The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

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安 永

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25 January 2010

The Directors
China SCE Property Holdings Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China SCE Property Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for each of the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 (collectively the "Track Record Periods") and comparative financial information (the "Comparative Financial Information") of the Group for the nine months ended 30 September 2008, prepared on the basis set out in note 2 of Section II below, for inclusion in the prospectus of the Company dated 25 January 2010 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 November 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group reorganisation (the "Reorganisation") as detailed in note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Company's interests in its principal subsidiaries as at the date of this report are set out in note 1 of Section II below. The Group is principally engaged in property development, property investment and property management in Mainland China.

All companies now comprising the Group and the Group's jointly-controlled entities and associates have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company and the subsidiaries incorporated in the British Virgin Islands and the Republic of Mauritius since their respective dates of incorporation as there are no statutory requirements for these companies to prepare audited financial statements. The statutory audited financial statements or management accounts of the Group's subsidiaries, jointly-controlled entities and associates were prepared in accordance with the relevant accounting principles applicable to these companies in their respective jurisdictions and all of which were not audited by us.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements (the "Underlying Financial Statements") of the Company for the Track Record Periods and the nine months ended 30 September 2008 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information in accordance with HKFRSs issued by the HKICPA, and for the contents of the Prospectus in which this report is included. The directors of the respective companies of the Group are responsible for the preparation and true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies.

In preparing the Financial Information and the Comparative Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion and a review conclusion, based on our audit and review, on the Financial Information and the Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

Procedures performed in respect of the Financial Information

The Financial Information has been prepared based on the Underlying Financial Statements and in accordance with the basis set out in note 2 of Section II below. For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Financial Statements of the Group for the Track Record Periods to conform to the Financial Information.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Procedures performed in respect of the Comparative Financial Information

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

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the bases of presentation and preparation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company (where applicable) as at 31 December 2006, 2007 and 2008 and 30 September 2009 and of the consolidated results and cash flows of the Group for each of the Track Record Periods.

Review conclusion in respect of the Comparative Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the nine months ended 30 September 2008.

I. FINANCIAL INFORMATION

(a) Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December			Nine months ended 30 September	
		2006	2007	2008	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	6	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	6	8,231	43,476	6,962	6,245	13,739
Changes in fair value of investment properties	15	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	7	(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	8	65,205	230,658	241,465	223,988	421,615
Tax	11	(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

	Notes	Year ended 31 December			Nine months ended 30 September	
		2006	2007	2008	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
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

(b) **Consolidated Statements of Financial Position**

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 September 2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property and equipment	14	22,841	59,344	71,500	76,160
Investment properties	15	209,560	533,200	882,000	1,144,523
Prepaid land lease payments	16	12,990	1,306,112	760,388	1,873,961
Intangible asset	17	—	—	—	4,861
Properties under development	18	78,084	292,366	308,496	578,381
Interests in jointly-controlled entities	20	101,429	65,202	123,194	159,002
Interests in associates	21	5,887	15,748	11,489	8,371
Prepayments	24	287,000	356,070	508,040	438,414
Deferred tax assets	32	7,661	12,310	20,808	60,412
Total non-current assets		725,452	2,640,352	2,685,915	4,344,085
CURRENT ASSETS					
Properties under development	18	752,820	826,850	1,370,435	1,652,863
Completed properties held for sale	22	4,237	210,633	803,671	1,135,069
Trade receivables	23	3,822	676	4,597	17,368
Prepayments, deposits and other receivables	24	105,068	179,459	142,639	332,160
Due from related parties	25	150,179	142,776	126,069	122,570
Tax recoverable	26(a)	19,029	57,047	90,353	73,339
Restricted cash	27	65,950	36,703	83,410	503,000
Cash and cash equivalents	27	201,520	81,059	59,679	405,580
Total current assets		1,302,625	1,535,203	2,680,853	4,241,949
CURRENT LIABILITIES					
Trade payables	28	233,237	364,257	436,578	359,567
Receipts in advance	29	630,616	1,687,269	1,898,011	2,436,352
Other payables and accruals	30	132,243	659,613	618,142	1,293,789
Interest-bearing bank and other borrowings	31	100,000	47,612	1,009,425	513,651
Due to related parties	25	281,582	285,404	368,440	260,747
Tax payable	26(b)	11,740	39,679	29,048	58,963
Total current liabilities		1,389,418	3,083,834	4,359,644	4,923,069

	Notes	As at 31 December 2006	2007	2008	As at 30 September 2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT LIABILITIES		(86,793)	(1,548,631)	(1,678,791)	(681,120)
TOTAL ASSETS LESS CURRENT LIABILITIES		638,659	1,091,721	1,007,124	3,662,965
NON-CURRENT LIABILITIES					
Other payables	30	2,960	2,720	2,479	2,240
Interest-bearing bank and other borrowings	31	556,500	675,125	344,493	1,284,293
Deferred tax liabilities	32	5,610	37,768	86,225	150,166
Provision for major overhauls	33	—	—	—	2,888
Total non-current liabilities		565,070	715,613	433,197	1,439,587
Net assets		73,589	376,108	573,927	2,223,378
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	34	—	10	10	11
Reserves	35(a)	67,477	258,358	457,493	1,412,066
		67,477	258,368	457,503	1,412,077
Minority interests		6,112	117,740	116,424	811,301
Total equity		73,589	376,108	573,927	2,223,378

(c) **Statements of Financial Position of the Company**

	Notes	As at 31 December 2007	As at 31 December 2008	As at 30 September 2009
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSET				
Investment in a subsidiary	19	—	—	—
CURRENT ASSETS				
Prepayments	24	—	21	2,766
Due from the immediate holding company	25	10	9	—
Due from subsidiaries	19	—	—	666,804
Total current assets		10	30	669,570
CURRENT LIABILITIES				
Due to a subsidiary	19	4,725	7,327	—
Accruals	30	3,168	176	—
Total current liabilities		7,893	7,503	—
NET CURRENT ASSETS/(LIABILITIES)		(7,883)	(7,473)	669,570
Net assets/(liabilities)		(7,883)	(7,473)	669,570
EQUITY				
Issued capital	34	10	10	11
Reserves	35(e)	(7,893)	(7,483)	669,559
Total equity/(net deficiency of assets)		(7,883)	(7,473)	669,570

(d) Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital	Share premium account	Capital reserve	Statutory surplus reserve	Merger reserve	Other reserves	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 34)	*(note 34)*	*(note 35(b))*	*(note 35(c))*	*(note 35(d))*						
At 1 January 2006	—	—	—	5,089	30	749	5,715	(8,745)	2,838	1,919	4,757
Total comprehensive income for the year	—	—	—	—	—	1,532	12,500	50,607	64,639	2,417	67,056
Capital contribution from a minority shareholder	—	—	—	—	—	—	—	—	—	1,776	1,776
Transfer to statutory surplus reserve	—	—	—	6,852	—	—	—	(6,852)	—	—	—
At 31 December 2006 and 1 January 2007	—	—*	—*	11,941*	30*	2,281*	18,215*	35,010*	67,477	6,112	73,589
Total comprehensive income for the year	—	—	—	—	—	569	27,643	159,206	187,418	8,394	195,812
Issue of shares	10	—	—	—	—	—	—	—	10	—	10
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	60,500	60,500
Acquisition of minority interests	—	—	3,463	—	—	—	—	—	3,463	(7,415)	(3,952)
Transfer to statutory surplus reserve	—	—	—	19,168	—	—	—	(19,168)	—	—	—
Acquisition of a subsidiary that is not a business	—	—	—	—	—	—	—	—	—	50,000	50,000
Disposal of subsidiaries (note 36(b))	—	—	—	—	—	—	—	—	—	149	149
At 31 December 2007 and 1 January 2008	10	—*	3,463*	31,109*	30*	2,850*	45,858*	175,048*	258,368	117,740	376,108
Total comprehensive income for the year	—	—	—	—	—	649	30,028	168,458	199,135	2,010	201,145
Transfer to statutory surplus reserve	—	—	—	23,026	—	—	—	(23,026)	—	—	—
Acquisition of minority interests	—	—	—	—	—	—	—	—	—	(3,326)	(3,326)
At 31 December 2008 and 1 January 2009	10	—*	3,463*	54,135*	30*	3,499*	75,886*	320,480*	457,503	116,424	573,927
Total comprehensive income for the period	—	—	—	—	—	5	(6,944)	276,994	270,055	(3,293)	266,762
Issue of shares	1	682,288	—	—	—	—	—	—	682,289	—	682,289
Deregistration of subsidiaries	—	—	—	(10,270)	—	—	—	10,270	—	—	—
Acquisition of subsidiaries that are not a business	—	—	—	—	—	—	—	—	—	622,300	622,300
Partial disposal of an interest in a subsidiary	—	—	2,230	—	—	—	—	—	2,230	75,870	78,100
At 30 September 2009	11	682,288*	5,693*	43,865*	30*	3,504*	68,942*	607,744*	1,412,077	811,301	2,223,378

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Merger reserve	Other reserves	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 34)	*(note 35(b))*	*(note 35(c))*	*(note 35(d))*						
At 1 January 2008	10	3,463	31,109	30	2,850	45,858	175,048	258,368	117,740	376,108
Total comprehensive income for the period (unaudited)	—	—	—	—	645	29,330	156,930	186,905	2,699	189,604
Acquisition of minority interests (unaudited)	—	—	—	—	—	—	—	—	(3,326)	(3,326)
At 30 September 2008 (unaudited)	10	3,463	31,109	30	3,495	75,188	331,978	445,273	117,113	562,386

* These reserve accounts comprise the consolidated reserves of RMB67,477,000, RMB258,358,000, RMB457,493,000 and RMB1,412,066,000 in the consolidated statements of financial position as at 31 December 2006, 2007 and 2008, and 30 September 2009, respectively.

(e) **Consolidated Statements of Cash Flows**

	Notes	Year ended 31 December			Nine months ended 30 September	
		2006	2007	2008	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		65,205	230,658	241,465	223,988	421,615
Adjustments for:						
Finance costs	7	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
Interest income	6	(1,924)	(4,096)	(2,144)	(1,669)	(1,881)
Gain on disposal of jointly-controlled entities	6	—	(34,886)	—	—	—
Write-off of items of property and equipment	8	3	241	89	89	—
Loss/(gain) on disposal of subsidiaries	6, 8	—	(448)	158	158	—
Loss/(gain) on disposal of items of property and equipment, net	6, 8	—	348	—	—	(5)
Gain on disposal of investment properties	6	(122)	(120)	—	—	—
Excess over the cost of a business combination	6	—	—	(4,527)	(4,527)	—
Gain on disposal of financial assets at fair value through profit or loss	6	(15)	(3,181)	—	—	—
Depreciation	8	2,401	3,073	5,272	3,983	5,725
Amortisation of prepaid land lease payments	8	137	984	11,423	8,535	12,571
Changes in fair value of investment properties	15	(38,145)	(168,247)	(211,366)	(176,187)	(222,836)

	Notes	Year ended 31 December 2006	2007	2008	Nine months ended 30 September 2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating profit before working capital changes		29,308	29,851	52,804	65,571	218,872
Additions to prepaid land lease payments		(9,842)	(688,193)	(145,071)	(145,071)	(460,040)
Decrease/(increase) in properties under development		(330,552)	(151,748)	198,006	(474,120)	240,756
Decrease/(increase) in completed properties held for sale		76,408	(206,396)	(593,038)	245,743	(304,542)
Decrease/(increase) in trade receivables		(2,556)	3,146	(4,295)	(6,198)	(12,771)
Decrease/(increase) in prepayments, deposits and other receivables		(313,419)	(180,369)	(65,922)	(52,917)	391,777
Decrease/(increase) in amounts due from related parties		(2,487)	3,370	(3,103)	—	(884)
Increase/(decrease) in trade payables		166,612	130,619	72,321	(22,166)	(79,354)
Increase in receipts in advance		297,682	1,056,653	210,742	150,223	538,161
Increase/(decrease) in other payables and accruals		18,655	40,701	59,905	76,545	34,995
Cash generated from/(used in) operations		(70,191)	37,634	(217,651)	(162,390)	566,970
Interest received		1,924	4,096	2,144	1,669	1,881
Interest paid		(24,494)	(61,673)	(84,605)	(55,450)	(65,333)
PRC corporate income tax paid		(10,558)	(40,859)	(43,612)	(38,834)	(25,358)
PRC land appreciation tax paid		(3,680)	(11,695)	(35,493)	(28,511)	(19,122)
Net cash inflow/(outflow) from operating activities		(106,999)	(72,497)	(379,217)	(283,516)	459,038

	Notes	Year ended 31 December 2006	2007	2008	Nine months ended 30 September 2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property and equipment		(12,030)	(40,289)	(17,962)	(13,706)	(2,079)
Additions to investment properties		(128,356)	(157,753)	(138,634)	(102,813)	(39,687)
Proceeds from disposal of items of property and equipment		—	304	241	241	430
Proceeds from disposal of investment properties		1,322	2,480	400	400	—
Proceeds from disposal of jointly-controlled entities		—	131,463	—	—	5,752
Acquisition of associates		(2)	—	—	—	—
Acquisition of jointly-controlled entities		(10)	(68,782)	(62,040)	(62,040)	—
Investments in jointly-controlled entities		—	—	—	—	(58,800)
Dividend received from jointly-controlled entities		—	—	—	—	25,000
Purchase of financial assets at fair value through profit or loss		—	(7,277)	—	—	—
Proceeds from disposal of financial assets at fair value through profit or loss		217	10,458	—	—	—
Acquisition of subsidiaries	36(a)	—	2,182	(584)	(584)	—
Disposal of subsidiaries	36(b)	—	(169)	1,850	1,850	—
Acquisition of subsidiaries that are not a business	36(c)	—	(131,980)	—	—	(167,707)
Decrease in consideration payable for the acquisition of subsidiaries and associates		—	—	(98,000)	(93,000)	(234,280)
Decrease in an amount due to a minority shareholder of certain subsidiaries		(12,548)	(1,000)	—	—	(2,876)
Decrease/(increase) in amounts due from jointly-controlled entities and associates		(21,966)	33,347	(66,344)	(66,445)	(44,152)
Decrease/(increase) in restricted cash		(63,897)	29,247	(46,707)	(39,814)	(247,431)

	Notes	Year ended 31 December 2006	2007	2008	Nine months ended 30 September 2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash outflow from investing activities		(237,270)	(197,769)	(427,780)	(375,911)	(765,830)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issue of new shares		—	10	—	—	682,289
New bank and other borrowings		632,500	373,880	710,157	659,437	998,212
Repayment of bank and other borrowings		(280,000)	(301,943)	(79,029)	(74,775)	(984,195)
Contributions from minority shareholders		1,776	60,500	—	—	—
Advances from minority shareholders of certain subsidiaries		101,056	20,473	5,701	5,795	15,755
Increase/(decrease) in amounts due from/to related parties, net		53,852	(837)	151,960	100,858	(59,365)
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
Cash and cash equivalents at beginning of year/period		36,868	201,520	81,059	81,059	59,679
Effect of foreign exchange rate changes, net		(263)	(2,278)	(3,172)	(3,075)	(3)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		201,520	81,059	59,679	109,872	405,580
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	27	201,520	81,059	59,679	109,872	405,580

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

China SCE Property Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 30 November 2007. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively the "Group") were principally engaged in property development, property investment and property management (collectively referred to as the "Relevant Businesses") in the People's Republic of China (the "PRC") during the three years ended 31 December 2008 and the nine months ended 30 September 2009 (the "Track Record Periods").

In the opinion of the directors of the Company, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI") and is wholly owned by Mr. Wong Chiu Yeung (the "Founder").

Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain subsidiaries (the "Relevant Subsidiaries") now comprising the Group, which were majority owned and controlled by the Founder.

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

(a) The Company was incorporated on 30 November 2007;

(b) On 30 November 2007, the Company subscribed for the entire share capital of each of Affluent Way International Limited ("Affluent Way"), Harbour Full Investments Limited ("Harbour Full"), New Sky Investments Limited ("New Sky"), Ally Health Investments Limited ("Ally Health"), Dragon Tale Investments Limited ("Dragon Tale") and Sunsonic Investments Limited ("Sunsonic"), which were all incorporated in the BVI, to act as intermediate holding companies of the Relevant Subsidiaries; and

(c) On 31 December 2007, the Founder transferred its entire interests in Flash Ruby International Limited, Sunny Fond Investment Limited, South China Group (H.K.) Limited and South China Property International Limited ("SCP International") to Harbour Full, New Sky, Ally Health and Dragon Tale, respectively, for an aggregate consideration of HK$6.

The Reorganisation was completed on 31 December 2007 and further details of the Reorganisation are set out in the paragraph headed "Our Reorganisation" in the section "History, Reorganisation and Group Structure" of the prospectus of the Company dated 25 January 2010.

Particulars of the principal subsidiaries are set out below:

Company name	Place and date of incorporation/ establishment and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Affluent Way International Limited(1)	BVI 15 August 2007	US$1	100%	—	Investment holding
Harbour Full Investments Limited(1)	BVI 23 October 2007	US$1	—	100%	Investment holding
New Sky Investments Limited(1)	BVI 25 October 2007	US$1	—	100%	Investment holding
Ally Health Investments Limited(1)	BVI 18 October 2007	US$1	—	100%	Investment holding
Dragon Tale Investments Limited(1)	BVI 26 September 2007	US$1	—	100%	Investment holding
Sunsonic Investments Limited(1)	BVI 23 October 2007	US$1	—	100%	Investment holding
Pacific Prestige Property Limited(1)	BVI 15 March 2006	US$10,000	—	66.5%	Investment holding
Wai Cheong Enterprises Limited(1)	BVI 20 March 2002	US$1	—	100%	Investment holding
Polytic (China) Properties Investment Holdings Limited(1)	BVI 15 May 2002	US$50,000	—	100%	Investment holding
Flash Ruby International Limited(2)	Hong Kong 18 July 2003	HK$10,000	—	100%	Investment holding
Sunny Fond Investment Ltd.(3)	Hong Kong 8 January 2003	HK$10,000	—	100%	Investment holding
South China Group (H.K.) Limited(3)	Hong Kong 23 March 1995	HK$100	—	100%	Investment holding
South China Property International Limited(3)	Hong Kong 29 April 1998	HK$10,000	—	100%	Investment holding
Pacific Prestige Limited(4)	Hong Kong 24 March 2006	HK$100	—	95%	Investment holding
Xiamen Zhongjun Industrial Co., Ltd.** (5) (廈門中駿集團有限公司#)	PRC 28 January 2003	RMB177,000,000	—	100%	Investment holding and trading of construction materials
Xiamen Cippon Tai Wo Property Management Co., Ltd.** (5) (廈門世邦泰和物業管理有限公司#)	PRC 4 November 2002	HK$15,000,000	—	100%	Property management

Company name	Place and date of incorporation/ establishment and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xiamen Rundi Architectural Design Co., Ltd.** (5) (廈門潤地建築設計有限公司#)	PRC 9 December 2005	HK$23,000,000	—	100%	Construction and interior design
Xiamen Guanjun Aviation Storage Services Co., Ltd.* (5) (廈門冠駿航空倉儲服務有限公司#)	PRC 10 May 2005	RMB40,000,000	—	95%@	Property investment
Xiamen Lucky Star Decoration Engineering Co., Ltd.*** (5) (廈門福斯達裝修工程有限公司)	PRC 9 December 2005	RMB5,000,000	—	100%	Interior design and decoration
Xiamen Jinmen Seaview Manor Real Estate Co., Ltd.** (6) (廈門金門海景山莊房地產開發有限公司#)	PRC 13 January 2004	HK$20,000,000	—	100%	Property development
Tianxia Estate (Xiamen) Develop Co., Ltd.** (6) (天下房地產(廈門)開發有限公司#)	PRC 10 August 1999	US$7,000,000	—	100%	Property development
Beijing World City Property Management Co., Ltd.** (7) (北京世界城物業管理有限公司#)	PRC 27 June 2007	RMB50,000,000	—	100%	Property management
Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd.** (8) (漳州龍文華港房地產開發有限公司#)	PRC 27 March 2003	RMB30,000,000	—	80%	Property development
Xiamen Guanyu Real Estate Development Co., Ltd.*** (9) (廈門冠宇房地產開發有限公司)	PRC 29 August 1997	RMB50,000,000	—	100%	Property development
Xiamen Hongqiao Real Estate Development Co., Ltd.* (10) (廈門虹橋房地產開發有限公司#)	PRC 23 January 2006	RMB7,000,000	—	100%	Property development
Xiamen Aite Real Estate Co., Ltd.* (11) (20) (廈門艾特房地產開發有限公司#)	PRC 2 May 1996	RMB10,000,000	—	80%@	Property development
Beijing Jinghui Real Estate Development Co., Ltd.*** (12) (北京京匯房地產開發有限公司#)	PRC 27 August 2004	RMB100,000,000	—	100%	Property development
Quanzhou Junjing Real Estate Development Co., Ltd.* (13) (泉州駿景房地產開發有限公司#)	PRC 22 January 2007	RMB100,000,000	—	100%	Property development
Quanzhou Donghaian Construction Co., Ltd.* (13) (泉州東海岸建設有限公司#)	PRC 26 November 2007	RMB20,000,000	—	100%	Property development

Company name	Place and date of incorporation/ establishment and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanan Junxin Real Estate Development Co., Ltd.* (13) (南安駿信房地產開發有限公司)	PRC 31 July 2007	RMB50,000,000	—	51%	Property development
Zhongjun (Quanzhou) Real Estate Development Co., Ltd.* (13) (中駿(泉州)房地產開發有限公司)	PRC 13 August 2007	RMB315,000,000	—	100%	Property development
Nanan Huajing Real Estate Development Co., Ltd.* (14) (南安華景房地產開發有限公司#)	PRC 1 June 2001	RMB70,000,000	—	100%	Property development
Shenzhen Fanya Real Estate Development Co., Ltd.** (15) (深圳泛亞房地產開發有限公司#)	PRC 2 June 2006	HK$160,000,000	—	63.2%	Property development
Shanxi Yuanhong Real Estate Co., Ltd.* (16) (山西源宏房地產開發有限公司#)	PRC 15 December 2003	RMB100,000,000	—	60%	Property development
Xiamen Zhongjun Shiji Real Estate Co., Ltd.* (廈門中駿世紀房地產有限公司#)	PRC 1 September 2009	RMB1,000,000,000	—	100%	Property development
Fujian Straits West-Coast Investment Co., Ltd.* (17) (福建省海峽西岸投資發展有限公司#)	PRC 22 August 2005	RMB730,000,000	—	58%	Property development
Quanzhou Straits Sports Center Co., Ltd*(18) (泉州市海峽體育中心有限公司#)	PRC 12 January 2006	RMB300,000,000	—	58%	Operation and management of sports and recreation facilities

* Registered as limited liability companies under PRC law.

** Registered as wholly-foreign-owned entities under PRC law.

*** Registered as Sino-foreign joint ventures under PRC law.

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

@ Pursuant to the relevant subcontracting and share transfer agreements between the Group and the minority shareholder of these subsidiaries, the Group is entitled to all the results and assets and obligated to all liabilities of these subsidiaries effective from the date of the relevant agreements by paying the minority shareholder a subcontracting fee and a consideration for the capital contributed by the minority shareholder for each of the relevant subsidiaries. The legal ownership of the relevant minority interests will be transferred to the Group by the minority shareholder when the Group settles all the subcontracting fees and considerations. Accordingly, the relevant minority interests were considered as being acquired by the Group at the date of the relevant agreements and the relevant minority interests were held by the minority shareholder to secure the payment of the outstanding subcontracting fees and considerations.

(1) No statutory audited financial statements have been prepared for these companies since their respective dates of incorporation as they were incorporated in the country where there is no statutory audit requirement.

(2) The statutory financial statements of this company for the year ended 31 December 2006 and the two years ended 31 December 2008 were audited by H K Wan, Practising CPA ("H K Wan"), and RIW C.P.A. Limited ("RIW"), respectively. Both H K Wan and RIW are registered in Hong Kong.

(3) The statutory financial statements of these companies for the year ended 31 March 2007 were audited by H K Wan and the statutory financial statements for the period from 1 April 2007 to 31 December 2007 and the year ended 31 December 2008 were audited by RIW.

(4) The statutory financial statements of this company for the period from 24 March 2006 (date of incorporation) to 31 December 2006 and the two years ended 31 December 2008 were audited by H K Wan and RIW, respectively.

(5) The statutory financial statements of these companies for the year ended 31 December 2006 and the two years ended 31 December 2008 were audited by Xiamen Anderxin Certified Public Accountants Co., Ltd. (廈門安德信會計師事務所有限公司) ("Xiamen Anderxin") and Xiamen PuHe Certified Public Accountants (廈門普和會計師事務所有限公司) ("Xiamen PuHe"), respectively.

(6) The statutory financial statements of these companies for the years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by China Audit Certified Public Accountants Xiamen Branch (中審會計師事務所有限公司) ("China Audit"), Xiamen Anderxin and Xiamen PuHe, respectively.

(7) The statutory financial statements of this company for the period from 27 June 2007 (date of incorporation) to 31 December 2007 and the year ended 31 December 2008 were audited by HuaQing Certified Public Accountants Co., Ltd. (華清會計師事務所有限公司) ("HuaQing").

(8) The statutory financial statements of this company for the two years ended 31 December 2008 were audited by Xiamen PuHe.

(9) The statutory financial statements of this company for the year ended 31 December 2006 were audited by Xiamen Anderxin. No statutory financial statements for the two years ended 31 December 2008 have been prepared for this company as it has commenced the process of deregistration.

(10) The statutory financial statements of this company for the period from 23 January 2006 (date of incorporation) to 31 December 2006 and the two years ended 31 December 2007 and the year ended 31 December 2008 were audited by Xiamen Anderxin and Xiamen PuHe, respectively.

(11) The statutory financial statements of this company for the year ended 31 December 2006 were audited by China Audit. No statutory financial statements for the two years ended 31 December 2008 have been prepared for this company as it has commenced the process of deregistration.

(12) The statutory financial statements of this company for the three years ended 31 December 2008 were audited by HuaQing.

(13) The statutory financial statements of these companies for the period from their respective dates of incorporation to 31 December 2007 and the year ended 31 December 2008 were audited by Xiamen Anderxin and Xiamen PuHe, respectively.

(14) The statutory financial statements of this company for the years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by Quanzhou ZhiCheng Certified Public Accountants Co., Ltd. (泉州志成會計師事務所有限公司, formerly known as 福建志成會計師事務所有限公司) ("QZ ZhiCheng"), Xiamen Anderxin and Xiamen PuHe, respectively.

(15) The statutory financial statements of this company for the period from 2 June 2006 (date of incorporation) to 31 December 2006, the years ended 31 December 2007 and 31 December 2008 were audited by Shenzhen Baolong Certified Public Accountants Co., Ltd. (深圳保龍會計師事務所有限公司) ("Shenzhen Baolong"), Shenzhen AnHui Certified Public Accountants Co., Ltd. (深圳安匯會計師事務所有限公司) ("Shenzhen AnHui") and Shenzhen Caian Certified Accountants Co., Ltd. (深圳市財安合夥會計師事務所有限公司) ("Shenzhen Caian"), respectively.

(16) The statutory financial statements of this company for the two years ended 31 December 2008 were audited by Lin Fen Huaxing Certified Public Accountants (臨汾華興會計師事務所) ("Huaxing").

(17) The statutory financial statements of this company for each of the three years ended 31 December 2008 were audited by QZ ZhiCheng.

(18) No statutory financial statements have been prepared for this company for the period from 12 January 2006 to 31 December 2006. The statutory financial statements of this company for each of the two years ended 31 December 2008 were audited by Quanzhou Hongcheng Accountants Office Co., Ltd. (泉州洪城會計師事務所有限公司) ("QZ Hongcheng") and Xiamen Dashan Certified Public Accountants Co., Ltd. (廈門達山會計師事務所有限公司) ("Xiamen Dashan"), respectively.

(19) Xiamen Anderxin, Xiamen PuHe, China Audit, HuaQing, Shenzhen Baolong, Shenzhen AnHui, Shenzhen Caian, Huaxing, QZ ZhiCheng, QZ Hongcheng and Xiamen Dashan are all registered in the PRC.

(20) Deregistered in 2009.

Details of business combinations that were effected and subsidiaries disposed of during the Track Record Periods are set out in notes 36(a) and 36(b) to the Financial Information, respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Track Record Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Since the Company and the Relevant Subsidiaries were and are ultimately controlled by the Founder both before and after the completion of the Reorganisation, the Reorganisation is considered as a business combination under common control and the financial information (the "Financial Information") of the Group for the Track Record Periods has been prepared using the principles of merger accounting.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the Track Record Periods include the results and changes in equity and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Track Record Periods, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2006, 2007 and 2008 and 30 September 2009 have been prepared to present the state of affairs of the Group 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 the Founder and/or the Company as at the respective dates.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting periods commencing from 1 January 2006, 2007, 2008 and 2009, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Periods.

The Financial Information has been prepared under the historical cost convention, except for investment properties and certain financial assets, which have been measured at fair value. It is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

2.3 NET CURRENT LIABILITIES

As at 30 September 2009, the current liabilities of the Group exceeded its current assets by approximately RMB681 million. The Group finances its property development projects by obtaining credit terms from contractors, proceeds from pre-sales of its on-going property development projects and interest-bearing bank and other borrowings.

As at 30 September 2009, the Group had unutilised credit facilities from banks of approximately RMB1,770 million. Moreover, the Group has obtained new credit facilities of approximately RMB9,800 million from certain PRC banks and successfully obtained or renewed approximately RMB806 million interest-bearing bank borrowings subsequent to 30 September 2009.

The directors of the Company are of the opinion that, taking into account the presently available banking facilities, the continual renewal of bank loans upon maturity and internal financial resources of the Group (mainly proceeds from the pre-sale of its ongoing property development projects), the Group has sufficient working capital for its present requirements. Hence, the Financial Information has been prepared on a going concern basis.

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

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

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Group Cash-settled Share-based Payment Transactions*[3]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[5]

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

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

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 January 2013

[5] Effective for annual periods beginning on or after 1 July 2010

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries for the Track Record Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

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

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

All income, expenses, and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Group's subsidiaries. When the Group acquires or disposes of minority interests of its subsidiaries, the difference between the amounts of consideration and carrying values of minority interests are recognised as a reserve movement.

Subsidiaries

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

The results of a subsidiary are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated statements of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statements of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

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

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or any entity that is a related party of the Group.

Property and equipment and depreciation

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

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

Buildings	2%
Leasehold improvements	over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	19% to 25%
Motor vehicles	15% to 25%

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

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

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

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

Service concession arrangement

The Group has entered into a service concession arrangement with a government body in Quanzhou, the PRC, for the operation and management of certain sports and recreation facilities. The transactions related to such service concession arrangement are accounted for by the Group as follows:

Consideration paid by the Group

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public services. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible asset (other than goodwill)" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the sports and recreation facilities to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence. The obligations are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible asset (other than goodwill)

The useful life of an intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible asset with indefinite useful life is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Operating concession

Operating concession represents the right to operate certain sports and recreation facilities and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 30 years.

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.

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, and stated at fair value, subsequent to initial recognition, 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 recognised in the statement of comprehensive income in the year of the retirement or disposal.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

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

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

Completed properties held for sale

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

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

Investments and other financial assets

Financial assets of the Group in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue Recognition" below.

Loans and receivables

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Derecognition of financial assets

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

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

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

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

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

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Revenue recognition

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

(a) from the sale of completed properties, when the 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 collectability 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;

(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; and

(e) facilities rental income, on a time proportion basis over the lease terms.

Retirement benefit schemes

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

The employees of the Group's subsidiaries in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

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

Foreign currencies

The Financial Information is presented in RMB, which is the Group's presentation currency. The functional currency of the Company is the Hong Kong dollar while RMB is used as the presentation currency of the financial information of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the statements of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries, jointly-controlled entities and associates operating outside the PRC are currencies other than RMB. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date, and their statements of comprehensive income 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 recognised in equity relating to that particular foreign operation is recognised in profit and loss in the statement of comprehensive income.

For the purpose of the consolidated statements of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments - Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Classification between investment properties and properties held for sale

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

Valuation of properties under development and completed properties held for sale

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

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Allocation of construction cost on properties under development

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

Estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the Track Record Periods based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

PRC corporate income tax ("CIT")

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

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is 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. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

Useful lives and impairment of property and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property and equipment. This estimate is based on the historical experience of the actual useful lives of items of property and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor's actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write-off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Deferred tax assets

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

Allowance on trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's estimation.

A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for major overhauls

The Group has contractual obligations which it must fulfil as a condition of the operating concession granted by the grantor, that are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. The estimation of the expenditure requires the Group to estimate the expected future cash outlays on major overhauls of the facilities over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment and property management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment combines with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit or consolidated loss, and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 6 to the Financial Information.

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

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

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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 Periods.

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

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Sale of properties	325,779	367,974	325,217	325,217	535,778
Property management fees	1,505	2,824	4,240	3,397	6,102
Gross rental income	112	896	1,722	1,084	8,222
	327,396	371,694	331,179	329,698	550,102
Other income and gains					
Bank interest income	1,497	4,096	1,741	1,669	1,881
Interest income on other receivables	427	—	403	—	—
Consultancy service fee income	2,514	—	—	—	—
Gain on disposal of items of property and equipment	—	—	—	—	5
Gain on disposal of investment properties	122	120	—	—	—
Gain on disposal of jointly-controlled entities	—	34,886	—	—	—
Gain on disposal of subsidiaries (note 36(b))	—	448	—	—	—
Gain on disposal of financial assets at fair value through profit or loss	15	3,181	—	—	—
Excess over the cost of a business combination (note 36(a))	—	—	4,527	4,527	—
Foreign exchange gain, net	3,216	—	—	—	7,738
Others	440	745	291	49	4,115
	8,231	43,476	6,962	6,245	13,739

7. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans wholly repayable within five years	24,063	54,478	66,557	41,543	55,666
Interest on bank loans repayable beyond five years	238	321	1,158	5,734	533
Interest on loans from companies controlled by the Founder (note 41(a)(iv))	193	6,874	16,890	8,173	9,134
Total interest on financial liabilities not at fair value through profit or loss	24,494	61,673	84,605	55,450	65,333
Less: Interest capitalised	(24,254)	(60,297)	(81,281)	(53,053)	(62,965)
	240	1,376	3,324	2,397	2,368

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine months ended 30 September	
	Notes	2006	2007	2008	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of properties sold		259,407	240,390	199,488	199,488	280,345
Cost of services provided		1,837	2,337	3,847	2,971	4,297
Depreciation	14	2,401	3,073	5,272	3,983	5,725
Amortisation of prepaid land lease payments	16	137	984	11,423	8,535	12,571
Minimum lease payments under operating leases for land and buildings		1,972	2,711	2,871	2,201	1,645
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		7	5	13	4	70
Auditors' remuneration		279	505	666	622	811
Employee benefit expense (including directors' remuneration (note 9)):						
Salaries and other staff costs		9,402	23,552	23,965	15,775	15,728
Retirement benefit scheme contributions		376	557	700	615	663
Less: Amount capitalised		(2,666)	(8,421)	(10,377)	(6,694)	(3,766)
		7,112	15,688	14,288	9,696	12,625
Foreign exchange differences, net		(3,216)	3,808	1,263	1,677	(7,738)
Write-off of items of property and equipment*	14	3	241	89	89	—
Gain on disposal of items of property and equipment		—	—	—	—	(5)
Loss on disposal of items of property and equipment*		—	348	—	—	—
Loss on disposal of a subsidiary*	36(b)	—	—	158	158	—

* These items are included in "Other expenses" on the face of the consolidated statements of comprehensive income of the Group during the Track Record Periods.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the Track Record Periods, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	814	1,256	1,397	1,049	864
Retirement benefit scheme contributions	14	15	18	13	13
	828	1,271	1,415	1,062	877
	828	1,271	1,415	1,062	877

(a) **Non-executive directors and independent non-executive directors**

There were no fees and other emoluments payable to non-executive directors and independent non-executive directors during the Track Record Periods.

(b) The remuneration of the executive directors for each of the Track Record Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2006				
The Founder	—	—	—	—
Mr. Chen Yuanlai ("Mr. Chen")	—	549	12	561
Mr. Cheng Hiu Lok ("Mr. Cheng")	—	180	—	180
Mr. Li Wei	—	85	2	87
	—	814	14	828
Year ended 31 December 2007				
The Founder	—	180	—	180
Mr. Chen	—	576	12	588
Mr. Cheng	—	285	—	285
Mr. Li Wei	—	215	3	218
	—	1,256	15	1,271
Year ended 31 December 2008				
The Founder	—	360	—	360
Mr. Chen	—	322	11	333
Mr. Cheng	—	423	—	423
Mr. Li Wei	—	292	7	299
	—	1,397	18	1,415
Nine months ended 30 September 2008 (unaudited)				
The Founder	—	270	—	270
Mr. Chen	—	242	8	250
Mr. Cheng	—	318	—	318
Mr. Li Wei	—	219	5	224
	—	1,049	13	1,062
Nine months ended 30 September 2009				
The Founder	—	234	—	234
Mr. Chen	—	206	8	214
Mr. Cheng	—	236	—	236
Mr. Li Wei	—	188	5	193
	—	864	13	877

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

10. FIVE HIGHEST PAID INDIVIDUALS

During the years ended 31 December 2006 and 2007, two of the five highest paid individuals were directors of the Company. During the year ended 31 December 2008 and the nine months ended 30 September 2008 and 2009, three of the five highest paid individuals were directors of the Company.

Details of the remuneration of the remaining non-director, highest paid individuals for the Track Record Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	792	991	1,434	1,083	948
Retirement benefit scheme contributions	28	23	11	8	8
	820	1,014	1,445	1,091	956

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
				(unaudited)	
Nil to RMB500,000	3	3	1	1	1
RMB500,001 to RMB1,000,000	—	—	—	1	1
RMB1,000,001 to RMB1,500,000	—	—	1	—	—
	3	3	2	2	2

11. TAX

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current:					
Hong Kong profits tax	—	6,685	—	—	—
PRC CIT	12,227	15,664	18,952	19,921	36,565
PRC LAT	183	20,434	16,653	14,840	51,919
	12,410	42,783	35,605	34,761	88,484
Deferred (note 32):					
Current year	1,008	26,715	40,001	34,106	59,399
Effect of change in tax rates	—	1,083	—	—	—
	1,008	27,798	40,001	34,106	59,399
Total tax charge for the year/period	13,418	70,581	75,606	68,867	147,883

Hong Kong 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 the year ended 31 December 2007. No provision for Hong Kong profits tax has been made for other years/periods during the Track Record Periods as the Group did not generate any assessable profits arising in Hong Kong during these years/periods.

CIT

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for each of the Track Record Periods, based on the existing legislation, interpretations and practices in respect thereof.

Prior to 1 January 2008, the Group's subsidiaries in Shenzhen and Xiamen are entitled to a preferential CIT rate of 15% and all other subsidiaries located in other cities in the PRC are subject to CIT at the statutory rate of 33%. For each of the PRC subsidiaries of the Group, CIT is provided at the applicable rate of the profits for the purpose of the PRC statutory financial reporting, adjusted for those items which are not assessable or deductible.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to "Guo Fa [2007] No. 39" promulgated on 26 December 2007, for the Group's subsidiaries in Xiamen and Shenzhen which enjoyed a preferential tax rate of 15% prior to 1 January 2008, the tax rate will be transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

LAT

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

During the Track Record Periods, the land appreciation values of certain of the Group's subsidiaries in Xiamen were not charged with LAT at the relevant progressive rates according to the LAT Regulations because, in the opinion of the directors, the relevant subsidiaries had obtained approval for tax deregistration from the relevant local tax bureau before the formal implementation of the LAT Regulations in Xiamen on 1 August 2007.

A reconciliation of the tax charge applicable to profit before tax using the statutory/applicable rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rates is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	65,205	230,658	241,465	223,988	421,615
At the statutory/applicable income tax rates	21,484	74,211	61,928	57,049	105,505
Higher/(lower) tax rate for specific cities	(11,119)	(14,525)	(9,793)	(9,606)	1,016
Effect of change in tax rates used for the recognition of deferred taxes	—	(12,920)	—	—	(215)
Effect on deferred tax due to change in tax rates	—	1,083	—	—	—
Profits and losses attributable to jointly-controlled entities and associates	272	702	1,902	1,737	426
Income not subject to tax	(1,056)	(1,213)	(1,589)	(1,995)	(235)
Expenses not deductible for tax	1,291	6,351	5,339	4,587	5,763
Tax losses utilised from previous periods	(28)	(670)	(166)	(1)	(163)
Tax losses not recognised	122	174	286	3	1,609
Tax effect on unrealised profits arising from transactions within the Group	2,210	(111)	4,681	3,708	(4,160)
LAT	183	20,434	16,653	14,840	51,919
Tax effect of LAT	(27)	(3,065)	(2,998)	(1,455)	(13,582)
Others	86	130	(637)	—	—
Tax charge at the Group's effective rates	13,418	70,581	75,606	68,867	147,883

The share of tax credit/(charge) attributable to jointly-controlled entities amounting to RMB3,595,000, RMB11,413,000, RMB10,267,000 (unaudited) and RMB(9,912,000) for the years ended 31 December 2007 and 2008 and the nine months ended 30 September 2008 and 2009, respectively, is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated statements of comprehensive income.

The share of tax credit attributable to associates amounting to RMB53,000, RMB193,000, RMB559,000, RMB396,000 (unaudited) and RMB299,000 for the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2008 and 2009, respectively, is included in "Share of profits and losses of associates" on the face of the consolidated statements of comprehensive income.

12. DIVIDENDS

No dividend has been declared by the Company since its incorporation to 30 September 2009.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

14. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006, net of accumulated depreciation	3,404	1,749	1,398	4,433	2,070	13,054
Additions	311	380	1,905	2,779	6,655	12,030
Transfer from completed properties held for sale	398	—	—	—	—	398
Depreciation	(171)	(445)	(670)	(1,115)	—	(2,401)
Write-off	—	—	(3)	—	—	(3)
Exchange realignment	(243)	—	6	—	—	(237)
At 31 December 2006 and 1 January 2007, net of accumulated depreciation	3,699	1,684	2,636	6,097	8,725	22,841
Additions	3,488	322	3,400	3,124	29,955	40,289
Acquisition of subsidiaries (note 36(a))	—	—	129	—	—	129
Acquisition of subsidiaries that are not a business (note 36(c))	—	—	17	88	—	105
Transfer from construction in progress	32,503	—	—	—	(32,503)	—
Depreciation	(210)	(524)	(754)	(1,585)	—	(3,073)
Disposals	—	—	—	(652)	—	(652)

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Write-off	—	—	(223)	(18)	—	(241)
Exchange realignment	(43)	—	(16)	5	—	(54)
At 31 December 2007 and 1 January 2008, net of accumulated depreciation	39,437	1,482	5,189	7,059	6,177	59,344
Additions	8,765	3,121	928	790	4,358	17,962
Acquisition of subsidiaries (note 36(a))	—	—	16	—	—	16
Depreciation	(1,087)	(863)	(1,487)	(1,835)	—	(5,272)
Disposals	—	—	(33)	(208)	—	(241)
Write-off	—	—	(89)	—	—	(89)
Exchange realignment	(198)	—	—	(22)	—	(220)
At 31 December 2008 and 1 January 2009, net of accumulated depreciation	46,917	3,740	4,524	5,784	10,535	71,500
Additions	70	—	512	257	1,240	2,079
Acquisition of subsidiaries that are not a business (note 36(c))	—	5,677	1,795	1,257	—	8,729
Transfer	11,775	—	—	—	(11,775)	—
Depreciation	(1,976)	(698)	(1,438)	(1,613)	—	(5,725)
Disposals	—	—	(40)	(385)	—	(425)
Exchange realignment	1	1	—	—	—	2
At 30 September 2009, net of accumulated depreciation	56,787	8,720	5,353	5,300	—	76,160
At 1 January 2006:						
Cost	3,555	2,159	1,900	7,533	2,070	17,217
Accumulated depreciation	(151)	(410)	(502)	(3,100)	—	(4,163)
Net carrying value	3,404	1,749	1,398	4,433	2,070	13,054

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2006 and 1 January 2007:						
Cost	4,016	2,539	3,767	9,834	8,725	28,881
Accumulated depreciation	(317)	(855)	(1,131)	(3,737)	—	(6,040)
Net carrying value	3,699	1,684	2,636	6,097	8,725	22,841
At 31 December 2007 and 1 January 2008:						
Cost	39,953	2,861	6,478	11,452	6,177	66,921
Accumulated depreciation	(516)	(1,379)	(1,289)	(4,393)	—	(7,577)
Net carrying value	39,437	1,482	5,189	7,059	6,177	59,344
At 31 December 2008 and 1 January 2009:						
Cost	48,518	5,982	7,116	10,704	10,535	82,855
Accumulated depreciation	(1,601)	(2,242)	(2,592)	(4,920)	—	(11,355)
Net carrying value	46,917	3,740	4,524	5,784	10,535	71,500
At 30 September 2009:						
Cost	59,058	11,661	9,347	10,760	—	90,826
Accumulated depreciation	(2,271)	(2,941)	(3,994)	(5,460)	—	(14,666)
Net carrying value	56,787	8,720	5,353	5,300	—	76,160

Certain of the Group's property and equipment with carrying amounts of RMB1,928,000, RMB6,177,000, RMB28,310,000 and RMB39,892,000 as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively, were pledged to banks to secure the bank loans granted to the Group (note 38).

15. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2006	4,400	—	4,400
Additions	548	127,808	128,356
Transfer from properties under development	—	34,552	34,552
Transfer from completed properties held for sale	3,635	—	3,635
Transfer from prepaid land lease payments (note 16)	—	1,672	1,672
Disposals during the year	(1,200)	—	(1,200)
Net gains from fair value adjustment	19,577	18,568	38,145
At 31 December 2006 and 1 January 2007	26,960	182,600	209,560
Additions	636	157,117	157,753
Transfer	33,610	(33,610)	—
Disposals during the year	(2,360)	—	(2,360)
Net gains from fair value adjustment	19,354	148,893	168,247
At 31 December 2007 and 1 January 2008	78,200	455,000	533,200
Additions	456	138,178	138,634
Transfer	593,178	(593,178)	—
Disposals during the year	(400)	—	(400)
Disposal of a subsidiary (note 36(b))	(800)	—	(800)
Net gains from fair value adjustment	211,366	—	211,366
At 31 December 2008 and 1 January 2009	882,000	—	882,000
Additions	39,687	—	39,687
Net gains from fair value adjustment	222,836	—	222,836
At 30 September 2009	1,144,523	—	1,144,523

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

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long term leases	20,404	50,836	67,015	77,509
Medium term leases	189,156	482,364	814,985	1,067,014
	209,560	533,200	882,000	1,144,523

The Group's investment properties were revalued on 31 December 2006, 2007 and 2008 and 30 September 2009 by DTZ Debenham Tie Leung, independent professionally qualified valuers, at RMB209,560,000, RMB533,200,000, RMB882,000,000 and RMB1,144,523,000, respectively.

The fair value of completed investment properties was based on either capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties, or by making reference to comparable market transactions. The fair value of investment properties under construction is determined on the basis of the residual method. However, using residual method to value investment properties under construction also requires considering the significant risks which are relevant to the development process, including but not limited to construction and letting risks.

Certain of the Group's investment properties with carrying amounts of RMB173,672,000, RMB456,672,000, RMB838,672,000 and RMB74,000,000 as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively, were pledged to secure the bank loans granted to the Group (note 38).

The Group's investment properties are leased to third parties and companies controlled by the Founder under operating leases, further summary details of which are included in note 39(a).

16. PREPAID LAND LEASE PAYMENTS

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	1,237	13,197	1,315,426	771,940
Additions	9,842	688,193	145,071	460,040
Acquisition of subsidiaries that are not a business (note 36(c))	—	615,031	—	1,153,107
Transferred from completed properties held for sale	60	—	—	—
Transfer to investment properties (note 15)	(1,672)	—	—	—
Transfer from/(to) properties under development	3,872	—	(676,594)	(457,374)
Amortisation recognised during the year/period	(137)	(984)	(11,423)	(12,571)
Exchange realignment	(5)	(11)	(540)	3
At end of year/period	13,197	1,315,426	771,940	1,915,145
Current portion included in prepayments, deposits and other receivables	(207)	(9,314)	(11,552)	(41,184)
Non-current portion	12,990	1,306,112	760,388	1,873,961

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

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long term leases:				
Mainland China	1,264	1,294,322	751,713	742,063
Medium term leases:				
Hong Kong	—	9,204	8,487	8,360
Mainland China	11,933	11,900	11,740	1,164,722
	11,933	21,104	20,227	1,173,082
	13,197	1,315,426	771,940	1,915,145

Certain of the Group's land use rights with carrying amounts of RMB11,933,000, RMB12,963,000, RMB230,385,000 and RMB785,982,000 as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively, were pledged to banks to secure the bank loans granted to the Group (note 38).

17. INTANGIBLE ASSET

	Operating concession			
	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	—	—	—	—
Acquisition of subsidiaries that are not a business (note 36(c))	—	—	—	4,861
At end of year/period	—	—	—	4,861
Cost	—	—	—	4,861
Accumulated amortisation	—	—	—	—
Net carrying amount	—	—	—	4,861

On 28 March 2006, Quanzhou Straits Sports Centre Co., Ltd (the "Straits Sports Centre") entered into an operating right concession agreement (the "Operating Right Agreement") with Quanzhou Sports Bureau (the "Sports Bureau"), a local government body in Quanzhou, the PRC, at a cash consideration of RMB5,000,000. Pursuant to the Operating Right Agreement, the Straits Sports Centre is granted an operating concession (the "Operating Concession") to operate and manage certain sports and recreation facilities (the "Facilities") in Quanzhou for a period of 30 years (the "Operating Period").

This service concession arrangement involves the Group as operator (i) paying a specific amount as consideration to obtain the Operating Concession of the Facilities; (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the Sports Bureau for the Operating Period; and (iii) receiving a right to charge users using the Facilities. The Group is entitled to operate and manage the Facilities, and is entitled to all the income associated with the operation of the Facilities. However, the relevant government bodies as grantors will control and regulate the scope of services provided and the prices charged by the Group during the Operating Period, retain ownership, and to be entitled to any residual interest in the Facilities at the end of the Operating Period.

The cost of the Operating Concession is being amortised over the Operating Period.

18. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development expected to be completed:				
Within normal operating cycle included under current assets	752,820	826,850	1,370,435	1,652,863
Beyond normal operating cycle included under non-current assets	78,084	292,366	308,496	578,381
	830,904	1,119,216	1,678,931	2,231,244
Properties under development expected to be completed within normal operating cycle and recovered:				
Within one year	298,009	251,462	414,276	971,285
After one year	454,811	575,388	956,159	681,578
	752,820	826,850	1,370,435	1,652,863

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

Certain of the Group's properties under development, including the relevant land use rights, with carrying amounts of RMB528,689,000, RMB506,106,000, RMB674,896,000 and RMB1,808,222,000 as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively, were pledged to banks to secure the bank loans granted to the Group (note 38).

19. INVESTMENT IN A SUBSIDIARY

Company:

	As at 31 December		As at 30 September
	2007	2008	2009
	RMB	*RMB*	*RMB*
Unlisted investment, at cost	8	8	8

The amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand. The carrying amounts of such balances approximate to their fair values.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	101,429	65,202	123,194	159,002

Particulars of the jointly-controlled entities are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership attributable to the Group As at 31 December 2006	2007	2008	As at 30 September 2009	Principal activities
Well China International Investment Holdings Limited	Ordinary shares of HK$110,000,000	Hong Kong	—	49%(1)	49%(1)	49%(1)	Investment holding
Quanzhou Yuanhang Real Estate Development Co., Ltd.* (泉州遠航房地產發展有限公司#)	Registered capital of RMB90,000,000	PRC	—	49%(1)	49%(1)	49%(1)	Property development and investment
Elite Land Development Limited@	Ordinary shares of HK$10,000	Hong Kong	50%	—	—	—	Investment holding
Chongqing Chuangquan Real Estate Development Co., Ltd.** @ (重慶創冠房地產發展有限公司#)	Registered capital of US$11,000,000	PRC	50%	—	—	—	Property development
Poly-Wuyi (Hong Kong) Development Limited	Ordinary share of US$10,000	Hong Kong	—	—	50%	50%	Investment holding
Fuzhou Wuyi Oasis Real Estate Co., Ltd.** (福州武夷綠州房地產開發有限公司#)	Registered capital of RMB40,000,000	PRC	—	—	50%	50%	Property development

* Registered as limited liability company under the PRC law.

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

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

@ Disposed of in May 2007.

(1) Pursuant to the relevant shareholders' agreements, the Group is entitled to a 50% voting right in the boards of directors of these entities.

The following tables illustrate the summarised financial information of the Group's jointly-controlled entities:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the jointly-controlled entities' assets and liabilities:				
Non-current assets	104,441	74,782	122,618	120,919
Current assets	80,988	22,312	264,380	608,059
Current liabilities	(84,000)	(5,710)	(166,783)	(546,928)
Non-current liabilities	—	(26,182)	(97,021)	(23,048)
Net assets	101,429	65,202	123,194	159,002

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Share of the jointly-controlled entities' results:					
Revenue	—	3,923	75,470	60,298	59,391
Other income	39	138	111	103	669
	39	4,061	75,581	60,401	60,060
Total expenses	(1,455)	(10,917)	(91,691)	(76,476)	(48,146)
Tax	—	3,595	11,413	10,267	(9,912)
Profit/(loss) after tax	(1,416)	(3,261)	(4,697)	(5,808)	2,002

21. INTERESTS IN ASSOCIATES

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	5,887	15,748	11,489	8,371

Particulars of the associates are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership attributable to the Group — As at 31 December 2006	2007	2008	As at 30 September 2009	Principal activities
Quanzhou Baoxing Real Estate Development Co., Ltd.* (泉州寶興房地產開發有限公司#)	Registered capital of RMB48,000,000	PRC	12.75%(1)	30%	30%	30%	Property development
China Bright Investments Limited	Ordinary share of HK$100	Hong Kong	—	—	—	20%	Investment holding
Grand Richy Investments Limited	Ordinary share of US$100	BVI	—	—	45%	45%	Investment holding
Shishi Minnan Goal Coast Resort Co., Ltd.** (石獅市閩南黃金海岸度假村有限公司#)	Registered capital of RMB10,500,000	PRC	—	—	45%	45%	Property development

* Registered as limited liability company under the PRC law.

** Registered as wholly-foreign-owned entity under the PRC law.

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

(1) Although the Group holds less than 20% of the voting power of Quanzhou Baoxing Real Estate Development Co., Ltd. ("QZ Baoxing"), in the opinion of the directors, the Group is in a position to exercise significant influence over QZ Baoxing through its representative director on the board of directors which consists of five members, and its participation in the policy-making processes of QZ Baoxing.

The Group's shareholdings in all associates are held indirectly by subsidiaries of the Company.

All associates have been accounted for using the equity method in the Financial Information and their financial year end date is coterminous with that of the Group.

The following table illustrates the summarised financial information, on a 100% basis, of the Group's associates extracted from their financial statements:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets	95,723	207,859	636,857	937,919
Liabilities	(49,569)	(164,662)	(606,764)	(913,107)

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	295	577	2,425	1,430	9,576
Loss	(1,120)	(3,502)	(12,360)	(8,905)	(6,226)

22. COMPLETED PROPERTIES HELD FOR SALE

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

Certain of the Group's completed properties held for sale with carrying amounts of RMB607,862,000 and RMB3,412,000 as at 31 December 2008 and 30 September 2009 were pledged to banks to secure the bank loans granted to the Group (note 38).

23. TRADE RECEIVABLES

The Group's trade receivables arise from the sale of properties. Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. Since the Group's trade receivables related to a number of diversified customers, there is no significant concentration of credit risk. All trade receivables are non-interest-bearing.

The aged analysis of the trade receivables that are not considered to be impaired are as follows:

	As at 31 December			As at 30 September
	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
	3,822	676	4,597	17,368

Receivables that were past due but not impaired relate to a number of diversified customers for whom there was no recent history of default and have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables as at 31 December 2006 were amounts due from a shareholder and a family member of the Founder aggregating to RMB2,515,000, which were unsecured, interest-free and are repayable on demand.

The carrying amounts of the trade receivables approximate to their fair values.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group:

		As at 31 December			As at 30 September
	Notes	2006	2007	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	(i)&(ii)	322,902	455,235	620,322	613,023
Deposits		10,788	53,640	9,123	39,901
Proceeds from the disposal of jointly-controlled entities		—	5,752	5,752	—
Other receivables		58,378	20,902	15,482	117,650
		392,068	535,529	650,679	770,574
Non-current portion		(287,000)	(356,070)	(508,040)	(438,414)
Current portion		105,068	179,459	142,639	332,160

Company:

	As at 31 December		As at 30 September
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	—	21	2,766

Notes:

(i) The balances included prepayments for the acquisition of land use rights in Mainland China amounting to approximately RMB287,000,000, RMB297,359,000, RMB508,040,000 and RMB438,414,000 as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively.

(ii) The balance as at 31 December 2007 included a prepayment for the acquisition of jointly-controlled entities amounting to approximately RMB58,711,000.

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

25. DUE FROM/TO RELATED PARTIES

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

Group:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Directors:				
Mr. Cheng	2,361	—	30,231	—
Mr. Chen	3,745	—	2,593	4,175
Family members of the Founder	569	7	—	—
Companies controlled by:				
The Founder	102,030	136,588	20,606	2,302
Mr. Chen	2,530	569	676	—
Mr. Cheng	—	15	22	—
Jointly-controlled entities	37,184	—	11,719	11,724
An associate	1,760	5,597	60,222	104,369
	150,179	142,776	126,069	122,570
Due to related parties:				
Directors:				
The Founder	281,564	244,297	258,960	39,951
Mr. Cheng	—	1,112	—	—
Companies controlled by the Founder	18	39,995	79,480	—
A jointly-controlled entity	—	—	—	142,975
An associate	—	—	30,000	77,821
	281,582	285,404	368,440	260,747

Company:

	As at 31 December		As at 30 September
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Due from the immediate holding company ...	10	9	—

The balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from/to related parties approximate to their fair values.

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

26. TAX RECOVERABLE/TAX PAYABLE

(a) Tax recoverable

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid PRC CIT	15,532	44,621	68,442	52,987
Prepaid PRC LAT	3,497	12,426	21,911	20,352
	19,029	57,047	90,353	73,339

(b) **Tax payable**

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong profits tax	—	6,417	6,039	6,041
PRC CIT	11,740	15,594	14,696	13,371
PRC LAT	—	17,668	8,313	39,551
	11,740	39,679	29,048	58,963

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	267,470	117,762	143,089	908,580
Less: Restricted cash (notes)	(65,950)	(36,703)	(83,410)	(503,000)
Cash and cash equivalents	201,520	81,059	59,679	405,580

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group 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 payments of the construction fees of the relevant property projects when approval from relevant local government authorities is obtained. At 31 December 2006, 2007 and 2008 and 30 September 2009, such guarantee deposits amounted to RMB65,308,000, RMB10,189,000, RMB1,459,000 and RMB3,964,000, respectively.

(b) According to the relevant loan facility agreement signed by a subsidiary of the Group with its bank, the subsidiary 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 at 31 December 2007 and 2008, such deposits amounted to RMB23,910,000 and RMB6,837,000, respectively.

(c) According to the relevant mortgage facility agreements signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificate of the relevant property has been passed to the bank. As at 31 December 2007 and 2008 and 30 September 2009, such deposits amounted to RMB1,800,000, RMB9,829,000 and RMB7,851,000, respectively.

(d) Pursuant to a management agreement entered into between the Sports Bureau and Straits Sports Center, the fund advanced by the Sports Bureau and deposited in a designated bank account can only be used for the payments of construction costs and expenditure incurred for the construction of the Facilities. As at 30 September 2009, such deposit amounted to RMB10,071,000.

(e) In addition to the restrictions as detailed in notes (a), (b), (c) and (d), certain subsidiaries of the Group are also required to place certain amounts as guarantee deposits for public maintenance fund or the use of the loan proceeds which deposited in specific bank accounts are restricted. As at 31 December 2006, 2007 and 2008 and 30 September 2009, the aggregate amounts of such deposits amounted to RMB642,000, RMB804,000, RMB65,285,000 and RMB481,114,000, respectively.

At 31 December 2006, 2007 and 2008 and 30 September 2009, the cash and bank balances of the Group denominated in RMB amounted to RMB233,305,000, RMB65,509,000, RMB138,161,000 and RMB656,289,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. All the bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

28. TRADE PAYABLES

An aged analysis of the trade payables as at each of the reporting dates during the Track Record Periods is as follows:

Group:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	229,812	358,646	351,960	219,477
Over 1 year	3,425	5,611	84,618	140,090
	233,237	364,257	436,578	359,567

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

29. RECEIPTS IN ADVANCE

Receipts in advance represent sales proceeds received from buyers in connection with the Group's pre-sale of properties during the Track Record Periods.

30. OTHER PAYABLES AND ACCRUALS

Group:

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 September 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	(a)	7,316	6,316	6,316	3,440
Advances from minority shareholders of certain subsidiaries	(b)	101,056	121,529	127,230	269,809
Considerations payable for the acquisition of subsidiaries and associates		—	334,745	236,745	691,865
Other payables		14,207	48,328	84,195	182,296
		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

Company:

	As at 31 December 2007	As at 31 December 2008	As at 30 September 2009
	RMB'000	RMB'000	RMB'000
Accruals	3,168	176	—

Notes:

(a) The balances are secured by certain equity interests of the Group's subsidiaries. The balances bear interest at 5.31% per annum, except for RMB3,440,000 as at each of 31 December 2006, 2007 and 2008 and 30 September 2009, which were interest-free and are repayable in accordance with the terms of the relevant subcontracting and share transfer agreements.

(b) The balances are unsecured, interest-free and repayable on demand.

The carrying amounts of other liabilities and the balances with minority shareholders of certain subsidiaries approximate to their fair values.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December									As at 30 September		
	2006			2007			2008			2009		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current												
Bank loans - secured......	6.03-6.30	2007	26,000	7.02-7.29	2008	40,000	6.62-10.00	2009	793,500	5.31-5.84	2010	444,000
Current portion of long term bank loans - secured	6.34-6.93	2007	74,000	7.23-7.79	2008	7,612	2.50-8.32	2009	15,318	2.5-6.53	2010	13,448
Loans from companies controlled by the Founder - unsecured .			—			—	2.95-8.22	2009	200,607	5.31	2010	56,203
			100,000			47,612			1,009,425			513,651
Non-current												
Bank loans - secured......	6.03-6.73	2008-2012	536,500	5.85-7.79	2009-2017	675,125	2.50-8.75	2010-2028	344,493	2.5-6.53	2010-2028	1,284,293
Bank loans - unsecured..	6.03	2008	20,000			—			—			—
			556,500			675,125			344,493			1,284,293
			656,500			722,737			1,353,918			1,797,944

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank 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
	656,500	722,737	1,153,311	1,741,741
Loans from companies controlled by the Founder and repayable with one year	—	—	200,607	56,203

Notes:

(a) Certain of the Group's bank loans are secured by the Group's property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 38.

(b) The Founder, the Founder's family member and a company controlled by Mr. Chen provided guarantees aggregating to RMB282,500,000, RMB237,500,000, RMB226,304,000 and RMB17,814,000 in respect of the Group's bank loans as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively.

(c) Except for secured bank loans of RMB8,683,000 and RMB8,459,000 as at 31 December 2008 and 30 September 2009, respectively, and other loans of RMB8,804,000 as at 31 December 2008, which are denominated in Hong Kong dollars, all of the Group's secured and unsecured borrowings are denominated in RMB.

(d) Except for the short term bank loans of RMB20,000,000, RMB40,000,000, RMB195,000,000 and RMB444,000,000 as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively, and short term other loans of RMB15,000,000 as at 31 December 2008, the interest rates of which were fixed in nature, all borrowings bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

32. DEFERRED TAX

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

Deferred tax liabilities

	Revaluation on investment properties
	RMB'000
At 1 January 2006	102
Charged to the consolidated statement of comprehensive income during the year	9,033
Gross deferred tax liabilities at 31 December 2006 and 1 January 2007	9,135
Effect of change in tax rates	453
Charged to the consolidated statement of comprehensive income during the year	41,957
Gross deferred tax liabilities at 31 December 2007 and 1 January 2008	51,545
Disposal of a subsidiary (note 36(b))	(42)
Charged to the consolidated statement of comprehensive income during the year	52,841
Gross deferred tax liabilities at 31 December 2008 and 1 January 2009	104,344
Charged to the consolidated statement of comprehensive income during the period	55,709
Gross deferred tax liabilities at 30 September 2009	160,053

Deferred tax assets

	Unrealised profits arising from intra-group transactions	Provision of LAT	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	—	—	3,161	3,161
Credited to the consolidated statement of comprehensive income during the year	—	—	8,025	8,025
Gross deferred tax assets at 31 December 2006 and 1 January 2007	—	—	11,186	11,186
Effect of change in tax rates	—	—	(630)	(630)
Acquisition of subsidiary that is not a business (note 36(c))	—	—	289	289
Credited to the consolidated statement of comprehensive income during the year	—	3,180	12,062	15,242
Gross deferred tax assets at 31 December 2007 and 1 January 2008	—	3,180	22,907	26,087
Credited/(charged) to the consolidated statement of comprehensive income during the year	6,928	(3,115)	9,027	12,840
Gross deferred tax assets at 31 December 2008 and 1 January 2009	6,928	65	31,934	38,927
Acquisition of subsidiaries that are not a business (note 36(c))	—	—	35,062	35,062
Credited/(charged) to the consolidated statement of comprehensive income during the period	(1,930)	9,823	(11,583)	(3,690)
Gross deferred tax assets at 30 September 2009	4,998	9,888	55,413	70,299

For the purpose of the presentation of the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	7,661	12,310	20,808	60,412
Net deferred tax liabilities recognised in the consolidated statements of financial position	5,610	37,768	86,225	150,166

The Group has unutilised tax losses arising in the PRC of RMB49,996,000, RMB101,117,000, RMB149,492,000 and RMB251,011,000 at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively, that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of the related benefits through the future taxable profits is probable. The Group did not recognise deferred tax assets arising in the PRC in respect of unutilised tax losses of RMB1,075,000, RMB2,486,000,RMB17,294,000 and RMB25,789,000 as at 31 December 2006, 2007 and 2008 and 30 September 2009, respectively, due to the unpredictability of future profit streams.

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

At 31 December 2008 and 30 September 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries and jointly-controlled entities in the PRC for which deferred tax liabilities have not been recognised totaled RMB11,778,000 and RMB26,806,000 at 31 December 2008 and 30 September 2009, respectively.

33. PROVISION FOR MAJOR OVERHAULS

Pursuant to the Operating Right Agreement, the Group has contractual obligations which it must fulfil as a condition of the Operating Concession. The obligations are (a) to maintain the Facilities it operates to a specified level of serviceability and (b) to restore the Facilities to a specified condition before they are handed over to the Sports Bureau at the end of the Operating Concession. These contractual obligations to maintain or restore the sports and recreation facilities, except for upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of the Facilities for the Track Record Periods are as follows:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	—	—	—	—
Acquisition of subsidiaries that are not a business (note 36(c))	—	—	—	2,888
At end of year/period	—	—	—	2,888

34. SHARE CAPITAL

	Notes	Number of shares	Amounts
			HK$
Authorised ordinary shares of HK$0.1 each:			
At 31 December 2006	(a)	—	—
At 31 December 2007, 31 December 2008 and 30 September 2009	(b)	3,000,000	300,000
Issued and fully paid ordinary shares of HK$0.1 each:			
At 31 December 2006	(a)	—	—
At 31 December 2007, 31 December 2008	(b)	100,000	10,000
At 30 September 2009	(c)	112,660	11,266

The movements in the Company's issued ordinary share capital during the Track Record Periods are as follows:

	Notes	Number of shares in issue	Issued share capital	Share premium account	Total	Equivalent to
			HK$'000	*HK$'000*	*HK$'000*	*RMB'000*
At 1 January 2006, 31 December 2006 and 1 January 2007	(a)	—	—	—	—	—
Issue of shares	(b)	100,000	10	—	10	10
At 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009		100,000	10	—	10	10
Issue of shares	(c)	12,660	1	774,602	774,603	682,289
At 30 September 2009		112,660	11	774,602	774,613	682,299

Notes:

(a) There was no authorised and issued capital on 1 January 2006, 31 December 2006 and 1 January 2007 since the Company was not yet incorporated.

(b) On 30 November 2007, the Company was incorporated with an authorised share capital of HK$300,000 divided into 3,000,000 ordinary shares of HK$0.1 each and 100,000 of which were issued and fully paid at par.

(c) On 21 August 2009, the Company entered into a subscription agreement (the "Subscription Agreement") with certain investors for the subscription of 12,660 ordinary shares of the Company, representing 11.237% of the entire share capital of the Company on a fully diluted basis immediately following the completion of the Subscription Agreement, for an aggregate consideration of approximately HK$775 million (equivalent to approximately RMB682 million). The Subscription Agreement was completed on 28 August 2009.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Track Record Periods are presented in the consolidated statements of changes in equity.

(b) Capital reserve

Capital reserve represents the difference between the amounts of consideration and the carrying values of minority interests acquired or disposed of.

(c) Statutory surplus reserve

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

For the entity concerned, the statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of their registered capital.

(d) Merger reserve

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

(e) **Company**

	Share premium account	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 30 November 2007 (date of incorporation)	—	—	—	—
Total comprehensive income/(loss) for the period	—	329	(8,222)	(7,893)
At 31 December 2007 and 1 January 2008	—	329	(8,222)	(7,893)
Total comprehensive income/(loss) for the year	—	466	(56)	410
At 31 December 2008 and 1 January 2009	—	795	(8,278)	(7,483)
Total comprehensive loss for the period	—	(1)	(5,245)	(5,246)
Issue of shares	682,288	—	—	682,288
At 30 September 2009	682,288	794	(13,523)	669,559
At 1 January 2008	—	329	(8,222)	(7,893)
Total comprehensive income/(loss) for the period (unaudited)	—	455	(46)	409
At 30 September 2008 (unaudited)	—	784	(8,268)	(7,484)

36. NOTES TO STATEMENTS OF CASH FLOWS

(a) **Business combinations**

Year ended 31 December 2007

(i) On 31 December 2007, Sunsonic acquired the entire share capital of each of New Bright Construction and Landscape Design Limited ("New Bright") and Royal Dragon International Advertising Limited ("Royal Dragon") from Mr. Huang at a total consideration of HK$200, being the aggregate net assets value of New Bright and Royal Dragon. The acquisition was completed on 31 December 2007 and New Bright and Royal Dragon then became a wholly-owned subsidiary of the Group. New Bright and Royal Dragon are principally engaged in the provision of construction design services and advertising services.

(ii) On 12 September 2007, Bonder Global Investment Limited, a wholly-owned subsidiary of the Group, acquired Xiamen Lucky Star Decoration Engineering Co., Ltd. ("Lucky Star") through the acquisition of an additional 80% equity interest of its parent, Sea Base Investment Limited ("Sea Base"), at a consideration of HK$8,000. The acquisition was completed on 12 September 2007 and Sea Base and Lucky Star (collectively the "Sea Base Group") then became wholly-owned subsidiaries of the Group.

The aggregated fair values of the identifiable assets and liabilities of New Bright, Royal Dragon and the Sea Base Group as at the dates of acquisition approximated to their corresponding carrying amounts immediately before the acquisition and were as follows:

	Fair value recognised on acquisition	Previous carrying amount
	RMB'000	*RMB'000*
Property and equipment (note 14)	129	129
Prepayments, deposits and other receivables	4,608	4,608
Due from related parties	8	8
Cash and bank balances	2,190	2,190
Trade payables	(22)	(22)
Other payables and accruals	(47)	(47)
Due to related parties	(6,833)	(6,833)
	33	33
Satisfied by:		
Cash	8	
Interests in associates	25	
	33	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash and bank balances acquired	2,190
Cash consideration paid	(8)
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	2,182

The results of these subsidiaries acquired in the year ended 31 December 2007 had no significant impact on the Group's consolidated turnover or profit for that year.

Year ended 31 December 2008

(i) On 21 August 2008, Affluent Way acquired the entire share capital of Sourceup International Limited ("Sourceup") from Mr. Huang at a consideration of US$100. The acquisition was completed on 21 August 2008 and Sourceup then became a wholly-owned subsidiary of the Group. Sourceup and its subsidiaries (collectively the "Sourceup Group") are principally engaged in the provision of property management services in Beijing.

(ii) On 4 August 2008, Xiamen Cippon Tai Wo Property Management Co., Ltd. acquired the entire equity interest of Quanzhou Cippon Property Management Co., Ltd. ("Quanzhou Cippon") from an independent third party at a cash consideration of RMB1,000,000. The acquisition was completed on 22 August 2008 and Quanzhou Cippon then became a wholly-owned subsidiary of the Group. Quanzhou Cippon is principally engaged in the provision of property management services.

The fair values of the identifiable assets and liabilities of Sourceup Group and Quanzhou Cippon as at the dates of acquisition approximated to their corresponding carrying amounts immediately before the acquisition and were as follows:

	Fair value recognised on acquisition	**Previous carrying amount**
	RMB'000	***RMB'000***
Property and equipment (note 14)	16	16
Prepayments, deposits and other receivables	50,420	50,420
Due from related parties	597	597
Due to a director	(45,452)	(45,452)
Cash and bank balances	417	417
Other payables and accruals	(451)	(451)
Tax payable	(19)	(19)
	5,528	5,528
Excess over the cost of business combination recognised in the statement of comprehensive income		(4,527)
Satisfied by cash		1,001

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

	RMB'000
Cash and bank balances acquired	417
Cash consideration paid	(1,001)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(584)

The results of the subsidiaries acquired in the year ended 31 December 2008 had no significant impact on the Group's consolidated turnover or profit for that year.

(b) **Disposal of subsidiaries**

Year ended 31 December 2007

On 18 December 2007, Pacific Prestige Property Limited ("Pacific Prestige"), a 66.5%-owned subsidiary of the Group, entered into two share transfer agreements (the "Transfer Agreements") with Pacific Prestige Inc., an independent third party, for the disposal of Metrogold Holdings Limited ("Metrogold") and Wealth Pacific Limited. ("Wealth Pacific"), both are 75%-owned subsidiaries of the Pacific Prestige, for a total consideration of HK$74,108,000 and of which HK$74,108,000 was used to settle the amounts of HK$35,890,000 and HK$38,218,000 due to Pacific Prestige by Metrogold and Wealth Pacific, respectively. The above disposals were completed on 27 December 2007.

Details of the net assets disposed of under the Transfer Agreements and their financial impacts are summarised below:

	RMB'000
Net assets disposed of:	
Prepayments, deposits and other receivables	69,037
Due from related parties	5,251
Cash and bank balances	169
Other payables and accruals	(16)
Interest-bearing bank borrowings	(5,700)
Minority interests	149
	68,890
Gain on disposal of subsidiaries	448
Satisfied by other payables	69,338

An analysis of the net outflow of cash and cash equivalents in respect of the disposals of these subsidiaries is as follows:

	RMB'000
Cash consideration	—
Cash and bank balances disposed of	(169)
Net outflow of cash and cash equivalents in respect of the disposals of subsidiaries	(169)

Year ended 31 December 2008

On 9 July 2008, SCP International, entered into a share transfer agreement with an independent third party, for the disposal of Xiamen Hengjun Property Co., Ltd. ("Hengjun"), a wholly-owned subsidiary of the Group, for a consideration of RMB2,288,000. Hongjun is principally engaged in property investment and management businesses. The disposal was completed on 9 July 2008.

Details of the net assets disposed of under the above share transfer agreement and their financial impacts are summarised below:

	RMB'000
Net assets disposed of:	
Investment properties (note 15)	800
Prepayments, deposits and other receivables	29
Trade receivables	374
Due from related parties	1,000
Cash and bank balances	438
Other payables and accruals	(108)
Tax payable	(45)
Deferred tax liabilities (note 32)	(42)
	2,446
Loss on disposal	(158)
Satisfied by cash	2,288

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of this subsidiary is as follows:

	RMB'000
Cash consideration	2,288
Cash and bank balances disposed of	(438)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,850

(c) **Acquisition of subsidiaries that are not a business**

Year ended 31 December 2007

(i) On 11 August 2007, the Group entered into a share transfer agreement with an independent third party for the acquisition of a 60% equity interest in Shanxi Yuanhong Real Estate Co., Ltd. ("Yuanhong") at a cash consideration of RMB75,000,000. Up to the date of acquisition, Yuanhong has not carried out any significant business transactions except for securing the rights to acquire certain parcels of land in Shanxi, the PRC. The acquisition was completed on 26 September 2007 and Yuanhong become a 60%-owned subsidiary of the Group.

(ii) On 26 November 2007, the Group entered into two agreements with certain independent third parties for the acquisition of the entire equity interest in Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd. ("Zhangzhou LWHG") at a total cash consideration of RMB390,000,000. Up to the date of acquisition, Zhangzhou LWHG has not carried out any significant business transactions except for the acquisition of certain parcels of land in Zhangzhou, the PRC. The acquisition was completed on 25 December 2007 and Zhangzhou LWHG became a wholly-owned subsidiary of the Group.

Both of the above acquisitions have been accounted for by the Group as acquisitions of assets as the entities acquired by the Group do not constitute a business.

The aggregate net assets acquired by the Group in the above transactions are as follows:

	RMB'000
Net assets acquired:	
Property and equipment (note 14)	105
Prepaid land lease payments (note 16)	615,031
Properties under development	8,967
Deferred tax assets (note 32)	289
Prepayments, deposits and other receivables	16,822
Cash and bank balances	5,020
Trade and other payables	(131,234)
Net assets	515,000
Minority interests	(50,000)
	465,000
Total consideration satisfied by:	
Cash	137,000
Other payables	328,000
	465,000
Net cash outflow arising from these acquisitions:	
Cash and bank balances acquired	5,020
Cash consideration paid	(137,000)
	(131,980)

Nine-months ended 30 September 2009

On 15 September 2009, the Group entered into a share transfer agreement with the then existing shareholders of Fujian Straits West-Coast Investment Co., Ltd. ("Haixi Investment") who were independent third parties, for the acquisition of a 58% equity interest in Haixi Investment at a total consideration of RMB859,400,000. This acquisition has been accounted for as an acquisition of assets as the major assets of Haixi Investment and its subsidiary (collectively the "Haixi Group") are five parcels of land in Quanzhou, the PRC, and no properties development and pre-sale activities were being carried out by the Haixi Group at the date of acquisition. The acquisition was completed on 22 September 2009.

This acquisition has been accounted for by the Group as an acquisition of assets as the entities acquired by the Group do not constitute a business.

The aggregate net assets acquired by the Group in the above transactions are as follows:

	RMB'000
Net assets acquired:	
Property and equipment (note 14)	8,729
Prepaid land lease payments (note 16)	1,153,107
Property under development	299,784
Intangible asset (note 17)	4,861
Deferred tax assets (note 32)	35,062
Prepayments, deposits and other receivables	487,789
Restricted cash	172,159
Cash and bank balances	2,293
Trade and other payables	(246,274)
Tax payable	(2,922)
Interest-bearing bank loans	(430,000)
Provision for major overhauls (note 33)	(2,888)
Net assets	1,481,700
Minority interests	(622,300)
	859,400
Total consideration satisfied by:	
Cash	170,000
Other payables	689,400
	859,400
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	2,293
Cash consideration paid	(170,000)
	(167,707)

37. CONTINGENT LIABILITIES

The Group had the following financial guarantees as at each of the reporting dates during the Track Record Periods:

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

Notes:

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

Under the above arrangement, the related properties were pledged to the banks as 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 realise the pledged properties through open auction. The Group is 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.

The Group's guarantee period starts from the dates of 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 the directors consider that in the case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the Financial Information for the guarantees.

(b) The fair value of the guarantees is not significant and the directors of the Company consider that the risk of default in payment is remote, and therefore no provision for the guarantees has been made in the Financial Information.

(c) As at 31 December 2006, 2007 and 2008 and 30 September 2009, the Company did not have any significant contingent liabilities.

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

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

38. PLEDGE OF ASSETS

At each of the reporting dates, the following assets of the Group were pledged to certain banks for securing the loans granted to the Group:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property and equipment (note 14)	1,928	6,177	28,310	39,892
Investment properties (note 15)	173,672	456,672	838,672	74,000
Prepaid land lease payments (note 16)	11,933	12,963	230,385	785,982
Properties under development (note 18)	528,689	506,106	674,896	1,808,222
Completed properties held for sale (note 22)	—	—	607,862	3,412
	716,222	981,918	2,380,125	2,711,508

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	215	728	1,458	8,351
In the second to fifth years, inclusive	—	134	134	134
In the sixth to tenth years, inclusive	—	152	118	92
	215	1,014	1,710	8,577

(b) **As lessee**

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

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

	As at 31 December			As at 30 September
	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

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the reporting date:

	As at 31 December			As at 30 September
	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 sales and construction of investment and owner-occupied properties in Mainland China	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	—	—
	1,008,423	550,915	1,110,644	1,395,270

In addition, the Group's share of the jointly-controlled entities' and associates' own capital commitments which are not included in the above, are as follows:

	As at 31 December			As at 30 September
	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

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in notes 23, 25, 30 and 31 to the Financial Information, the Group had the following material transactions with related parties during the Track Record Periods:

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Sale of properties to:						
Directors	(i)	3,753	1,124	—	—	1,171
Family members of the directors	(i)	—	3,000	4,319	4,319	1,998
Disposal of a motor vehicle to a director	(i)	—	256	—	—	—
Rental income from companies controlled by the Founder	(ii)	—	54	1,283	1,009	1,255
Property management fee income from companies controlled by the Founder	(ii)	—	—	220	180	173
Commission income on trading of machinery received from companies controlled by the Founder	(iii)	67	362	—	—	—
Interest expenses on loans from companies controlled by the Founder	(iv)	193	6,874	16,890	8,173	9,134
Sales agency fees paid to an associate	(v)	—	—	—	—	6,421

Notes:

(i) The properties were sold at prices mutually agreed by both parties.

(ii) Terms on the rental and management fee income of office premises were mutually agreed between both parties.

(iii) The commission income was based on 0.1% to 0.8% of the selling prices of the machinery traded.

(iv) The interest expenses were charged at rates ranging from 2.36% to 8.22% per annum.

(v) The sales agency fees were charged at rates ranging from 1.1% to 1.3% of the selling price of the relevant properties sold.

In the opinion of the directors of the Company, the transactions between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties. The directors of the Company also confirmed that except for the rental income and management fee income receivable from companies controlled by the Founder set out in note (ii) above, all the above transactions will not continue after the listing of the Company's shares on the Main Board of the Stock Exchange.

(b) During the years ended 31 December 2007 and 2008 and the nine months ended 30 September 2009, the Group provided financial guarantees with aggregate amounts of RMB170,000,000, RMB255,500,000 and RMB210,500,000, respectively, to certain banks for securing the loan facilities granted to certain companies controlled by the Founder. Further details of the financial guarantees provided to related parties as at each of the reporting dates are disclosed in note 37 to the Financial Information.

(c) In the opinion of the directors, the directors of the Company represent the key management personnel of the Group. Further details of the compensation of key management personnel of the Group are set out in note 9 to the Financial Information.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been throughout the Track Record Periods under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

Market risk

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

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same saving rate of unrestricted deposits throughout the Track Record Periods. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Effect on profit before tax
		RMB'000
Year ended 31 December 2006		
RMB	150	(9,069)
RMB	(150)	9,069
Year ended 31 December 2007		
RMB	150	(10,190)
RMB	(150)	10,190
Year ended 31 December 2008		
RMB	150	(12,986)
HK$	150	(260)
RMB	(150)	12,986
HK$	(150)	260
Period ended 30 September 2009		
RMB	150	(20,241)
HK$	150	(211)
RMB	(150)	20,241
HK$	(150)	211

Foreign currency risk

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

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

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

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between the RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange 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 the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity to a reasonably possible change in RMB exchange rates against HK$ and US$, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate	Effect on profit before tax
		RMB'000
Year ended 31 December 2006		
If US$ weakens against RMB	10%	(1,095)
If US$ strengthens against RMB	(10%)	1,095
Year ended 31 December 2007		
If US$ weakens against RMB	10%	(1,492)
If US$ strengthens against RMB	(10%)	1,492
Year ended 31 December 2008		
If US$ weakens against RMB	10%	(36)
If US$ strengthens against RMB	(10%)	36
Period ended 30 September 2009		
If HK$ weakens against RMB	10%	(6,402)
If HK$ strengthens against RMB	(10%)	6,402

Credit risk

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

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

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In the opinion of the directors of the Company, most of the borrowings that mature within one year are able to renew and the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

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

Group

	As at 31 December 2006				
	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 borrowings	140,910	85,501	536,353	9,081	771,845
Trade payables	227,273	5,964	—	—	233,237
Financial liabilities included in other payables and accruals	119,619	240	2,720	—	122,579
Due to related parties	281,582	—	—	—	281,582
	769,384	91,705	539,073	9,081	1,409,243

	As at 31 December 2007				
	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	104,908	697,980	27,083	15,558	845,529
Trade payables	363,468	789	—	—	364,257
Financial liabilities included in other payables and accruals	508,198	240	2,480	—	510,918
Due to related parties	285,404	—	—	—	285,404
	1,261,978	699,009	29,563	15,558	2,006,108

	As at 31 December 2008				
	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	1,075,772	36,568	341,365	15,069	1,468,774
Trade payables	429,722	6,856	—	—	436,578
Financial liabilities included in other payables and accruals	430,300	21,946	2,240	—	454,486
Due to related parties	368,440	—	—	—	368,440
	2,304,234	65,370	343,605	15,069	2,728,278

	As at 30 September 2009				
	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	603,693	457,751	910,419	13,362	1,985,225
Trade payables	352,011	7,556	—	—	359,567
Financial liabilities included in other payables and accruals	1,123,464	23,946	—	—	1,147,410
Due to related parties	260,747	—	—	—	260,747
	2,339,915	489,253	910,419	13,362	3,752,949

Company

All of the Company's financial liabilities as at each reporting date are repayable on demand.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt-to-adjusted capital ratio. This ratio is calculated based on net debt and adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the consolidated statements of financial position) less cash and cash equivalents (including restricted cash). Adjusted capital comprises all components of equity (i.e., share capital, minority interests and reserves), and includes the net amounts due to the Founder and companies controlled by the Founder, and the advances from certain minority shareholders of the certain of the Group's subsidiaries. The Group aims to maintain a debt-to-adjusted capital ratio of not exceeding 150%.

The debt-to-adjusted capital ratios as at 31 December 2006, 2007 and 2008 and 30 September 2009 were as follows:

	As at 31 December			As at 30 September
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings (note 31)	656,500	722,737	1,353,918	1,797,944
Less: Cash and bank balances (note 27)	(267,470)	(117,762)	(143,089)	(908,580)
Net debt	389,030	604,975	1,210,829	889,364
Equity	73,589	376,108	573,927	2,223,378
Add: Amount due to the Founder (note 25)	281,564	244,297	258,960	39,951
Amounts due to companies controlled by the Founder (note 25)	18	39,995	79,480	—
Advances from minority shareholders of certain subsidiaries (note 30)	101,056	121,529	127,230	269,809
Less: Amounts due from companies controlled by the Founder (note 25)	(102,030)	(136,588)	(20,606)	(2,302)
Adjusted capital	354,197	645,341	1,018,991	2,530,836
Debt-to-adjusted capital ratio	109.8%	93.7%	118.8%	35.1%

III. FINANCIAL STATEMENTS AFTER THE REPORTING PERIOD

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any reporting period after 30 September 2009.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong