2010 in accordance with the delivery schedule under the relevant property sale agreement and the relevant sale proceeds will only be recognized as revenue upon delivery of such properties.

Except for the World City project and the delivery of the properties in World City and certain car parking spaces in Sapphire Peninsula (Xiamen), we did not complete any other projects or deliver any other properties to relevant customers in 2009.

Sensitivity analysis on fair value of investment properties

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

Changes in revaluation increase percentage on investment properties compared to our estimated revaluation increase percentage on investment properties	-15%	-10%	-5%	0%	5%	10%	15%
Impact on estimated consolidated profit attributable to equity holders of the Company (RMB million)	(41.8)	(27.9)	(13.9)	—	13.9	27.9	41.8

If the estimated fair value gain of our investment properties rises/declines by 5%, our net profit for the year ended December 31, 2009 will be not less than RMB378.9 million/RMB351.1 million, respectively (i.e. 3.8%) higher/lower, respectively, than our targeted 2009 net profit.

If the estimated fair value gain of our investment properties rises/declines by 10%, our net profit for the year ended December 31, 2009 will be not less than RMB392.9 million/RMB337.1 million, respectively (i.e. 7.6%) higher/lower, respectively, than our targeted 2009 net profit.

If the estimated fair value gain of our investment properties rises/declines by 15%, our net profit for the year ended December 31, 2009 will be not less than RMB406.8 million/RMB323.2 million, respectively (i.e. 11.5%) higher/lower, respectively, than our targeted 2009 net profit.

The above sensitivity illustration is intended for reference only, and any variation could exceed the ranges given, and potential investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive, and (ii) the profit estimate is subject to further and additional uncertainties. While we have considered for the purposes of the profit estimate what our Directors believe is the best estimate of the fair value of our investment properties as of December 31, 2009, the fair value of our investment properties and/or any fair value changes in our investment properties as of the relevant time may differ materially from our estimate, and is dependent on market conditions and other factors that are beyond our control. Our net profit attributable to our equity holders for the year ended December 31, 2009 will involve gains and losses that may arise on the fair value changes of our investment properties and our profit estimate involves estimates and assumptions in this regard which may prove to be incorrect.

Profit estimate for the year ended December 31, 2009

	Before revaluation of investment properties net of deferred tax effect	**After revaluation of investment properties net of deferred tax effect**
Estimated consolidated net profit attributable to our equity holders *(Note 1)*	not less than RMB86 million (approximately HK$98 million)	not less than RMB365 million (approximately HK$414 million)
Unaudited pro forma estimated earnings per Share — Fully diluted *(Note 2)*	not less than RMB0.030 (approximately HK$0.034)	not less than RMB0.128 (approximately HK$0.145)

Notes:

(1) The bases and assumptions on which the above profit estimate has been prepared are set out in Appendix III to this prospectus.

(2) The calculation of the estimated earnings per Share on a pro forma basis is based on the estimated consolidated net profit attributable to our equity holders for the year ended December 31, 2009 assuming that our Company had been listed since January 1, 2009 and a total of 2,853,200,000 Shares were in issue during the entire year, respectively. This calculation assumes that neither the Over-allotment Option nor the options which may be granted under the Share Option Scheme will be exercised.

(3) The unaudited pro forma estimated earnings per Share of RMB0.128 as presented in Appendix II to this prospectus has not taken into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

On a pro forma fully diluted basis using RMB365 million as our estimated profit and on the assumption that the Global Offering and the Capitalization Issue had been completed and a total of 2,853,200,000 Shares were issued and outstanding throughout (taking no account of any Shares that may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), our estimated earnings per Share are HK$0.145, representing a price/earnings multiple of 20.3 times based on the Offer Price of HK$2.95 per Share (being the mid-point of the stated range of the Offer Price between HK$2.60 and HK$3.30 per Offer Share).

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends

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

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

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

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

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profits, calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

We have not declared any dividends from the date of incorporation of our Company to September 30, 2009. Please also see the section headed "Risk Factors" in this prospectus.

Our Directors are expected to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and we expect to pay such dividends in Hong Kong dollars. Any declaration of dividends will depend upon a number of factors including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There can be no assurance that dividends of any amount will be declared or distributed in any given year.

Distributable Reserves

As of September 30, 2009, our Company had no distributable reserve available for distribution to our Shareholders. However, under the Companies Law of the Cayman Islands, the share premium account of our Company may be distributed subject to the provisions of the Memorandum or Articles of Association of our Company and provided that immediately following the date on which the dividend is proposed to be distributed, our Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets is based on the audited consolidated net tangible assets of our Group as of September 30, 2009 as set forth in our audited consolidated financial statements, which are included in Appendix IA to this prospectus, adjusted as described below:

	Audited consolidated net tangible assets attributable to equity holders of our Company as of September 30, 2009	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$2.60 per Share	1,409,258	1,300,185	2,709,443	0.95	1.08
Based on an Offer Price of HK$3.30 per Share	1,409,258	1,659,128	3,068,386	1.08	1.22

Notes:

1. The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of September 30, 2009 is extracted from the Group's audited financial information included in the accountants' report as set out in Appendix IA to this prospectus, which is based on the audited consolidated equity attributable to equity holders of the Company as of September 30, 2009 of RMB1,412,077,000 less the 58% share of the Group's intangible asset as of September 30, 2009 of RMB4,861,000.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$2.60 and HK$3.30 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 2,853,200,000 Shares are in issue assuming that the Global Offering has been completed on September 30, 2009 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been or may be granted under the Share Option Scheme.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at the PBOC rate of RMB0.88114 to HK$1. No representation is made that the Renminbi amount has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2009.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or our prospects since September 30, 2009, being the date of the latest audited consolidated statements of financial position as set forth in the accountants' report in Appendix IA to this prospectus.