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CHINA SCE PROPERTY HOLDINGS LIMITED
中駿置業控股有限公司

(於開曼群島註冊成立的有限公司)
(股份代號：1966)

建議的優先票據發行

本公司擬進行建議的票據發行，並將於二零一一年一月五日起向機構投資者展開連串路演簡介會。有關這次建議的票據發行，本公司將向若干機構投資者提供有關本集團的最新企業及財務信息，包括風險因素、本公司業務及本集團承辦項目的概況、管理層就財務狀況及經營業績的討論與分析、關聯方交易、債務資料及財務報表。該等信息尚未公開過(惟本公司於二零一零年八月十七日刊發的中期業績報告中有關本公司截至二零一零年六月三十日止六個月的財務業績的披露以及本公司於二零一零年四月十五日刊發的業績公佈中有關本公司截至二零零九年十二月三十一日止年度的財務業績的披露則除外)。

該等最新信息摘要隨附於本公告並在向機構投資者發放的相若時間，可於本公司網址*www.sce-re.com*瀏覽。

建議的票據發行的完成須受市況及投資者反應規限。德意志銀行及滙豐為建議的票據發行的聯席賬簿管理人及聯席牽頭經辦人。於本公告日期，尚未釐定建議的票據發行的款額、條款及條件。本公司現擬使用票據收益對新增及現有項目提供資金（包括建造成本及土地成本）及供作一般公司用途。本公司或會因應變動中的市況及情況調整其收購及發展計劃，並因此可能重新分配建議的票據發行的收益。

建議的票據發行將僅以要約形式(i)於美國發售，但僅根據證券法第144A條獲豁免註冊規定向合資格機構買家發售，以及(ii)於美國境外遵照證券法項下的S規例發售。概無票據將於香港公開發售。

票據已獲原則性批准於新加坡交易所上市。票據是否獲納入新加坡交易所並不視為本公司或票據價值之指標。本公司將不會尋求票據於香港或任何其他證券交易所上市。

由於於本公告日期尚未就建議的票據發行訂立具約束力的協議，故建議的票據發行不一定會落實。投資者及本公司股東於買賣本公司證券時，務須審慎行事。倘購買協議獲予訂立，本公司將就建議的票據發行作進一步公告。

建議的票據發行

緒言

本公司擬進行建議的票據發行，並將於二零一一年一月五日起向機構投資者展開連串路演簡介會。有關這次建議的票據發行，本公司將向若干機構投資者提供有關本集團的最新企業及財務信息，包括風險因素、本公司業務及本集團承辦項目的概況、管理層就財務狀況及經營業績的討論與分析、關聯方交易、債務資料及財務報表。該等信息尚未公開過（惟本公司於二零一零年八月十七日刊發的中期

業績報告中有關本公司截至二零一零年六月三十日止六個月的財務業績的披露以及本公司於二零一零年四月十五日刊發的業績公佈中有關本公司截至二零零九年十二月三十一日止年度的財務業績的披露則除外）。該等最新信息摘要隨附於本公告並在向機構投資者發放的相若時間，可於本公司網址*www.sce-re.com*瀏覽。

建議的票據發行的完成須受市況及投資者反應規限。德意志銀行及滙豐為建議的票據發行的聯席賬簿管理人及聯席牽頭經辦人。除非根據票據的條款予以提前贖回或購回，票據（倘獲發行）將於到期時還款。於本公告日期，尚未釐定建議的票據發行的款額、條款及條件。在落實最終票據條款後，德意志銀行、滙豐及本公司等將訂立購買協議，據此，德意志銀行及滙豐將為票據的初步買方。倘購買協議獲予訂立，本公司將就建議的票據發行作進一步公告。

建議的票據發行將僅以要約形式(i)於美國發售，但僅根據證券法第144A條例獲豁免註冊規定向合資格機構買家發售，以及(ii)於美國境外遵照證券法項下的S規例發售。概無票據將於香港公開發售，及概無票據將配售予本公司的任何關連人士。

進行建議的票據發行的原因

本集團為福建省領先的房地產開發商。根據中國房地產十強調查小組，於二零零八年至二零一零年各年獲頒發「中國房地產百強企業」之一及「中國房地產百強企業— 百強之星」之一。以廈門為總部，本集團專注在海峽西岸經濟圈的中心區域—福建省內較繁華的地區開發高質量的中端至高端住宅房地產項目。憑藉其於福建省的經驗，本集團已擴展至，並計劃繼續整固其在環渤海經濟圈如北京及其他經濟發達城市的市場地位。

於二零一零年九月三十日，本集團已交付十一項位於福建省，總建築面積約843,000平方米的房地產項目，以及一項位於環渤海經濟圈，總建築面積約119,000平方米的開發項目。

本公司目前擬利用票據所得款項就其新增及現有項目提供資金(包括建造費用及土地成本)及供作一般公司用途。本公司或會因應變動中的市況調整其收購及發展計劃，並因此可能重新分配建議的票據發行的所得款項。

上市

票據已獲原則性批准於新加坡交易所上市。票據是否獲納入新加坡交易所並不視為本公司或票據價值之指標。本公司將不會尋求票據於香港或任何其他證券交易所上市。

一般事項

由於於本公告日期尚未就建議的票據發行訂立具約束力的協議，故建議的票據發行不一定會落實。投資者及本公司股東於買賣本公司證券時，務須審慎行事。倘購買協議獲予訂立，本公司將就建議的票據發行作進一步公告。

釋義

本公告中，除文義另有規定外，下列詞彙的含義如下：

「董事會」	指	本公司董事會
「本公司」	指	中駿置業控股有限公司，一家於開曼群島註冊成立的有限公司，其股份於聯交所上市
「關連人士」	指	具有上市規則所賦予的涵義
「德意志銀行」	指	Deutsche Bank AG, Singapore Branch，為有關建議的票據發行的聯席牽頭經辦人及聯席賬簿管理人之一

「董事」	指	本公司董事
「本集團」	指	本公司及其子公司
「滙豐」	指	滙豐控股有限公司，為有關建議的票據發行的聯席牽頭經辦人及聯席賬簿管理人之一
「香港」	指	中國香港特別行政區
「上市規則」	指	聯交所證券上市規則
「票據」	指	本公司將發行的優先票據
「中國」	指	中華人民共和國
「建議的票據發行」	指	本公司建議進行的票據發行
「購買協議」	指	由(其中包括)本公司、德意志銀行與滙豐就建議的票據發行擬簽訂的協議
「證券法」	指	經修訂的1933年美國證券法
「新加坡交易所」	指	新加坡證券交易所有限公司
「聯交所」	指	香港聯合交易所有限公司

承董事會命
中駿置業控股有限公司
主席
黃朝陽

香港，二零一一年一月四日

於本通告刊發日期，本公司執行董事為黃朝陽先生、陳元來先生、鄭曉樂先生及李維先生，本公司非執行董事為馮家彬先生，及獨立非執行董事為丁良輝先生、呂鴻德先生及戴亦一先生。

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The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected.

RISKS RELATING TO OUR BUSINESS

Our business is heavily dependent on the performance of the real estate market in the PRC, particularly in Fujian Province and the Bohai Economic Rim

We are heavily dependent on the performance of the real estate markets in Fujian Province and the Bohai Economic Rim. As of September 30, 2010, 66.6% of our land bank was located in Fujian Province. In particular, 57.6% of our land bank is located in Quanzhou in Fujian Province. In addition, 28.6% of our land bank is located in the Bohai Economic Rim. Our financial condition, results of operations and profitability may be materially and adversely affected by the performance of the real estate market in the PRC and particularly, any adverse development in the demand for, or price of, real estate in Fujian Province, in particular Quanzhou, and the Bohai Economic Rim. Policies, measures and regulations that have been introduced and may be introduced by the PRC government may lead to changes in market conditions, including price instability and an imbalance between the supply of, and demand for, properties in the PRC. We cannot assure you that significant declines in both demand and price will not take place in the real estate markets of Fujian Province, the Bohai Economic Rim or the rest of the PRC, in the future. Demand for properties in the PRC, particularly in Fujian Province and the Bohai Economic Rim, has grown in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in real estate prices. In addition, demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time. In the past few years, the PRC government has announced a series of measures designed to stabilize the development of the real estate market, to a more sustainable level. For a detailed discussion of policy or other government measures that may affect our business, see "— Risks relating to the real estate sector in the PRC — The restrictive measures adopted from time to time by the PRC government to curtail the overheating of, and foreign investment in, the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline". Furthermore, we cannot assure you that the PRC government will not implement additional measures to restrict the growth or curb the overheating of the PRC real estate market, or that there will not be material adverse changes in the PRC economy and the PRC real estate market as a result of such policies, measures and/or regulations. Any such changes could have a material adverse effect on our business, financial condition and results of operations.

We face intense competition from other real estate developers

In recent years, an increasing number of real estate developers, including a number of leading Hong Kong and foreign real estate developers, have entered the PRC property development market including in Fujian Province and the Bohai Economic Rim. Some of such developers may have better track records, greater financial, land or other resources, broader name recognition or greater economies of scale than we do. In addition, the PRC government may periodically introduce various policies and measures to limit the growth and to prevent the overheating of the real estate market, which may further increase competition for land among real estate developers. For further details on some of these policies, and measures, please see "— Risks relating to the real estate sector in the PRC — The restrictive measures adopted from time to time by the PRC government to curtail the overheating of, and foreign investment in, the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline".

Enhanced competition among real estate developers may result in increases in costs for land acquisition and labor. It may also result in an oversupply of properties, decreases in real estate prices, the inability to sell such properties or a more restrictive approach to approval of new property developments by PRC authorities. The occurrence of any of such events may adversely affect our business, financial position and results of operations. If we cannot compete effectively against our competitors, our business, financial position and results of operations may be materially and adversely affected.

We may not be able to obtain adequate funding for our property developments

Our business is capital intensive. We generally fund our property development projects through bank and other borrowings, pre-sale proceeds of our properties and equity and debt issuances. There can be no assurance that we will always have sufficient funds available, or available on acceptable terms, or at all, to fund our current and future property developments.

Our ability to arrange adequate bank financing for our property developments on acceptable terms may depend on a number of factors, including general economic conditions, our financial strength and performance, the availability of credit from financial institutions, the value of security provided and monetary policies in the PRC.

The PRC government has in recent years adopted a number of policies to further tighten lending to real estate developers, which, among other things:

- prohibit PRC commercial banks from extending loans to real estate developers to finance land premiums;
- restrict PRC commercial banks from extending loans to develop luxury residential properties;
- restrict the grant or extension of revolving credit facilities to real estate developers that hold a significant amount of idle land and vacant commodity properties;
- prohibit commercial banks from accepting properties that have been vacant for more than three years as collateral for mortgage loans;
- prohibit property developers from using borrowings obtained from any local banks to fund property developments outside that local region; and
- restrict the level of debt financing for real estate projects.

For more information regarding such policies, please see "Regulation — Legal supervision relating to real estate sector in the PRC".

In addition, the People's Bank of China ("PBOC") raised the deposit reserve ratio of commercial banks several times from 8.0% in July 2006 to 17.5% in June 2008. The reserve ratio was adjusted down to 15.5% in December 2008, but was raised again several times from 15.5% to, most recently, 19.0% in December 2010. Such regulations may limit the amount commercial banks may lend to us and may thereby adversely affect our ability to obtain financing from or renew existing credit facilities granted by financial institutions.

Proceeds from pre-sales of our properties also serve as an important source of financing for our property developments. There can be no assurance that we will receive sufficient proceeds from the pre-sales of properties to fund our current and future property developments. On August 5, 2005, PBOC proposed in a report to discontinue the practice of pre-selling uncompleted properties, on the grounds that pre-sales create significant market risks and generate transactional irregularities. While such proposal has not been adopted by any PRC government authorities and has no mandatory effect, we cannot assure you that the PRC government will not ban or impose material limitations on pre-sales of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments. This, in turn, could have a material and adverse effect on our business, financial condition and results of operations.

Our business depends on our ability to identify and acquire suitable sites with long-term appreciation potential for property development

We believe our in-depth understanding of the real estate market dynamics in areas where we operate has enabled us to identify and capitalize on land acquisition opportunities with quality development potential. We, however, cannot assure you that the parcels of land we have acquired will appreciate in value in the future or that we will continue to be able to identify or capitalize on similar land acquisition opportunities or that we will be able to successfully acquire attractive land sites. In addition, the PRC government controls the availability of land in China. As a result, the PRC government's policies have a direct impact on our ability to acquire land use rights and our costs of land acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which real estate developers may obtain land. The PRC government also controls land supply through zoning, land usage regulations and other measures. All these measures further intensify the competition for land in China among real estate developers and may limit our ability to acquire suitable land for our development or increase land acquisition costs significantly. Any inability to identify, acquire and capitalize on sufficient attractive land sites for our land reserves could result in uncertainties in our future development costs and schedules, which in turn could have a material adverse effect on our future growth prospects, profitability and profit margins.

We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we currently have interests

We hold certain parcels of land for development for which we have not yet obtained the land use rights certificates from the PRC government. In particular, as of September 30, 2010, we had entered into land grant contracts to acquire parcels of land with an aggregate GFA of approximately 2,059,000 sq.m., for which the land use rights certificates had not been obtained. As of September 30, 2010, we had also entered into master agreements with several local governments with respect to certain parcels of land with an aggregate GFA approximately of 1,448,000 sq.m. but had not concluded the public tender process and/or entered into relevant land grant contracts. After signing the master agreement, in order to obtain the land use rights certificates with respect to these parcels of land, we are required by PRC laws and regulations to go through a process which may involve competitive bidding, public auction or listing-for-sale, and, if successful, enter into a land grant contract and pay the land premium. If we fail to obtain the land use rights certificates with respect to such parcels of land in a timely manner, or at all, or if we are required to pay higher land premium to secure the land use rights certificates or fail to recover the costs that we have incurred in connection with performing our obligations under such master agreements, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations may fluctuate from period to period, which makes it difficult to predict our future performance

Substantially all of our revenue is derived from the sale of our self- or jointly-developed residential and commercial properties. Our results of operations may fluctuate in the future due to a combination of factors, including the overall development schedule of our property development projects, the level of acceptance of our properties by prospective customers, the proposed timing for completion and sale of our developed properties, our revenue recognition policies, land acquisition costs and price volatility in construction-related and development expenses. Most of our property development projects require several years to complete and must be undertaken in phases. Selling prices of developed properties are often higher closer to completion, due in part to the more established community available to prospective purchasers. Furthermore, according to our accounting policy for revenue recognition, we recognize revenue from the sale of properties only upon the delivery of completed properties to purchasers. A time gap ranging from several months to several years may pass between the date on which we commence pre-sales and the date on which completed properties are delivered to purchasers. Accordingly, our results of operations may vary significantly from period to period depending, in part, on the GFA sold and the timetable for the completion of pre-sold properties. Historically, periods in which we completed more GFA have often generated a higher level of revenue. Periods in which we pre-sell a considerable amount of aggregate GFA, however, may not necessarily generate a higher level of revenue if such pre-sold properties are not completed within the same period. Our results of operations are also affected by the limitation that during any particular period of time, we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs and the limited supply of land. Our ability to complete projects may also be affected by seasonal factors, such as heavy winter rainfall and typhoons, which could hinder the construction, and in turn, the completion of our property development projects. Our revenue and profits, recognized upon the delivery of properties, may also be affected by such seasonal effects.

Our business may be adversely affected by future increases in interest rates

We rely on borrowing to finance a significant part of our project developments. Currently, our borrowings primarily consist of loans from commercial banks in China, with interest rates linked to benchmark lending rates published by PBOC. PBOC's benchmark interest rate was relatively stable in the decade preceding 2004. However, in October 2004, PBOC began to raise its one-year benchmark lending rates until it peaked at 7.47% in December 2007. PBOC then left interest rates unchanged until September 2008, when it took action to reduce interest rates in the wake of the global financial crisis. PBOC cut rates four times in the last quarter of 2008, as a result reducing the one-year benchmark lending rate by a total of 189 basis points. By the end of 2008, the one-year benchmark lending rate was 5.31% which was increased to 5.56% on October 20, 2010. Our finance costs before capitalization incurred in the years ended December 31, 2007, 2008 and 2009, and the nine months ended September 30, 2010 were RMB61.7 million, RMB84.6 million, RMB104.6 million and RMB94.9 million, respectively, while the total amount of interest capitalized in 2007, 2008 and 2009 and the nine months ended September 30, 2010 was RMB60.3 million, RMB81.3 million, RMB99.0 million and RMB90.9 million, respectively.

Our cost of borrowing may increase as a result of an interest rate increase, which, in turn could adversely affect our results of operations. Any increases in interest rates introduced by

PBOC will also make mortgage financing more expensive for potential purchasers of our properties, which would adversely affect our ability to generate cash through pre-sales and affect our sales revenue.

We may not be able to complete our development projects on time, within budget or at all

Property development projects require substantial capital expenditure prior to and during the construction period. It may take more than a year from the commencement of construction before a project generates positive cash flows through pre-sales or sales of properties. The progress and costs of a property development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licences, permits or approvals from PRC government agencies or authorities;
- changes in real estate market conditions;
- changes in PRC government policies, regulations and/or measures;
- relocation of existing residents and/or demolition of existing structures;
- shortages or increased costs of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural disasters or catastrophes; and
- adverse weather conditions.

Construction delays or failure to complete the construction of a property development project according to its planned specifications, schedule or budget as a result of the above or any other factors may have a material adverse effect on our business, financial condition and results of operations and may result in reputational damage to us. We cannot assure you that we will not experience any significant delays in completion or delivery of any of our property development projects or that we will not be subject to any liabilities for any such delays.

We may not be successful in expanding into geographic areas where we have not historically operated

While we have in the past primarily focused our business in Fujian Province, we have recently expanded into markets in other regions such as Beijing, Shanxi Province, Guangdong Province, Liaoning Province and Hebei Province. Markets in other regions may differ from markets in which we currently have operations in terms of the level of economic development, real estate market trends and regulatory practices. In addition, as we enter new markets, we may not have the same level of familiarity with local contractors, business practices, customs and customer tastes, behavior and preferences and other market dynamics as compared to the areas in which we currently have operations. Therefore, we may not be able to successfully leverage our experience in the areas in which we currently have operations in other markets. Our expansion, and the need to integrate operations arising from our expansion into new markets, may place a significant strain on our managerial, operational and financial resources and may further increase our financing requirements. In addition, we may encounter intense competition from other real estate developers with more experience or better established presences in those areas. Any failure to leverage our experience or to understand the local real estate markets that we target for expansion may have a material adverse effect on our business, financial condition and results of operations. Furthermore, if we are unsuccessful in our strategy to expand beyond the areas in which we currently have operations, our development and growth prospects may be adversely affected.

Our business strategies, plans for expansion to new business sectors, and new products may not be successful

We have historically focused on residential properties. We have begun to diversify our project portfolio by expanding into commercial real estate in the PRC. For further details of our expansion plan, please see "Business — Our Business Strategies — Continue to focus primarily on residential property development while seeking to expand into the commercial real estate market". There can be no assurance that we will be able to develop new businesses successfully or at all, and we may not be able to leverage our experience in the residential properties sector into new business areas. If expansion into new business sectors is not successful, our development, growth prospects and results of operations may be adversely affected.

Volatility in the prices of construction materials could adversely affect our business and financial performance

Our results of operations and financial performance are affected by volatility in the prices of construction materials. The cost of construction materials constitutes a substantial proportion of our construction costs. The cost of raw materials, including cement, iron, steel and other key building materials increased significantly during the period from the beginning of 2006 to September 2008, just before raw material prices slumped due to the global economic crisis. Although, as part of our cost control measures, we typically cap the prices of such materials in our construction contracts with our contractors, we are still subject to long-term movements in the prices of construction materials as the capped price may be subject to adjustment in the event of a substantial increase or decrease in the cost of construction materials. We cannot assure you that the prices of raw materials will stabilize in the near future or that the prices of raw materials will be or remain at a relatively low level. In addition, despite the efficiencies and pricing advantages of our bulk purchases when we purchase ancillary construction materials directly from suppliers, any increase in the cost of any construction materials will impact our overall construction costs and cost of sales. If our cost of raw materials were to increase without our being compensated for such an increase or if we cannot pass any or all of the increased costs on to our customers, our profitability may be materially and adversely affected.

Our profitability may fluctuate substantially due to the periodic reassessment of fair value gains or losses on our investment properties

The Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, HKAS40, provides that investment properties, including investment properties under construction, may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties as non-current assets at their fair value, as determined by an independent property valuer, as of each reporting date. Accordingly, any gains or losses arising from changes in the fair value of our investment properties are included in our statement of comprehensive income in the period or year in which they arise. DTZ Debenham Tie Leung Limited ("DTZ"), an independent property valuer, revalued our investment properties as of December 31, 2007, 2008 and 2009 and September 30, 2010, respectively, and such appraised value may be different from the actual value, if any, we realize upon disposal of the property. Based on such valuations, we recognized the aggregate fair market value of our investment properties in our consolidated statements of financial position, and we recognized the fair value gains (or losses) and the relevant deferred tax on investment properties in our consolidated statements of comprehensive income.

In the years ended December 31, 2007, 2008, 2009 and the nine months ended September 30, 2010, the changes in fair value of our investment properties was RMB168.2 million, RMB211.4 million, RMB371.6 million and RMB 15.0 million (US$2.2 million), respectively, representing 72.9%, 87.5%, 68.7% and 1.5%, respectively, of our profit before tax. Our profit for the period, excluding the changes in fair value of our investment properties (net of deferred tax), was approximately RMB33.9 million, RMB7.3 million, RMB83.0 million and RMB561.5 million respectively, for the same periods. Fluctuations in the fair market value of our investment properties during the relevant period were primarily due to the addition and completion of new investment properties, as well as their overall appreciation. These upward revaluation adjustments of our investment properties reflect unrealized capital gains relating to our investment properties at the relevant reporting dates and do not generate any cash inflow to us unless and until such investment properties have been disposed of. The amount of the revaluation adjustments has been, and may continue to be, significantly affected by prevailing real estate market conditions and may be subject to market fluctuations. Consequently, we cannot assure you that changes in the fair value of our investment properties will give rise to the previous or any levels of percentage contribution to our profits, or that any such contribution will not decrease in the future or reflect a loss. In particular, the fair value of our investment properties could decrease in the event that the market for comparable properties in the PRC experiences a downturn as a result of general economic conditions or PRC government policies, or otherwise. Any such decrease in the fair value of our investment properties could have a material adverse effect on our financial position and results of operations.

Our indebtedness could have an adverse effect on our financial condition, make it more difficult for us to raise additional capital to fund our operations and reduce our ability to explore business opportunities

We maintain a certain level of indebtedness to finance our operations. As of September 30, 2010, the outstanding balance of our total bank and other borrowings amounted to RMB2,410.7 million. Our indebtedness described above could have an adverse effect on us, such as:

- requiring us to dedicate a large portion of our cash flow from operations to fund repayments on our debt, thereby reducing the availability of our cash flow to expand our business;
- increasing our vulnerability to adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such financing;
- restricting us from making strategic acquisitions or exploring potential business opportunities; and
- making it more difficult for us to satisfy our obligations with respect to our debt.

We have incurred and will continue to incur a significant amount of finance costs in relation to our indebtedness. A significant portion of our finance costs are capitalized rather than being expensed at the time they are incurred to the extent such costs are directly attributable to project construction.

In addition, as our indebtedness will require us to maintain an adequate level of cash flow from operations to satisfy our debt obligations as they become due, any decrease in our cash flow from operations in the future may have a material adverse effect on our financial condition.

We may not have sufficient cash resources to support our expansion and property developments and are dependent on future cash flows generated from our business and obtaining additional financing

We have cash requirements both for ongoing operating expenses, working capital, general corporate purposes and for interest and principal payments on our outstanding indebtedness. As of September 30, 2010, we had cash and cash equivalents of RMB1,067.3 million and net current assets of RMB1,080.0 million. Our cash used in operations principally comprises amounts that we pay for our property development activities including the acquisition of land parcels for which land use rights certificates have not been obtained. For the years ended December 31, 2007 and 2008, we recorded net cash flows used in operating activities of RMB72.5 million and RMB379.2 million, respectively. For the year ended December 31, 2009, we recorded net cash flows from operating activities of RMB744.9 million. For the nine months ended September 30, 2010, we recorded net cash flows used in operating activities of approximately RMB980.8 million.

We cannot assure you that we will be able to generate sufficient net cash inflow from our operations in the future. If we are unable to generate sufficient cash from our operations or secure additional financing to meet our obligations, we may be forced to reduce our capital expenditures or may not be able to continue as a going concern. Reduction of our capital expenditures could have a negative impact on our business and would make it more difficult for us to execute our strategies, including our expansion plans, in accordance with our expectations.

We face uncertainties when obtaining land sites through the acquisition of project companies

As of the date of this document, in addition to increasing our land bank through competitive bidding, public auction and listing-for-sale, we have obtained land sites for some of our projects through acquisition of project companies that held the land use rights. We may continue to obtain land sites through such acquisitions in the future. We cannot assure you that we have discovered, or will be able to discover, all existing or potential liabilities of the target project companies. In addition, the government may change the permitted use of the land for which such project companies own the land use rights after our acquisitions, rendering the land sites unsuitable for our property development purposes. If any of the undiscovered existing or potential liabilities of the acquired project companies are found to be material, of if we are unable to develop properties on the land sites to which the acquired project companies have the land use rights, our business, financial conditions and results of operations may be materially and adversely affected. In addition, we may acquire such a project company for an amount that is less than its fair market value, resulting in gains recognized on our consolidated statements of comprehensive income. However, such gains do not give rise to any change to our cash position and therefore we may experience constraints on our liquidity even though our profitability is increased.

We face contractual risks relating to the pre-sale of properties, including the risk that property developments cannot be completed, or cannot be completed on time

We face contractual risks relating to the pre-sales of properties. Failure to timely complete and/or deliver a pre-sold property may cause us to be liable to the relevant purchasers for losses suffered by them. Our failure to complete property developments in the time required by pre-sale contracts may entitle purchasers to claim damages under the pre-sale contracts, and in the event that such failure causes a delay that extends beyond any grace period stipulated in the pre-sale contracts, purchasers may be entitled to terminate the pre-sale contracts, claim damages and request a refund of their purchase amount together with interest. We cannot assure you that we will not experience any delays in completion or delivery of our properties or that we will not be subject to any liabilities for such delays in the future.

We guarantee mortgage loans of our pre-sale customers, and we may become liable to the mortgagee banks if our customers default; any changes in laws and regulations governing such guarantees may affect our business

Commercial banks in China which provide residential mortgage loans typically require us to guarantee loans for pre-sale customers until the construction and the development of the relevant properties have been completed and the property ownership certificates are delivered to the mortgagee banks. Such guarantees generally last from six months to one year before we deliver possession of and title to the relevant properties to the customers and the property ownership certificates to the mortgagee banks at which time such guarantees are released. We do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks when providing this guarantee. If a purchaser defaults on a mortgage payment, we may have to repay the outstanding principal together with the accrued interest and penalties owed by the defaulting purchaser to the banks. If we fail to do so, the mortgagee bank may dispose of the underlying property and recover any additional amount outstanding from us as the guarantor for the mortgage loan. We cannot assure you that no purchaser of our properties will default on the mortgage payment in the future. If substantial defaults occur and we are called upon to perform our guarantees, our financial condition and results of operations could be materially and adversely affected.

In addition, if there are changes in laws, regulations, policies and practices that have the effect of prohibiting real estate developers from providing guarantees to banks in respect of mortgage loans offered to purchasers and these banks do not accept guarantees provided by other third parties, or if no third party is available in the market to provide such guarantees, property purchasers may have more difficulties in obtaining mortgage loans from banks during pre-sales. Such difficulties could result in a substantially lower rate of pre-sales of our properties, which could in turn adversely affect our business, financial condition and results of operations.

We are subject to legal and business risks if we fail to maintain qualification certificates

Real estate developers like us must maintain formal qualification certificates in order to carry out property development business in China. For further details, please see “Regulation — Legal supervision relating to real estate sector in the PRC”. Certain qualification certificates are subject to review and renewal on an annual basis. In reviewing an application to renew a qualification certificate, government authorities may consider factors such as the property developer’s registered capital, property development investments, history of property development, quality of real estate construction, expertise of management, and whether the developer has conducted any illegal or inappropriate operations. We cannot assure you that all of our operations are in strict compliance with the relevant laws and regulations and the local authorities will not deny our renewal requests on such grounds. For example, if the total GFA constructed exceeds the GFA originally authorized in the relevant land grant contract or government permit, or if the completed property contains built areas that do not conform with the plan as set forth in the relevant government permits, we may be required to pay additional amounts or take remedial actions in relation to such non-compliant GFA before we are able to obtain the relevant qualification certificate. Any finding that a substantial portion of such GFA does not comply with the relevant contracts or permits could have a material adverse effect on our business, financial condition, results of operations and prospects.

For each of our World City and Seashore Suite No.1 projects, the total planned GFA exceeded the maximum GFA that may be constructed as permitted under the relevant qualification certificates. Our PRC legal advisor has advised us that under the relevant PRC laws and regulations, the local authorities will normally grant a project company a grace period to rectify such non-compliance, subject to payment of a one-off penalty of between RMB50,000 and RMB100,000. Failure to rectify the non-compliance within the specified time frame could result in revocation of the qualification certificate and the business licence of the project company.

In addition, certain of our PRC subsidiaries are applying for the renewal of their expired qualification certificates and we cannot assure you that the qualification certificates of all of our existing projects will continue to be renewed. If our project companies fail to obtain, renew or maintain qualification certificates in the future or their qualification certificates become revoked, our property development business may be limited and our business and financial condition may be materially and adversely affected.

Our operations may be affected if the land use rights relating to the SCE Building are revoked due to inconsistent land use purposes

Our corporate headquarters are located at Phase 1 of the SCE Building, and we have been leasing out certain office units in that building to third parties. SCE Building (Phase 2) which is also planned for office use is under development. For details of the SCE Building, see "Business — Our property development business — Description of our property development projects". However, the use of the SCE Building for commercial purposes is inconsistent with the use prescribed in its land grant contract, which is specified for storage purposes. Our PRC legal advisor has advised us that we may be subject to a penalty for such inconsistent land use and that the PRC government may require us to pay an additional land premium to change the permitted use specified in the land use rights certificate or even issue an order to revoke the grant of land use right. We estimate that the penalty that may be imposed on us for such inconsistent land use will not exceed approximately RMB410,000. Our PRC legal advisor has also advised us that in the event an order to revoke the land use rights certificate is issued, we may be forced to terminate lease agreements with tenants in the SCE Building and indemnify losses suffered by such tenants as a result of early termination of such lease agreements. In the event that the relevant PRC authority in charge of land administration revokes the land use right granted to us for the SCE Building, our corporate headquarters may have to be relocated and we cannot assure you we can identify proper premises for our headquarters or do so with reasonable costs. If any of the above events occur, our business and financial condition could be adversely affected.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations

Real estate developers are subject to land appreciation tax, or LAT on the appreciation in the value of their land and the improvements on the land under relevant PRC tax laws and regulations. See "Regulation — Legal supervision relating to real estate sector in the PRC — Major taxes applicable to real estate developers — (c) Land appreciation tax".

We estimate and make provision for the amount of applicable LAT at the time the relevant property sales revenue is recognized and recorded in our books, but actual LAT payment will only be made at the time specified by the relevant PRC tax laws and regulations. We cannot assure you that the local tax authorities will agree with the basis on which we calculate our LAT obligations during the relevant periods. In addition, we cannot assure you that the applicable tax rate for LAT will not increase, or that the PRC government or local tax authorities will not abolish the authorized taxation method, or that we will be able to obtain approval in the future to use the authorized taxation method. If the relevant tax authorities determine that a higher amount of LAT should be paid, our profits could be materially and adversely affected.

Furthermore, relevant notices issued by the PRC government relating to the settlement of LAT allow provincial tax authorities to formulate their own implementation rules according to the local situation. If the implementation rules promulgated in the provinces in which our projects are located require us to settle all unpaid LAT at the same time, or impose other conditions, our cash flows may be materially and adversely affected.

Our success depends significantly on our ability to retain our senior management team and our ability to attract additional qualified management and other personnel

Our future success depends significantly on the continued services and performance of our management and in particular, our Chairman, Mr. Wong. In addition, we depend on the continued service of members of our senior management team (see "Management") who possess extensive experience in the PRC property development industry and, in particular, in the real estate market in Fujian Province. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present position, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected.

In addition, we believe our ability to attract and retain skilled staff is critical to our continued growth and successful implementation of our strategies. If we cannot attract and retain suitable human resources, our business and future growth will be materially and adversely affected.

Our Controlling Shareholders may exert substantial influence over us

As of September 30, 2010, Newup Holdings Limited ("Newup"), which is wholly owned by Mr. Wong, our Chairman, is our largest shareholder owning an approximately 57.51% equity interest in our Company.

Mr. Wong and Newup will be in a position to exert significant influence over our affairs and in determining the outcome of any corporate action or other matters submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. In addition, Mr. Wong and Newup will also have the power to prevent or cause a change in control of our Company. Without the consent of Mr. Wong and Newup, we may be prevented from entering into transactions that could be beneficial to us.

We rely on our trade name and trademarks, and any infringement upon or inappropriate use of our trade name or trademarks may be detrimental to our reputation and profitability

We believe that our logo, trade name and trademarks form an integral basis for our strong brand recognition and are important to our business. As of September 30, 2010, we were the registrant of 19 registered trademarks in the PRC and Hong Kong including our "中駿", " " and " 中駿置业" trademarks in a number of classes (including those for our property development businesses) and we had applied for the registration of 26 trademarks in the PRC, including "SCE", "中駿" and " " in a number of other classes. We have the sole and exclusive ownership of our logo, trade name and trademarks for the classes in which they are registered.

We are not aware of any material violations, infringements upon or unauthorized use of our logo, trade name or trademarks. We are also not aware of any infringement of any third parties' intellectual property rights through our use of our logo, trade name and trademarks. However, we cannot assure you that our trade name or trademarks will not be subject to any infringement in the future. Any unauthorized or inappropriate use of our logo, trade name or trademarks could harm our market image and reputation, which may materially and adversely affect our financial condition and results of operations. In particular, Fujian Quanzhou Transformer Manufacturing Company Limited (福建省泉州變壓器製造有限公司) ("Quanzhou Transformer") a company controlled by Mr. Wong, has registered the trademarks "中駿",

“SCE” and “ ” in the PRC in the areas of manufacturing of transformers and other electric machinery. We do not have any control over the use of these trademarks by Quanzhou Transformer in such areas, and any negative publicity concerning such use by Quanzhou Transformer, even without merit, may have an adverse impact on our image and brand recognition. Any litigation or dispute in relation to our logo, trade name or trademarks could result in substantial costs and the diversion of resources and attention of our management, and may materially and adversely affect our business and results of operations.

If the value of our brand or image diminishes, our business and results of operation may be materially and adversely affected.

Our reliance on independent contractors for completion of our projects may result in substantial costs and delays

We engage independent contractors to provide substantially all construction services relating to our projects, including but not limited to, pile setting, foundation digging, general, construction, equipment installation, internal decoration, electromechanical engineering, pipeline engineering and utilities installation. We assess and select independent contractors mainly through tender based on their reputation for reliability, timeliness, quality, track record and references, and we supervise the construction progress once a contract is awarded. We cannot guarantee that any of our independent contractors will provide satisfactory services that meet our quality standards, or follow applicable laws, rules and regulations in performing their contractual obligations. In addition, the independent contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may delay the completion of our real estate projects or impose additional costs on us. If we need to terminate the engagement of a contractor, we may not be able to find a replacement contractor on suitable terms, if at all, and the timetable for completing projects could be affected. Each of these factors could materially and adversely affect our reputation, financial position and business operations.

Disputes with our project development partners may adversely affect our business

We carry out some of our business through joint ventures with our project development partners. Such joint venture arrangements involve a number of risks, including but not limited to:

- disputes may arise with project development partners in connection with the performance of their obligations under the relevant project or joint venture agreements;

- disputes may also arise as to the scope of each party’s responsibilities under these arrangements;

- financial difficulties encountered by a project development partner may affect its ability to perform its obligations under the relevant project or joint venture agreements; and

- conflicts may exist between the policies or objectives adopted by the project development partners and those adopted by us.

Any of the above and other factors may adversely affect our ability to complete jointly developed projects on a timely basis or within budget, which would affect our reputation, financial position and business operations.

Resettlement negotiations may add costs or cause delays in completion of our development projects

Under PRC laws and regulations, when we are responsible for the demolition of existing properties on a site for development and relocation of existing residents, we will be required to pay resettlement costs to those residents.

Currently, we do not have any land reserves in relation to which we are responsible for the demolition of existing buildings or resettlement of original residents. However, as we expand our business operations, we may engage in property development involving demolition of existing buildings or resettlement of original residents. In such circumstance, it is likely that we will be required to compensate owners and residents of demolished buildings for their relocation and resettlement in accordance with the PRC urban housing demolition and relocation regulations. The compensation we will have to pay is calculated in accordance with formulae published by the relevant local authorities. These formulae take into account the location, type of building subject to demolition, local income level and many other factors. We cannot assure you, however, that these local authorities will not change or adjust their formulae from time to time with or without sufficient advance notice. If they do so, the land costs may be subject to substantial increases, which can adversely affect our cash flow, results of operations and financial position. In addition, if we fail to reach an agreement over the amount of compensation with any existing owner or resident, either we or such owner or resident may apply to the relevant authorities for a ruling on the amount of compensation. Dissenting owners and residents may also refuse to relocate. Such administrative process or such resistance or refusal to relocate may delay the timetable of our development projects or, in extreme cases, prevent their completion, and an unfavorable final ruling may result in us paying more than the amount the formulae call for. Any of these events could have a material adverse effect on our business, results of operations and financial position.

We rely heavily on dividend payments from our subsidiaries and jointly-controlled entities for funding

We are a holding company established in the Cayman Islands and conduct substantially all of our operations through our subsidiaries and jointly-controlled entities that are established and operate in the PRC. Most of our assets are held by, and substantially all of our earnings and cash flows are attributable to, our subsidiaries and jointly-controlled entities. As such, the availability of funds from which we are able to service our indebtedness depends upon dividends received from these subsidiaries and jointly-controlled entities. PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the Accounting Standards for Business Enterprises issued by The Ministry of Finance of the PRC (中國財政部) (“MOF”), which differ in many aspects from HKFRS. PRC laws and regulations also require all companies in the PRC, including foreign-invested enterprises, such as some of our subsidiaries or jointly-controlled entities in the PRC, to set aside 10% of their net profit as statutory reserves, which are not available for distribution as cash dividends. We cannot assure you that our subsidiaries and jointly-controlled entities will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to meet our financial obligations. If the distributable dividends from our subsidiaries and jointly-controlled entities decline for any reason, our earnings and cash flows will be materially and adversely affected and our ability to service our indebtedness would be restricted.

Acts of God and other disasters could affect our business

Natural disasters, epidemics, acts of God and other events and disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihoods of the people in the PRC. Some cities in the PRC are under the threat of flood, typhoon, earthquake or drought. For example, in the past, Fujian Province has been hit by typhoons from time to time. Our business, financial condition and results of operations may be materially and adversely affected if natural disasters or other above events occur.

Our remittance of offshore funds into the PRC is subject to approval by the PRC government

Under the relevant PRC rules and regulations, we may remit offshore funds to our PRC subsidiaries by way of shareholder loans or equity contributions. However, on July 10, 2007, the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局) ("SAFE") issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with MOFCOM" (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》), which effectively prohibits us from injecting funds into our PRC project companies by way of shareholder loans.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the Ministry of Commerce of the PRC (中國商務部) ("MOFCOM"), which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised outside China. Therefore, we may not be able to use all or any funds that we may raise outside China to finance our projects in a timely manner or at all.

Potential liability for non-compliance with environmental laws and regulations could result in substantial costs

We are subject to certain laws and regulations concerning the protection of the environment. The particular environmental laws and regulations that apply to each of our property development projects vary according to its location, the environmental issues associated with such development, the manner of its construction and/or operations and the current and future use of the land and the properties. If the PRC government strengthens its environmental regulations or enforcement, our projects may be more strictly reviewed and inspected, and approval processes for future projects or any alteration to existing projects may be prolonged.

Compliance with environmental laws and conditions may result in delays, cause us to incur substantial compliance and other costs and prohibit or severely restrict our activity in environmentally-sensitive regions or areas. For instance, we are required to submit an environmental impact assessment report to the relevant government authorities for approval before commencing construction of a project. When there is a material change in respect of the construction site, or in the scale or nature of a given project, or if the project is commenced after 5 years of obtaining the environmental assessment approval, a new environmental impact assessment report must be submitted for approval. Failure to comply with such requirements may lead to suspension of the construction of the project or a fine of RMB50,000 to RMB200,000 in respect of such project. We currently have two projects under construction for which we have not completed the required environmental assessment procedures. We cannot assure you that the relevant environmental authorities will not order us to suspend construction of these projects or will not impose a fine on us. In the event that there is a suspension of construction or imposition of a fine, this may adversely affect our business and financial condition.

We cannot assure you that future environmental investigations will not reveal material environmental liabilities. Also, we cannot assure you that the PRC government will not change existing laws and regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur significant costs. If we are unable to effectively comply with these changes, we may incur significant costs and may be subject to fines or be forced to suspend or shut down certain operations or property development, which could have a material and adverse effect on our operations.

We may suffer losses and claims arising from uninsured risks

Other than such types of insurance as are mandatorily required under the PRC law and which are generally maintained by real estate developers in the PRC, we do not maintain insurance coverage against potential losses, destruction or damage with respect to our properties developed for sale before their delivery to customers, nor do we maintain insurance coverage against liability from tortious acts or other construction-related personal injuries on our project sites or environmental damage arising from our operations. Under PRC laws, construction companies bear primary civil liability for personal injuries of their employees arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. We cannot assure you that we will not be sued or held liable for damages due to any tortious acts. In addition, there are certain types of losses for which insurance is not generally available on commercially practical terms, such as losses suffered due to business interruption, earthquake, flooding or other natural disaster, war or civil disorder. Therefore, while we believe that our insurance practice is in line with general practice in the PRC property development industry, there may be instances when we will have to internalize losses, damage and liabilities because of our lack of insurance coverage. If we suffer any losses, damages or liabilities in the course of our business operations, we may not have sufficient funds to cover them or to replace any property under development that has been destroyed. In addition, any payment we make to cover any such losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

The global economic slowdown and financial crisis have negatively impacted, and may continue to adversely affect our business, liquidity, financial condition, results of operations and prospects

The global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 have had a negative impact on the PRC economy, which in turn has affected the PRC real estate market. For example:

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining real estate prices;

- the economic slowdown has adversely impacted home owners and potential real estate purchasers, which may lead to a further decline in the general demand for real estate products and a further erosion of their selling prices; and

- the tightening of credit has negatively impacted the ability of real estate developers and potential real estate purchasers to obtain financings.

Although certain parts of the PRC real estate market showed signs of recovery in the second half of 2009 and the first three quarters of 2010 due in large part to stimulus measures adopted by the PRC government, we cannot assure you that the real estate market will continue to grow or that its growth will occur in geographical regions or economic sectors from which we benefit, nor can we assure you that a financial crisis similar to the financial turmoil in the second half of 2008 and the first half of 2009 will not re-occur. If we encounter a similar global economic downturn and financial market crisis in the future on a sustained basis, or any general downturn in the PRC's economic conditions, our business operations, financial position and results of operations will be materially and adversely affected.

RISKS RELATING TO THE REAL ESTATE SECTOR IN THE PRC

The restrictive measures adopted from time to time by the PRC government to curtail the overheating of, and foreign investment in, the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline

From 2004 to the first half of 2008, in response to concerns over the scale of the increase in real estate investment and the overheating of the real estate sector in the PRC over the past few years, the PRC government has introduced a number of policies, including the following, to control the growth and curtail the overheating of, and to control foreign investment in, the PRC real estate sector:

- suspending or restricting land grants and development approvals for villas and larger-sized units;
- charging an idle land fee for land which has not been developed within one year of the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed within two years or more;
- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost housing, small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with floor areas of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction;
- tightening availability of bank loans to real estate developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales; and
- restricting foreign investment in the real estate sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential real estate market and support property development. We cannot assure you that such economic recovery measures will continue to be implemented. These policies may not necessarily have a positive effect on our operations and our future business development; and the PRC government may revise or terminate such favorable policies according to changes in market conditions.

Starting from the second half of 2009, the residential real estate prices in certain cities in China rose rapidly. In order to reduce the risk of the overheating of the real estate market and possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilize the real estate market and facilitate its sustainable development. Prominent measures and policies, among others, include:

- Require the minimum down-payment of the land premium. In November 2009, the PRC government introduced new rules which provide for a minimum down-payment of 50% of the land premium relating to land purchases from the PRC government and forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council. In March 2010, the PRC government further tightened this requirement by setting the minimum price for land grant to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit to be equal to at least 20% of the applicable minimum land grant price.

- Raise the down-payment ratio and residential mortgage loan interest rate. In April 2010, the State Council promulgated a new directive which raised the down-payment ratio for purchases of first homes and second homes from 20% to 30% and from 40% to 50%, respectively. The same directive also raised the interest rate applicable to mortgage loans for second home purchasers to 1.1 times the benchmark lending rate. In addition, as one of the most potent measures under the directive, mortgage loans for third home purchases have been suspended in some municipalities and cities.

- Limit the number of houses that can be purchased. Starting from April 2010, certain municipalities and cities adopted local measures limiting the number of houses that a single household can purchase. As of November 1, 2010, 14 municipalities and cities, such as Beijing, Shenzhen and Guangzhou, have promulgated such measures. The government of Xiamen also promulgated similar measures, but restricted its validity period to the end of 2010.

- Increase the supply of public housing. In its Proposed Twelfth Five-year Development Plan, the PRC central government has set as its long-term policy to provide affordable housing to low- and middle-income families and increase the supply of public housing to targeted populations.

Further details of the above regulations and other regulations intended to curtail the overheating of, and foreign investment in, the PRC real estate market are set out in "Regulation".

The PRC government's restrictive measures to control the industry's rate of growth could limit our access to capital resources, reduce market demand and increase our operating costs. The PRC government may adopt additional and more stringent measures in the future, which could further slow the development of the construction and property development industries and materially and adversely affect our business and results of operations. In particular, any additional or more stringent measures imposed by the PRC government in the future to curb high-end residential real estate projects may materially and adversely affect our business and results of operations.

The property development industry in the PRC is still in a relatively early stage of development and lacks adequate infrastructure support

Private ownership of real estate in the PRC is still in a relatively early stage of development. It is extremely difficult to predict how much demand will develop and when, as many social, political, economic, legal and other factors beyond our control may affect the development of the market. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential and commercial properties may discourage investors from acquiring new properties because resale can be a difficult, long and costly process. The relatively limited amount of real estate mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of proprietary rights, may further inhibit demand for residential developments.

In addition, the PRC real estate market is volatile and may experience under-supply or over-supply and real estate price fluctuations. The PRC government has in the past adjusted monetary and other economic policies on a frequent basis in order to stimulate the PRC economy or to prevent or curtail the overheating of the PRC and local economies, and such economic adjustments have affected the real estate market in the PRC. The PRC government may, from time to time, continue to make policy adjustments and adopt new regulatory measures in order to encourage or control the development of the real estate market in the PRC. Such policies may lead to further changes in market conditions, including price instability and imbalance of supply and demand in respect of residential and commercial properties, which may materially and adversely affect our business, financial condition and results of operations. We cannot assure you that there will not be over-development in the real estate sector in the PRC in the future. Any future over-development in the real estate sector in the PRC may result in an over-supply of properties and a decrease in real estate prices, as well as an under-supply of available sites for future development and an increase in the cost of acquiring land in our target real estate markets, which may adversely affect our business, financial condition and results of operations. Because changes in the real estate markets are difficult to predict, and because of the long lead times necessary to develop projects from planning through construction to completion, we may not be able to respond to fluctuations in the market quickly enough to prevent losses.

The PRC real estate market has been cyclical and our property development activities are susceptible to significant fluctuations

Historically, the PRC real estate market has been cyclical. The rapid expansion of the real estate market in certain major provinces and cities in China, including Guangdong Province, in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in real estate values and rentals in the second half of the decade. Since the late 1990s, private residential real estate prices and the number of residential property development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces and cities such as Beijing, Shanghai, Shenzhen and Guangzhou have experienced rapid and significant growth. In recent years however, risk of real estate over-supply is increasing in parts of China, where real estate investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the real estate market, real estate prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling real estate prices that occurred in the mid-1990s will not recur in the PRC real estate market and the recurrence of such problems could adversely affect our business and financial condition. The PRC real estate market is also susceptible to the volatility of global economic conditions.

The cyclical nature of the real estate market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicality, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

The PRC government may reclaim our land and impose other penalties on us if we fail to comply with the terms of the relevant land grant contracts

Under PRC laws and regulations, if a real estate developer fails to develop the land according to the terms of the land grant contract, including the designated use of the land and the time frame for commencement and completion of the property development, the PRC government may issue a warning or impose a penalty on the developer or, in the worst possible scenario, reclaim the land. Specifically, according to the land grant contracts applicable to our projects, if we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to a late payment penalty of 0.05% to 0.1% of the unpaid land premium per day. If we fail to commence development by one year from the commencement date as stipulated in the land grant contract, the government authority may serve a warning notice on us and impose an idle land fee up to 20% of the land premium and require us to pay land appreciation fees. If we fail to commence development by two years from the relevant commencement date, the land resources bureau may reclaim the land without giving us any compensation. If the construction works have not started after two years from the date stipulated under the relevant land grant contract, the government authority may reclaim the site without any compensation unless the delay in commencement of construction is caused by force majeure or acts of government or indispensable preliminary work before commencement of construction. In the Notice on Promoting the Saving and Intensification of Use of Land (《國務院關於促進集約節約用地的通知》) promulgated by the State Council on January 3, 2008, this policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources (中國國土資源部) ("MLR") and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterates the current rules on idle land. We cannot assure you that circumstances leading to reclamation or significant delays in development schedule will not arise in the future.

In addition, notwithstanding that the commencement of the land development is in compliance with the timeframe set out in the land grant contract, the land may be treated as idle land and be subject to reclamation if the developed GFA on the land is less than one-third of the total planned GFA of the project or the total capital invested is less than one-quarter of the total investment of the project, and the period of suspension of the development of the land exceeds one year.

We cannot assure you that circumstances leading to payment of idle land fees and additional land premium, reclamation of land or significant delays in development schedules may not arise with respect to one or more properties developed or acquired by us. If any of our land is reclaimed, we may lose the opportunity to develop our real estate projects on such land, and we may also lose all of our past investments in such land, including land premiums paid and development costs incurred, which could adversely affect our business, results of operations and financial condition.

We are subject to legal and business risks for the non-registration of our leases

The lease agreements for all the properties that we rented from third parties and all the properties that we leased to third parties have not been registered. Our PRC legal advisor has advised us that the requirement for the leases to be registered is an administrative measure, the non-compliance of which may result in an administrative penalty but does not affect the validity of the leases, however, we may face the risk of being determined by the relevant court of not being able to challenge any bona fide third party. We cannot assure you that the relevant administrative authorities will not impose a fine on us and bona fide third party will not challenge our leases.

Our allocated land may be reclaimed

In December 1996, the People's Government of Fujian Province granted the relevant approval on the allocated land on which the 18-hole golf course currently owned by SCE Golf Course (a company in which we are a passive investor) is located. The nature of the land use rights of the piece of land held by SCE Golf Course which is currently being used as an 18-hole golf course is allocated land for entertainment purposes, which cannot be allocated by the relevant PRC government authority. Our PRC legal advisor has advised us that in order for the land to be used for a golf course, the land should have been granted to us as granted land, as opposed to allocated land, at the time we obtained the land, and therefore the current use of the land by SCE Golf Course is not in compliance with relevant laws and regulations. As a result, there is a possibility that the land may be reclaimed by the relevant land administration department.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Substantially all of our assets, business and operations are located in the PRC and all of our revenue is derived from the PRC. Accordingly, our business, financial condition, results of operations and prospects are subject to a significant degree to economic, political and legal developments in the PRC.

Changes in the economic and political environment in the PRC and policies adopted by the PRC government to regulate its economy may adversely affect our business, operating results and financial condition

Prior to 1978, the PRC's economy was a planned economy. Since 1978, the PRC government has been pursuing economic reform policies that encourage the utilization of market forces and greater economic decentralization, with an increasing level of freedom and autonomy in areas such as allocation of resources, production and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Although our directors believe the economic reform policies will have a positive effect on the PRC's overall long-term development, our operations and financial results could be adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretations thereof), measures which might be introduced to control inflation, changes in the rate or method of taxation, imposition of additional foreign exchange controls and restrictions on currency conversion and the imposition of additional import restrictions. Moreover, even if new policies may benefit real estate developers in the long run, we cannot assure you that we will be able to successfully adjust to such policies.

As a result of these economic reform policies, China's GDP has grown at a rapid rate in the past three decades. In 2009, China's nominal GDP grew at approximately 8.4% year-on-year to RMB34,050.7 billion, compared to RMB31,404.5 billion in 2008. However, we cannot assure you that such growth will continue, or that China's GDP will not shrink in the future. The PRC economy differs from the economies of most developed countries in many aspects, including but not limited to, its structure, level of development, economic growth rate, foreign exchange control, allocation of resources and balance of payment position. If there is a slowdown in the economic growth of the PRC or if its economy experiences a recession, demand for real estate may also decrease and our business, financial condition and results of operations may be materially and adversely affected.

In addition, our operations may be affected by a variety of factors, some of which may be beyond our control, including:

- political instability or changes in social conditions within the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- implementation or abolition of any preferential policies;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- the imposition of additional restrictions on currency conversion and remittances abroad.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition and results of operations.

The treatment of our companies for PRC enterprise income tax purposes is unclear

The Enterprise Income Tax Law ("EIT Law") and its relevant implementing rules became effective on January 1, 2008. Pursuant to the EIT Law, as amended, foreign enterprises with *de facto* management located in the PRC are considered resident enterprises, with their worldwide income normally being subject to the PRC enterprise income tax ("EIT") at an applicable tax rate of 25%. In April 2009, SAT further specified certain criteria for the determination of "*de facto* management" of foreign enterprises that are controlled by PRC enterprises, but no official implementation rules have been issued regarding the determination of the "*de facto* management" for foreign enterprises that are not controlled by PRC enterprises. Therefore, it remains unclear how the PRC tax authorities will treat an overseas enterprise controlled by another overseas enterprise and ultimately controlled by PRC individual residents. Since some members of our management are located in the PRC, we cannot assure you that we will not be considered a PRC "resident enterprise" by the PRC tax authorities and that we will not be subject to EIT at a tax rate of 25% on our worldwide income accordingly.

Pursuant to the EIT Law and the Notice on Issues Regarding Tax Credit for Enterprises Foreign Income (Cai Shui [2009] No.125) (《關於企業境外所得稅收抵免有關問題的通知》) jointly issued by MOF and SAT on December 25, 2009 which became retroactively effective as of January 1, 2008, part of EIT may be relieved if the "resident enterprise" has already paid foreign tax with an enterprise income tax nature. In addition, enterprises that previously enjoyed a preferential tax rate will gradually transition to the new tax rate over the five years beginning January 1, 2008. Other tax benefits, such as fixed periods of EIT exemption or reduction, will continue until the expiry of the prescribed period. For a preferential tax treatment which has not commenced due to lack of profit, such preferential treatment will be deemed to have commenced on January 1, 2008. It is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and whether such income tax treatment will be subject to further change. In case we are required by the relevant PRC tax authorities to pay income tax, our tax liability may increase and our net profits and cash flow may be affected.

Furthermore, in connection with the EIT Law, MOF and SAT jointly issued, on April 30, 2009, the Circular on Issues Concerning Process of EIT in Enterprise Restructuring Business

(Cai Shui [2009] No.59) (《關於企業重組業務企業所得稅處理若干問題的通知》), which became retroactively effective as of January 1, 2008. During the year ended December 31, 2009, in preparation for the IPO, we and our subsidiaries underwent the Reorganization. Under the circular, the transfer of equity interests in certain PRC subsidiaries held by our offshore subsidiaries to our other offshore subsidiaries is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. It is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and whether such income tax on capital gains treatment will be subject to further change. If we are required by the relevant PRC tax authorities to pay income tax on capital gains, our tax liability will increase and our net profits and cash flow will be affected.

Fluctuation of the Renminbi may adversely affect our operations and financial results

All of our sale proceeds and expenses are denominated in Renminbi, a currency not freely convertible into other currencies. The value of the Renminbi depends, to a large extent, on domestic and international economic, financial and political developments and China's governmental policies, as well as supply and demand in the local and international markets. From 1999 until 2005, the conversion of the Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, was based on exchange rates set and published daily by PBOC in light of the previous day's inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of the Renminbi into U.S. dollars was largely stable until July 2005. On July 21, 2005, PBOC revalued the Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of the Renminbi appreciated by more than 2% on that day. Since then, PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. On June 19, 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the Chinese currency's exchange rate flexibility. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 23.7% from July 21, 2005 to September 30, 2010. The Renminbi exchange rate could fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits are primarily denominated in Renminbi, any appreciation of the Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of the Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of the Renminbi will also affect the amount of our foreign debt service in Renminbi terms, since we have to convert the Renminbi into foreign currencies to service our indebtedness in foreign currency.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries, any indebtedness or any other present or future obligations and commitments.

We are subject to PRC government controls on currency conversion

We receive substantially all of our revenue in Renminbi which is currently not a freely convertible currency. A portion of our revenue must be converted into other currencies in order to meet our foreign currency obligations including payment of declared dividends to our shareholders.

Subject to certain procedural requirements under existing foreign exchange regulations in the PRC, our Company and our PRC subsidiaries are generally able to undertake current account foreign exchange transactions without prior approval from SAFE. However, the PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends (which would be funded by Renminbi but paid in Hong Kong dollars) or other payments to us, or otherwise satisfy their foreign currency denominated obligations, and we, in turn, may be unable to pay dividends to our shareholders. In addition, the PRC government may, at its discretion, take further measures to restrict access to foreign currencies for current account transactions in the future and any such change may also adversely affect our ability, as well as the ability of our PRC subsidiaries, to pay dividends or satisfy other foreign exchange requirements.

Further, approval from appropriate PRC government authorities is required when Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. In addition, restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The implementation of the new labor contract law and the potential increase in labor costs in the PRC may adversely affect our business and profitability

A new labor contract law became effective in the PRC on January 1, 2008. It imposes more stringent requirements on employers in relation to entering into employment contracts with no fixed term, hiring of temporary employees and dismissing employees. In addition, under the newly promulgated Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which came into effect on the same date, employees who have continuously worked for more than one year are entitled to a paid holiday ranging from five to 15 days, depending on their length of service. Employees who agree to waive part or all of their holiday entitlement at the request of their employers must be compensated with three times their normal daily salaries for each day of holiday entitlement being waived. As a result of the new law and regulations, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future labor or other disputes with our employees could have a material adverse effect on our business, financial condition or results of operations.

The PRC legal system is less developed than legal systems in certain other jurisdictions and embodies inherent uncertainties that could limit the legal protection available to us

As all of our operations are conducted, and substantially all of our assets are located, in the PRC, our business is generally affected by and subject to the PRC legal system and PRC laws and regulations. The PRC legal system is based, in part, on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, due to the reason that these laws and regulations have not been fully developed, and due to the limited number of published cases and the non-binding nature of prior court decisions, interpretation and enforcement of these PRC laws and regulations involve uncertainties. Interpretations of laws and regulations may differ depending on the way an application or case is presented to a PRC government agent, as well as to which PRC government agent such application or case is being presented. We cannot assure you that we will receive the same, or more favorable, interpretations of laws and regulations as our competitors.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. Further, the PRC legal system includes restrictions on and penalties, including criminal liability, relating to various activities that may not have appeared to violate any policies or rules at the time such activities were undertaken, or which may cause us to be deemed in violation of certain policies or rules based on the actions of our counterparties in various transactions, even if we were not aware of whether our counterparties were acting in compliance with applicable PRC laws and regulations. As a result, we may not be aware of actual or deemed violations of such policies and rules until some time after such violations take place. Furthermore, any litigation we undertake in the PRC, regardless of its outcome, may be protracted and result in substantial cost to us and diversion of both our resources and management attention.

It may be difficult to effect service of process upon us or our directors or senior officers who reside in China or to enforce against us or them in China any judgments obtained from non-PRC courts

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our directors and officers reside in the PRC, and the assets of our directors and officers may also be located in the PRC. As a result, it may be difficult or impossible to effect service of process outside the PRC upon us or our directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of some other requirements. Our PRC legal advisor has advised us that the PRC does not have treaties providing for the reciprocal acknowledgement and enforcement of judgments of courts with Japan, the United Kingdom, the United States or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, the prospects for the recognition and enforcement in the PRC or Hong Kong of judgments of a court in non-PRC jurisdictions are uncertain.

EXCHANGE RATE INFORMATION

PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese government policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. Since then and up to September 30, 2010, the Renminbi has appreciated approximately 23.7% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. On May 18, 2007, PBOC enlarged the floating band for the trading prices in the interbank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC.

The following table sets forth the exchange rates between Renminbi and U.S. dollars as set forth in the H.10 statistical release of the U.S. Federal Reserve Board for the periods indicated:

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**Low**	**High**
	(RMB per US$1.00)			
2005	8.0702	8.1936	8.0702	8.2765
2006	7.8041	7.9723	7.8041	8.0702
2007	7.2946	7.6058	7.2946	7.8127
2008	6.8225	6.9477	6.7800	7.2946
2009	6.8259	6.8307	6.8176	6.8470
2010				
January	6.8268	6.8269	6.8258	6.8295
February	6.8258	6.8285	6.8258	6.8330
March	6.8258	6.8262	6.8254	6.8270
April	6.8247	6.8256	6.8229	6.8275
May	6.8305	6.8275	6.8245	6.8310
June	6.7815	6.8184	6.7815	6.8323
July	6.7735	6.7762	6.7709	6.7807
August	6.8069	6.7873	6.7670	6.8069
September	6.6905	6.7396	6.6869	6.8102
October	6.6705	6.6675	6.6397	6.6912
November	6.6670	6.6538	6.6330	6.6892
December (through December 23, 2010)	6.6450	6.6569	6.6450	6.6745

Note:

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages were calculated by using the average of the daily rates during the relevant month.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this document were made at a rate of RMB6.6905 to US$1.00, the exchange rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board for September 30, 2010.

Hong Kong

The H.K. dollar is freely convertible into the U.S. dollar. Since 1983, the H.K. dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of Hong Kong (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the H.K. dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK$7.80 to US$1.00 or at all.

The following table sets forth the exchange rates between H.K. dollars and U.S. dollars as set forth in the H.10 statistical release of the U.S. Federal Reserve Board for the periods indicated:

	Exchange Rate			
Period	**Period End**	**Average(1)**	**Low**	**High**
	(HK$ per US$1.00)			
2005	7.7533	7.7775	7.7514	7.7999
2006	7.7771	7.7681	7.7506	7.7928
2007	7.7984	7.8016	7.7497	7.8289
2008	7.7499	7.7862	7.7497	7.8159
2009	7.7536	7.7514	7.7495	7.7618
2010				
January	7.7665	7.7624	7.7539	7.7752
February	7.7619	7.7670	7.7619	7.7716
March	7.7647	7.7612	7.7574	7.7648
April	7.7637	7.7627	7.7565	7.7675
May	7.7850	7.7856	7.7626	7.8030
June	7.7865	7.7880	7.7690	7.8040
July	7.7672	7.7753	7.7651	7.7962
August	7.7781	7.7702	7.7605	7.7788
September	7.7599	7.7643	7.7561	7.7738
October	7.7513	7.7580	7.7513	7.7642
November	7.7649	7.7546	7.7501	7.7656
December (through December 23, 2010)	7.7778	7.7717	7.7612	7.7789

Note:

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages were calculated by using the average of the daily rates during the relevant month.

Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to Renminbi in this document were made at a rate of HK$7.7599 to US$1.00, the exchange rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board for September 30, 2010.

CAPITALIZATION

The following table sets forth on an actual basis our consolidated cash and cash equivalents, short-term borrowings, long-term borrowings and capitalization as of September 30, 2010. The following table should be read in conjunction with the selected consolidated financial and other data and the audited and unaudited consolidated financial statements included elsewhere in this document.

	As of September 30, 2010	
	Actual	
	RMB'000	US$'000
Cash and cash equivalents(1)	1,067,294	159,524
Short-term borrowings(2)(4)		
Bank loans-secured	639,249	95,545
Total short-term borrowings	639,249	95,545
Long-term borrowings(3)(4)		
Bank loans-secured	1,727,077	258,138
Other long-term borrowings-secured	44,400	6,636
Total long-term borrowings	1,771,477	264,774
Total equity		
Issued capital (HK$0.10 par value per share, 2,853,200,000 shares issued and fully paid)		
Issued capital	250,683	37,469
Reserves	3,061,216	457,546
	3,311,899	495,015
Non-controlling interests	1,021,315	152,652
Total equity	4,333,214	647,667
Total capitalization(5)	6,104,691	912,441

Notes:

(1) *Cash and cash equivalents exclude restricted cash of RMB118 million.*

(2) *Short-term borrowings include the current portion of long-term borrowings.*

(3) *Long-term borrowings exclude the current portion of long-term borrowings.*

(4) *See "Description of other Material Indebtedness".*

(5) *Total capitalization equals total long-term borrowings plus total equity.*

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our summary consolidated financial and other data. The summary consolidated financial information and other data as of and for each of the fiscal years ended December 31, 2007, 2008 and 2009 and as of and for the nine months ended September 30, 2009 (except for EBITDA data) are derived from our audited consolidated financial statements included elsewhere in this document. The summary consolidated financial information and other data as of and for the nine months ended September 30, 2010 (except for EBITDA data) are derived from our unaudited interim financial information reviewed in accordance with Hong Kong Standard on Review Engagements 2410 included elsewhere in this document. Results of interim periods are not indicative of results for the full year.

The financial statements have been prepared and presented in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. For a discussion of these differences, see "Summary of Certain Differences between HKFRS and U.S. GAAP". The summary financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements included elsewhere in this document.

Selected Consolidated Statements of Comprehensive Income and Other Financial Data

	Year ended December 31,				Nine months ended September 30,		
	2007	2008	2009		2009	2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	RMB'000	US$'000
Revenue	371,694	331,179	586,463	87,656	550,102	2,102,663	314,276
Cost of sales	(242,727)	(203,335)	(292,804)	(43,764)	(284,642)	(1,084,626)	(162,114)
Gross profit	128,967	127,844	293,659	43,892	265,460	1,018,037	152,162
Other income and gains	43,476	6,962	16,039	2,397	13,739	15,172	2,268
Changes in fair value of investment properties [1]	168,247	211,366	371,613	55,543	222,836	15,000	2,242
Selling and marketing expenses	(46,268)	(27,143)	(38,955)	(5,822)	(22,846)	(58,771)	(8,784)
Administrative expenses	(57,650)	(64,883)	(91,197)	(13,630)	(53,891)	(132,884)	(19,862)
Other expenses	(589)	(247)	(137)	(20)	—	—	—
Finance costs	(1,376)	(3,324)	(5,642)	(843)	(2,368)	(4,026)	(602)
Share of profits and losses of:							
Jointly-controlled entities	(3,261)	(4,697)	(1,598)	(239)	2,002	87,791	13,122
Associates	(888)	(4,413)	(3,095)	(463)	(3,317)	34,465	5,151
Profit before tax	230,658	241,465	540,687	80,815	421,615	974,784	145,697
Income tax expense	(70,581)	(75,606)	(178,996)	(26,754)	(147,883)	(402,032)	(60,090)
Profit for the year/period	160,077	165,859	361,691	54,061	273,732	572,752	85,607
Other comprehensive income/(loss):							
Share of other comprehensive income of jointly-controlled entities and associates	569	649	12	2	5	2,427	362
Exchange differences on translation of foreign operations	35,166	34,637	(5,793)	(866)	(6,975)	(3,722)	(556)
Other comprehensive income/(loss) for the year/period	35,735	35,286	(5,781)	(864)	(6,970)	(1,295)	(194)
Total comprehensive income for the year/period	195,812	201,145	355,910	53,197	266,762	571,457	85,413
Profit/(loss) attributable to:							
Owners of the parent	159,206	168,458	373,434	55,816	276,994	603,923	90,266
Non-controlling interests	871	(2,599)	(11,743)	(1,755)	(3,262)	(31,171)	(4,659)
	160,077	165,859	361,691	54,061	273,732	572,752	85,607
Total comprehensive income/(loss) attributable to:							
Owners of the parent	187,418	199,135	367,653	54,952	270,055	599,802	89,650
Non-controlling interests	8,394	2,010	(11,743)	(1,755)	(3,293)	(28,345)	(4,237)
	195,812	201,145	355,910	53,197	266,762	571,457	85,413
Other financial data							
EBITDA [2]	67,844	50,118	204,155	30,514	219,443	1,009,393	150,870
EBITDA Margin [3]	18.3%	15.1%	34.8%	34.8%	39.9%	48.0%	48.0%

Notes:

(1) *In the years ended December 31, 2007, 2008 and 2009, and the nine months ended September 30, 2010, we recorded upward changes in fair value of our investment properties, representing 72.9%, 87.5%, 68.7% and 1.5%, respectively, of our profit before tax in such periods. See "Risk Factors — Risks relating to our business — Our profitability may fluctuate substantially due to the periodic reassessment of fair value gains or losses on our investment properties".*

(2) *EBITDA consists of profit for the year/period plus finance costs, income tax expense, depreciation and amortization minus changes in fair value of investment properties. EBITDA is not a standard measure under U.S. GAAP or HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our net profit under HKFRS to our definition of EBITDA.*

(3) *EBITDA margin is calculated by dividing EBITDA by revenue.*

Selected Consolidated Statements of Financial Position Data

	As of December 31,				As of September 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
ASSETS						
Current assets	1,535,203	2,680,853	4,403,634	658,192	5,902,525	882,225
Non-current assets	2,640,352	2,685,915	4,301,860	642,980	5,187,682	775,380
Total assets	4,175,555	5,366,768	8,705,494	1,301,172	11,090,207	1,657,605
LIABILITIES AND EQUITY						
Current liabilities	3,083,834	4,359,644	4,661,702	696,764	4,822,568	720,808
Non-current liabilities	715,613	433,197	1,731,566	258,810	1,934,425	289,130
Total liabilities	3,799,447	4,792,841	6,393,268	955,574	6,756,993	1,009,938
Attributable to owners of the parent	258,368	457,503	1,509,375	225,600	3,311,899	495,015
Attributable to non-controlling interests	117,740	116,424	802,851	119,998	1,021,315	152,652
Total equity	376,108	573,927	2,312,226	345,598	4,333,214	647,667
Total liabilities and equity	4,175,555	5,366,768	8,705,494	1,301,172	11,090,207	1,657,605

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Consolidated Financial and Other Data" and our consolidated financial statements together with the accompanying notes included elsewhere in this document. Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. See "Summary of Certain Differences between HKFRS and U.S. GAAP".

Unless the context otherwise requires, references to "2007", "2008" and "2009" in this document are to our financial years ended December 31, 2007, 2008 and 2009, respectively. References to "associate" or "associates" in this section are to associates as defined in HKFRS.

OVERVIEW

We are one of the leading real estate developers in Fujian Province and were honored as one of the "China Top 100 Real Estate Developers" (中國房地產百強企業) and one of the "Star Developers Among the China Top 100 Real Estate Developers" (中國房地產百強企業 — 百強之星) in each of the years from 2008 to 2010 according to the China Real Estate Top 10 Research Team. Headquartered in Xiamen, we primarily focus on the development of high quality, mid-end to high-end residential real estate projects in the more prosperous regions of Fujian Province, which is located in the centre of the Western Taiwan Strait Economic Zone. Leveraging our experience in Fujian Province, we have expanded into, and expect to continue to consolidate our market position in selected areas in the Bohai Economic Rim, such as Beijing and other economically developed cities.

As of September 30, 2010, we had a land bank with an aggregate GFA of approximately 8,810,000 sq.m. (including approximately 6,400,000 sq.m. of GFA attributable to us on the basis of our effective interest in the relevant parcels of land) comprising:

(i) (a) completed projects held for investment with an aggregate GFA of approximately 39,000 sq.m.;

(b) projects under development with an aggregate planned GFA of approximately 1,750,000 sq.m.; and

(c) projects held for future development with an aggregate planned GFA of approximately 3,514,000 sq.m., for which we have obtained the relevant land use rights certificates;

(ii) projects with an aggregate planned GFA of approximately 2,059,000 sq.m. for which we had entered into land use rights grant contracts or for which we had successfully tendered for the land but had not yet obtained land use rights certificates as of September 30, 2010, among which we obtained land use rights certificates for approximately 143,000 sq.m. planned GFA in October 2010; and

(iii) projects with an aggregate planned GFA of approximately 1,448,000 sq.m. for which we had entered into master agreements with local governments but had not concluded the public tender process and/or entered into land grant contracts.

Approximately 5,869,000 sq.m. of our GFA (including approximately 4,276,000 sq.m. attributable to us on the basis of our effective interest in the relevant parcels of land), representing approximately 66.6% of our aggregate GFA (or 66.8% of the aggregate GFA attributable to us) is located in Fujian Province. The remainder of our land bank is located in Beijing, Linfen, Tangshan and Anshan in the Bohai Economic Rim and in Shenzhen. Our property development projects are generally situated in prime locations of major cities, as well as areas with natural scenic surroundings and convenient access to transportation.

In 2009 and the nine months ended September 30, 2010, our revenue was RMB586.5 million (US$87.7 million) and RMB2,102.7 million (US$314.3 million), respectively. For the same periods, our EBITDA was RMB204.2 million (US$30.5 million) and RMB1,009.4 million (US$150.9 million), respectively. Our shares have been listed on the Hong Kong Stock Exchange since February 5, 2010 under stock code 1966.HK.

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

- **Bank and other borrowings.** As of September 30, 2010, we had total bank and other borrowings of RMB2,410.7 million (US$360.3 million). We have obtained project-specific and general bank and other borrowings to finance our projects. Certain of our bank and other borrowing are secured by our buildings, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with an aggregate net book value of approximately RMB5,812.0 million (US$868.7 million) as of September 30, 2010. We usually repay such borrowings using a portion of the pre-sale proceeds from our properties that relate to the particular loan.

- **Pre-sale proceeds of properties.** Pre-sale proceeds are proceeds we receive when we enter into contracts to sell properties prior to their completion.

- **Proceeds from Pre-IPO Placing.** We, Mr. Wong and Newup entered into a subscription agreement with certain financial investors (collectively the "Financial Investors") on August 21, 2009, pursuant to which the Financial Investors agreed to subscribe for an aggregate of 12,660 shares (representing 8.87% of the enlarged share capital of the Company immediately after completion of IPO) for a total consideration of HK$775.4 million (US$99.9 million).

- **Capital contributions from shareholders.** Prior to our IPO, we relied in part on capital contributions and advances from our shareholders to finance our projects.

- **Contributions from business partners of our project companies.** Our non-wholly-owned projects are financed in part through capital contributions and advances from our business partners.

- **IPO Proceeds.** In February 2010, we received approximately RMB1,322.0 million (US$197.6 million) in net proceeds from our IPO to fund our project development projects (including the acquisition and development of new projects) and for general corporate purposes.

Going forward, we expect to fund our projects by using a combination of sources, including internally generated cash flow, bank and other borrowings, capital contributions and advances from the business partners of our project companies and other funds raised from the capital markets from time to time. Our access to funds may be affected by various factors, including the factors discussed under "Risk Factors" and "— Key Factors Affecting Our Results of Operations".

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 30, 2007. Pursuant to the Reorganization, our Company became the holding company of the entities now comprising the Group. Since our Company and our subsidiaries were, and are, ultimately controlled by Mr. Wong both before and after the completion of the Reorganization, the Reorganization was treated as a business combination under common control for accounting purposes, and the financial information of our Group for the three years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and 2010 has been prepared using the principles of merger accounting.

For more information on the basis of presentation of the financial information included herein, please refer to Note 2.1 to the accountants' report beginning on page F-1 of this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

General Economic Conditions in the PRC and Government Regulation

We believe that demand for our properties is driven in large part by the overall economic development, the rising level of wages and the standard of living in the PRC. Since the second half of 2008, the global economic slowdown and turmoil in the global financial markets have resulted in an adverse impact on the overall economy of the PRC, including the PRC real estate market, from which our entire revenues are generated. The economic conditions and volatility of real estate prices in the PRC may continue to impact our business and results of operations. At the current stage of economic development in the PRC, while the real estate industry is regarded by the PRC government as one of the pillar industries in the PRC, the real estate industry is significantly dependent on the overall economic growth and the resultant consumer demand for residential properties.

PRC governmental policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC central government adjusts its macro-economic control policies to encourage or restrict development in the private real estate sector through regulating, among other things, land supply, pre-sale of properties, land usage, plot ratio, bank financing and taxation. Local government authorities in different areas of the PRC also promulgate local policies with respect to the property development in their jurisdictions. Prior to the second half of 2008, the PRC government had implemented a series of measures to slow down the growth of the economy, including the real estate markets. In the second half of 2008 and in 2009, in view of the economic downturn, the PRC government adopted measures to encourage consumption in the residential real estate market and support real estate developers. More recently since November 2009, in response to the rise in property prices across the country, the PRC government announced new policies and adopted new measures to curtail speculation in the real estate market and imposed more stringent requirements on the payment of land premiums by real estate developers. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. See "Industry Overview — Macro-Economic Conditions of the PRC — Key real estate reforms in the PRC" and "Regulation" for more details of the relevant PRC regulations.

As a result of the foregoing, our results of operations are subject to general political, economic, legal and social developments in the PRC, including:

- the performance of China's real estate market, in particular, the supply and demand for private properties, market pricing trends, standard of living, level of disposable income and demographic changes in the PRC;

- the regulatory environment of the PRC, including land grant policies, pre-sale policies, financing policies and tax policies; and

- the political and economic policies of the PRC in general.

See "Risk Factors — Risks relating to the real estate sector in the PRC" and "Risk Factors — Risks Relating to the PRC" in this document for further discussions of these risks and uncertainties.

Land Acquisition Costs

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

In November 2007, the PRC government introduced regulations to increase the transparency related to the grant of state-owned land use rights for residential or commercial property developments through competitive processes, including competitive bidding, public auction or listing-for-sale, administered by local governments. Under such regulations, land use rights certificates are no longer separately issued according to the proportion of the land premium paid and, instead, no land use rights certificates will be issued before the land premium has been fully paid up pursuant to the land grant contract. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and now requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. We cannot assure you that the PRC government will not introduce new regulatory measures to further tighten the payment requirements of land premiums or otherwise make it more difficult for us to acquire desirable land. Such change of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Construction Costs

Another key component of our cost of sales is construction costs, which consist of all costs for the design and construction of a project, including primarily payments to contractors who are generally responsible for the procurement of construction materials (including cement and steel). Construction costs of our projects vary not only according to the floor area and height of the buildings, but also according to the geology of the construction site. Historically, construction material costs incurred by our contractors have been the principal driver of the construction costs of our property developments. Construction costs fluctuate as a result of changes in prices of key construction materials such as steel and cement.

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

Access to Capital and Cost of Financing

Property development requires substantial capital investment for land acquisition and construction, and it may take many months or years before positive cash flows can be generated from a project. During the three years ended December 31, 2009 and the nine months ended September 30, 2010, we financed our operations primarily through internally generated cash flows (including proceeds from the pre-sale and sale of our projects) bank and other borrowings, contributions from shareholders and business partners and proceeds from capital raisings, including our IPO.

Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property development. Please see "Risk Factors" and "Regulation".

Tax

Enterprise Income Tax (EIT)

Through our PRC subsidiaries, we are subject to EIT in China. Prior to January 1, 2008, our subsidiaries incorporated in Shenzhen and Xiamen were entitled to a preferential EIT rate of 15% and all our other PRC subsidiaries were subject to EIT at a statutory rate of 33%. Under the new EIT Law, a uniform tax rate of 25% is applied to all enterprises operating in the PRC with effect from January 1, 2008, including foreign-invested enterprises. For our subsidiaries incorporated in Shenzhen and Xiamen, which had previously enjoyed a preferential tax rate, a new tax rate of 18% has been applied with effect from January 1, 2008 and such rate will gradually transition to the new uniform tax rate of 25% over the five-year period beginning January 1, 2008. Our subsidiaries made EIT provision in accordance with the relevant laws and regulations. Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% EIT rate on their global income. In April 2009, the State Administration of Taxation ("SAT") further specified certain criteria for the determination of "*de facto management*" of foreign enterprises that are not controlled by PRC enterprises, but the interpretation of the term "*de facto management*" of foreign enterprises that are controlled by PRC enterprises is unclear. Since some members of our management are PRC residents, we may be considered a PRC "resident enterprise" in which case we would be subject to EIT at a tax rate of 25% on our worldwide income. According to the tax treaty between Hong Kong and mainland, dividends distributed by our PRC subsidiaries to the Company or our non-PRC subsidiaries would be subject to a withholding tax of 5% for enterprises incorporated in Hong Kong if such enterprises hold more than 25% of the share of the PRC subsidiary and 10% for enterprises incorporated outside of Hong Kong if we or our non-PRC subsidiaries, as the case may be, are "non-resident enterprises". Please also refer to the sections headed "Risk Factors — Risks relating to conducting operations in the PRC — The treatment of our companies for PRC EIT purposes is unclear" and "Regulation" of this document.

Land Appreciation Tax (LAT)

Our properties in the PRC are subject to LAT on the appreciation in the value of land and the improvements on land we hold in relation to our property development sold or pre-sold after January 1, 2006. According to relevant laws and regulations, all income from our sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation in value as defined by the relevant tax regulations. We may enjoy certain exemptions from payment of LAT for our ordinary residential properties if the appreciation in value does not exceed 20% of the total deductible items. However, because the PRC tax authorities have not strictly enforced the LAT regulations, and because local provincial tax authorities can formulate their own implementation rules for LAT according to local situations, the regulatory standards for the treatment and calculation of our final LAT is uncertain. SAT issued the Circular on Relevant Issues on LAT Settlement (《關於土地增值稅清算有關問題的通知》) on May 19, 2010, and the Circular on Strengthening the Administration Work in relation to the Collection of LAT (《關於加強土地增值稅徵管工作的通知》) on May 25, 2010 respectively. The circulars detailed certain items that could be deducted for calculation of the amount of tax due, and idle land fees cannot be deducted from tax. According to the circulars, local governments should adjust the current prepaid LAT rates, and except for indemnificatory housing, the prepaid LAT rate shall not be lower than 2% in eastern provinces, 1.5% in central and northeastern provinces, and 1% in western provinces respectively. For details of the LAT regulations, please refer to "Regulation".

We made LAT payments totaling RMB11.7 million, RMB35.5 million, RMB22.3 million and RMB33.0 million, respectively, for each of 2007, 2008 and 2009 and the nine months ended September 30, 2010, to the relevant PRC government authorities. We will estimate and make provision for what we believe to be the full amount of LAT for which we expect to be liable in accordance with relevant PRC tax laws and regulations in the period when the revenue from the related properties has been recognized. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. As of the date of this document, we have not finalized our LAT calculation and payments with any local tax authorities in the PRC for our properties under development or for our unsold completed properties. Although we believe our provisions are made in material compliance with LAT laws and regulations, it may or may not be sufficient to cover future LAT payments. Please also refer to "Risk Factors — Risks relating to our business — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations".

Valuation of our Investment Properties

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

During the three years ended December 31, 2009 and for the nine months ended September 30, 2010, properties that were completed and held by us for investment in the PRC were valued by DTZ, an independent valuer. For such completed investment properties, DTZ has adopted an income approach which takes into account the expected rental income of the properties derived from the existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, DTZ has made reference to comparable sale transactions as available in the relevant market.

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

Any gain or loss arising from changes in the fair value of investment properties, including investment properties under construction, is recognized in our statement of comprehensive income in the period in which the gain or loss arises. Such fair value gain or loss is calculated based on the difference between (i) the fair value as of each reporting date as determined by the independent valuer and (ii) the total additional costs incurred by us during the relevant reporting period plus the fair value as of the prior reporting date. In the years ended December 31, 2007, 2008 and 2009, and the nine months ended September 30, 2010, we recorded fair value gains on our investment properties, amounting to approximately RMB168.2 million, RMB211.4 million, RMB371.6 million (US$55.5 million) and RMB15.0 million (US$2.2 million), respectively, in our consolidated statements of comprehensive income, representing 72.9%, 87.5%, 68.7% and 1.5%, respectively, of our profit before tax in the same period. The fluctuations in the fair market value of our investment properties in such periods were primarily due to the addition and completion of new investment properties, as well as their overall appreciation.

There can be no assurance that we will continue to record fair value gains in the future. Please see "Risk Factors — Risks relating to our business — Our profitability may fluctuate substantially due to the periodic reassessment of fair value gains or losses on our investment properties". In the future we do not expect our fair value gains, if any, to contribute as significant a percentage of our profit before tax as they did during the years 2007 to 2009.

Nature and Timing of our Property Development

The number of property developments that a developer can undertake during any particular period is limited due to the substantial amount of capital required to fund costs of land acquisition and construction, as well as its limited management resources. Property development may take months, or possibly years, before any pre-sale take place. While the pre-sale of a property generates positive cash flows for us in the period in which it is made, according to our accounting policy, we only recognize revenue upon delivery of our properties, which normally takes place from 6 to 24 months after the commencement of pre-sale of our properties. Because the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing for delivery of the properties that we sell. In addition, effective management of our revenue stream depends on our ability to gauge, at the launch of a particular project, the expected demand in the market at the anticipated time of completion of such project. As a result, our results of operations may fluctuate in the future. Please also refer to the sections headed "Risk Factors — Risks Relating to Our Business — Because we derive our revenue principally from the sale of our completed projects, our results of operations may vary significantly from period to period" and "Business" in this document.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements for 2007, 2008 and 2009, and the nine months ended September 30, 2009 and September 30, 2010, which have been prepared in accordance with HKFRS. Our reported financial condition and results of operations are sensitive to accounting policies and assumptions and estimates that underlie the preparation of the financial statements. We continually evaluate our estimates and assumptions and base them on historical experience and on various other factors that our directors believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

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

Revenue Recognition

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

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

Cost of Sales

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

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

Properties under Development and Completed Properties Held for Sale

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

Revenue is only recognized upon completion of the development. Sales deposits or installments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

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

Investment Properties

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

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

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 the end of the reporting period 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 profit or loss of the statement of comprehensive income in the year in which they arise.

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Tax

EIT

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

LAT

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

Deferred tax

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

DESCRIPTION OF CERTAIN ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue represents the gross proceeds, net of business tax and other sales related taxes, from the sale of properties; gross rental income received and receivable from investment properties; and property management fee income, net of business tax, received and receivable during the three years ended December 31, 2009 and during the nine months ended September 30, 2009 and 2010, respectively.

The following table sets forth our revenue by source for each of 2007, 2008 and 2009 and for the nine months ended September 30, 2009 and 2010, respectively.

	Year Ended December 31,				Nine Months Ended September 30,		
	2007	2008	2009		2009	2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	RMB'000	US$'000
Revenue							
Sales of properties	367,974	325,217	564,993	84,447	535,778	2,063,949	308,490
Property management fees	2,824	4,240	8,737	1,306	6,102	17,046	2,548
Gross rental income . . .	896	1,722	12,733	1,903	8,222	21,668	3,238
Total	371,694	331,179	586,463	87,656	550,102	2,102,663	314,276

As we derive substantially all of our revenue from property development, our results of operations for a given period are dependent upon the type and GFA of properties we have completed and delivered during that period, the market demand for those properties and the price we obtain from the pre-sale or sale of the properties. Conditions in the real estate markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC. For further details of the effect these factors have on our results of operations, please refer to — "Risk Factors".

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

	Year Ended December 31,							Nine Months Ended September 30,				
	2007		2008		2009			2009		2010		
	GFA sold	Average Selling Price (per sq.m.)	GFA sold	Average Selling Price (per sq.m.)	GFA sold	Average Selling Price (per sq.m.)		GFA sold	Average Selling Price (per sq.m.)	GFA sold	Average Selling Price (per sq.m.)	
	(sq.m.)	(RMB)	(sq.m.)	(RMB)	(sq.m.)	(RMB)	US$	(sq.m.)	(RMB)	(sq.m.)	(RMB)	US$
Residential (GFA)	63,872	5,200	46,769	6,215	22,004	25,576	3,823	20,964	25,491	128,173	15,297	2,286
Commercial (GFA)	3,672	9,602	1,152	9,547	—	—	—	—	—	2,283	13,113	1,960
Other (GFA). . .	184	3,105	12,381	1,900	1,503	1,481	221	1,503	922	12,383	5,927	886
Total	67,728		60,302		23,507			22,467		142,839		

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

Our property management income represents recurring revenue from management fees we charge in connection with our completed properties.

Our rental income represents recurring revenue from our investment properties, which has been historically generated from retail shops, carparks and office spaces developed by us, was generally recognized in our statement of comprehensive income on a time proportion basis over the periods covered by the respective lease terms over the three years ended December 31, 2009 and during the nine months ended September 30, 2009 and 2010, respectively.

Cost of Sales

The principal component of cost of sales is the cost of completed properties delivered, which consists of direct costs of construction, land acquisition costs and capitalized borrowing costs on related borrowed funds during the period of construction. We recognize the cost of completed properties delivered for a given period to the extent that revenue from such properties has been recognized in such period.

The table below sets forth information relating to cost of completed properties delivered for the three years ended December 31, 2009 and during the nine months ended September 30, 2009 and 2010, respectively.

	Year Ended December 31,							Nine Months Ended September 30,				
	2007		2008		2009			2009		2010		
	RMB'000	%	RMB'000	%	RMB'000	%	US$'000	RMB'000	%	RMB'000	%	US$'000
Construction costs	166,780	68.7%	146,862	72.2%	178,220	60.8%	26,637	181,258	63.7%	744,661	68.7%	111,301
Land acquisition costs	56,024	23.1%	40,009	19.7%	87,135	29.8%	13,024	83,011	29.2%	243,212	22.4%	36,352
Capitalized borrowing costs	17,586	7.2%	12,617	6.2%	18,726	6.4%	2,799	16,076	5.6%	81,519	7.5%	12,184
Cost of completed properties sold	240,390	99.0%	199,488	98.1%	284,081	97.0%	42,460	280,345	98.5%	1,069,392	98.6%	159,837
Others	2,337	1.0%	3,847	1.9%	8,723	3.0%	1,304	4,297	1.5%	15,234	1.4%	2,277
Cost of sales	242,727	100.0%	203,335	100.0%	292,804	100.0%	43,764	284,642	100.0%	1,084,626	100.0%	162,114
Cost per sq.m. of GFA sold *(in RMB/US$)*	3,549		3,308		12,085		1,806	12,478		7,487		1,119

Construction costs

Construction costs represent costs for the design and construction of a project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs are affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. Cost of materials is a particularly significant component of our construction costs. Construction costs fluctuate as a result of changes in prices of key construction materials, including cement, steel and other key building materials. Despite our cost control measures, we are still subject to general increases in prices of construction materials, which in turn will increase our construction costs. Please see "Risk Factors — Risks relating to our business — Volatility in the prices of construction materials could adversely affect our business and financial performance".

Land acquisition costs

Land acquisition costs include costs relating to the acquisition of rights to occupy, use and develop land, including land premiums (which are incurred in connection with a land grant from the PRC government or land obtained in the secondary market by transfer, cooperative arrangement or corporate acquisition), the applicable deed tax associated with the acquisition of land, and other land-related taxes and government surcharges. Our land acquisition costs are influenced by a number of factors, including the location of the property, real estate conditions, the project's plot ratios, the approved use of the land and our method of acquisition, namely whether through PRC government-organized competitive bidding, public auctions, listings-for-sale, private sale transactions or the acquisition of other companies that hold land use rights. Land acquisition costs are also affected by changes in PRC regulations. For details of PRC regulations and measures affecting the PRC real estate market, please refer to "Regulation".

Capitalized borrowing costs

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

Other Income and Gains

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Changes in Fair Value of Investment Properties

We recognize changes in the fair value of our investment properties, including investment properties under construction, on our consolidated statements of comprehensive income. For 2007, 2008 and 2009 and the nine months ended September 30, 2010, we recorded fair value gains on our investment properties amounting to RMB168.2 million, RMB211.4 million, RMB371.6 million (US$55.5 million) and RMB15.0 million (US$2.2 million), respectively, and the relevant deferred tax for these fair value gains charged under income tax expenses on our consolidated statements of comprehensive income was RMB42.1 million, RMB52.9 million, RMB92.9 million (US$13.9 million) and RMB3.8 million (US$0.6 million), respectively. Accordingly, the changes in fair value of our investment properties (net of deferred tax) was RMB126.1 million, RMB158.5 million, RMB278.7 million (US$41.7 million) and RMB11.2 million (US$1.7 million) and represented approximately 78.8%, 95.6%, 77.1% and 2.0% of the profit for the years 2007, 2008 and 2009 and the nine months ended September 30, 2010, respectively.

Finance Costs

Finance costs primarily consist of interest costs net of capitalized interest relating to properties under development and acquisition of land. Not all of the interest costs related to a project can be capitalized. As a result, our finance costs may fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period as well as changes in the amount of outstanding principal and interest rates. The total amount of interest capitalized in 2007, 2008 and 2009 and the nine months ended September 30, 2010 was RMB60.3 million, RMB81.3 million, RMB99.0 million (US$14.8 million) and RMB90.9 million (US$13.6 million), respectively.

Income Tax

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

Hong Kong and Cayman Islands profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for 2007. No provision for Hong Kong profits tax has been made for the years or periods during the two years ended December 31, 2008 and 2009 or the nine months ended September 30, 2010 as our Group did not generate any assessable profits arising in Hong Kong. Furthermore, the Cayman Islands currently levy no income taxes on individuals or corporations.

EIT

Please see "Key factors affecting our results of operations — Tax — Enterprise Income Tax (EIT)" and "Critical Accounting Policies — Tax — EIT" above. For the three years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010, our effective EIT rate was 21.7%, 24.4%, 22.9% and 17.4%, respectively. The increase in this effective tax rate during the three years ended December 31, 2007, 2008 and 2009 was mainly attributable to (i) the increase in non-deductible expenses in 2008 and 2009, such as expenses incurred for our Reorganization and (ii) the increase in the associated deferred tax charges to reflect the adjustment in the EIT rate from the preferential EIT rate of 15% for our subsidiaries incorporated in Shenzhen and Xiamen to the new standard EIT rate of 25% over the five-year period from January 1, 2008, when the new PRC Enterprise Tax Law became effective.

LAT

Please see "Key Factors Affecting Our Results of Operations — Tax — Land Appreciation Tax (LAT)" and "Critical Accounting Policies — Tax — LAT" above.

Deferred tax

Please see "Critical Accounting Policies — Tax — Deferred tax" above.

The carrying value of deferred tax assets relating to recognized tax losses were RMB22.9 million, RMB31.9 million, RMB62.1 million (US$9.28 million) and RMB82.3 million (US$12.3 million) as of December 31, 2007, 2008 and 2009, and the nine months ended September 30, 2010, respectively.

Exchange differences on translation of foreign operations

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

CONSOLIDATED RESULTS OF OPERATIONS

The following table shows the line items of our consolidated statements of comprehensive income, expressed in absolute figures and as a percentage of revenue for the three years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2009 and September 30, 2010:

	Year ended December 31,						Nine months ended September 30,			
	2007		2008		2009		2009		2010	
	(RMB'000)	(% of revenue)	(RMB'000)	(% of revenue)	(RMB'000)	(% of revenue)	(RMB'000)	(% of revenue)	(RMB'000)	(% of revenue)
Revenue	371,694	100.0	331,179	100.0	586,463	100.0	550,102	100.0	2,102,663	100.0
Cost of sales	(242,727)	(65.3)	(203,335)	(61.4)	(292,804)	(49.9)	(284,642)	(51.7)	(1,084,626)	(51.6)
Gross profit	128,967	34.7	127,844	38.6	293,659	50.1	265,460	48.3	1,018,037	48.4
Other income and gains	43,476	11.7	6,962	2.1	16,039	2.7	13,739	2.5	15,172	0.7
Changes in fair value of investment properties	168,247	45.3	211,366	63.8	371,613	63.4	222,836	40.5	15,000	0.7
Selling and marketing expenses	(46,268)	(12.4)	(27,143)	(8.2)	(38,955)	(6.6)	(22,846)	(4.2)	(58,771)	(2.8)
Administrative expenses	(57,650)	(15.5)	(64,883)	(19.6)	(91,197)	(15.6)	(53,891)	(9.8)	(132,884)	(6.3)
Other expenses	(589)	(0.2)	(247)	(0.1)	(137)	0.0	—	—	—	—
Finance costs	(1,376)	(0.4)	(3,324)	(1.0)	(5,642)	(1.0)	(2,368)	(0.4)	(4,026)	(0.2)
Share of profits and losses of:										
Jointly-controlled entities	(3,261)	(0.9)	(4,697)	(1.4)	(1,598)	(0.3)	2,002	0.4	87,791	4.2
Associates	(888)	(0.2)	(4,413)	(1.3)	(3,095)	(0.5)	(3,317)	(0.6)	34,465	1.7
Profit before tax	230,658	62.1	241,465	72.9	540,687	92.2	421,615	76.7	974,784	46.4
Income tax expense	(70,581)	(19.0)	(75,606)	(22.8)	(178,996)	(30.5)	(147,883)	(26.9)	(402,032)	(19.1)
Profit for the year/period	160,077	43.1	165,859	50.1	361,691	61.7	273,732	49.8	572,752	27.3
Other comprehensive income/(loss):										
Share of other comprehensive income of jointly-controlled entities	569	0.1	649	0.2	12	0.0	5	0.0	123	0
Share of other comprehensive income of associates	—	—	—	—	—	—	—	—	2,304	0.1
Exchange differences on translation of foreign operations	35,166	9.5	34,637	10.4	(5,793)	(1.0)	(6,975)	(1.3)	(3,722)	(0.2)
Other comprehensive income/(loss) for the year/period	35,735	9.6	35,286	10.6	(5,781)	(1.0)	(6,970)	(1.3)	(1,295)	(0.1)
Total comprehensive income for the year/period	195,812	52.7	201,145	60.7	355,910	60.7	266,762	48.5	571,457	27.2
Profit attributable to:										
Owners of the parent	159,206	42.8	168,458	50.9	373,434	63.7	276,994	50.4	603,923	28.7
Non-controlling interests	871	0.3	(2,599)	(0.8)	(11,743)	(2.0)	(3,262)	(0.6)	(31,171)	(1.4)
	160,077	43.1	165,859	50.1	361,691	61.7	273,732	49.8	572,752	27.3
Total comprehensive income attributable to:										
Owners of the parent	187,418	50.4	199,135	60.1	367,653	62.7	270,055	49.1	599,802	28.5
Non-controlling interests	8,394	2.3	2,010	0.6	(11,743)	(2.0)	(3,293)	(0.6)	(28,345)	(1.3)
	195,812	52.7	201,145	60.7	355,910	60.7	266,762	48.5	571,457	27.2
Other financial data										
Net cash from/(used in) operating activities	(72,497)		(379,217)		744,935		459,038		(980,750)	

The Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Revenue

Our revenue increased by RMB1,552.6 million (US$232.1 million), or 282.2%, to RMB2,102.7 million (US$314.3 million) for the nine months ended September 30, 2010 from RMB550.1 million for the nine months ended September 30, 2009. This increase was due to the 285.2% increase in revenue from property sales, 163.5% increase in gross rental income and 179.4% increase in property management income for the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009. Revenue from property sales increased primarily due to the increase in delivered GFA from 22,467 sq.m. for the nine months ended September 30, 2009 to 142,839 sq.m. for the same period in 2010. The increase in our rental income was mainly due to the increased occupancy of retail shops in World City during the nine months ended September 30, 2010 and our property management income increased primarily due to the increase in the number and GFA of our properties under management during the nine months ended September 30, 2010.

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

	September 30, 2009		September 30, 2010		
Project	**Revenue**	**Percentage of total revenue from property sales**	**Revenue**	**Percentage of total revenue from property sales**	**Revenue**
	RMB'000	**(%)**	**RMB'000**	**(%)**	**US$'000**
Sapphire Peninsula (Xiamen)	1,386	0.3	—	—	—
World City	534,392	99.7	1,183,557	57.3	176,901
Seashore Suite No.1	—	—	880,392	42.7	131,589
Total	535,778	100.0	2,063,949	100.0	308,490

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

	September 30, 2009		September 30, 2010		
Project	**GFA sold**	**Average Selling Price (per sq.m.)**	**GFA sold**	**Average Selling Price (per sq.m.)**	
	(sq.m.)	**RMB**	**(sq.m.)**	**RMB**	**US$**
Sapphire Peninsula (Xiamen) — Phase II					
Residential	—	—	—	—	—
Commercial	—	—	—	—	—
Others	1,503	922	—	—	—
Total	1,503		—		
World City					
Residential	20,964	25,491	39,040	29,487	4,407
Commercial	—	—	—	—	—
Others	—	—	2,458	13,177	1,970
Total	20,964		41,498		
Seashore Suite No.1					
Residential	—	—	89,133	9,081	1,357
Commercial	—	—	2,283	13,113	1,960
Others	—	—	9,925	4,131	617
Total	—		101,341		

Cost of sales

Our cost of sales increased by RMB800.0 million (US$119.6 million), or 281.1%, to RMB1,084.6 million (US$162.1 million) in the nine months ended September 30, 2010 from RMB284.6 million in the nine months ended September 30, 2009. This increase was primarily due to the increase in GFA delivered during the nine months ended September 30, 2010.

Gross profit

As a result of the above, our gross profit increased by RMB752.5 million (US$112.5 million), or 283.4%, to RMB1,018.0 million (US$152.2 million) in the nine months ended September 30, 2010 from RMB265.5 million in the nine months ended September 30, 2009. Our gross profit margin increased slightly from 48.3% for the nine months ended September 30, 2009 to 48.4% for the nine months ended September 30, 2010.

Other income and gains

Our other income and gains increased by RMB1.5 million (US$0.2 million), or 10.9%, to RMB15.2 million (US$2.3 million) in the nine months ended September 30, 2010 from RMB13.7 million in the nine months ended September 30, 2009. This increase was primarily due to the increase in bank interest income received in the nine months ended September 30, 2010.

Changes in fair value of investment properties

Our changes in fair value of investment properties decreased by RMB207.8 million (US$31.1 million), or 93.3%, to RMB15.0 million (US$2.2 million) in the nine months ended September 30, 2010 from RMB222.8 million in the nine months ended September 30, 2009.

The decrease in our changes in fair value of investment properties was mainly attributable to the fact that the market value of our investment properties remained relatively stable in the nine months ended September 30, 2010 while the market value of our investment properties rose significantly in the nine months ended September 30, 2009.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB36.0 million (US$5.4 million), or 157.9%, to RMB58.8 million (US$8.8 million) in the nine months ended September 30, 2010 from RMB22.8 million in the nine months ended September 30, 2009. This increase was primarily due to increased advertising and promotional expenses incurred for marketing of our projects rolled out for pre-sale in Quanzhou, Linfen, Xiamen and Zhangzhou.

Administrative expenses

Our administrative expenses increased by RMB79.0 million (US$11.8 million), or 146.6%, to RMB132.9 million (US$19.9 million) in the nine months ended September 30, 2010 from RMB53.9 million in the nine months ended September 30, 2009. This increase was mainly attributable to the employment of additional management personnel to cope with the needs of business expansion and an increase in amortization of prepaid land lease payments during the nine month period ended September 30, 2010.

Finance costs

Our finance costs increased by RMB1.6 million (US$0.2 million), or 66.7%, to RMB4.0 million (US$0.6 million) in the nine months ended September 30, 2010 from RMB2.4 million in the nine months ended September 30, 2009. This increase was primarily attributable to the increase in our bank and other borrowings for our general working capital purposes.

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

Our share of profits of jointly-controlled entities and associates was RMB122.3 million (US$18.3 million) in the nine months ended September 30, 2010 while share of losses of jointly-controlled entities and associates in the nine months ended September 30, 2009 was RMB1.3 million. This increase was mainly due to the increase in GFA delivered by our jointly-controlled entities and associates in the nine months ended September 30, 2010.

Profit before tax

As a result of the above, our profit before tax increased by RMB553.2 million (US$82.7 million), or 131.2%, to RMB974.8 million (US$145.7 million) in the nine months ended September 30, 2010 from RMB421.6 million in the nine months ended September 30, 2009.

Income Tax

Our income tax increased by RMB254.1 million (US$38.0 million), or 171.8%, to RMB402.0 million (US$60.1 million) in the nine months ended September 30, 2010 from RMB147.9 million in the nine months ended September 30, 2009. This increase was primarily due to the increase in EIT and LAT charged on the sales of our properties in World City in Beijing and Seashore Suite No.1 in Xiamen, which were delivered to respective customers in the nine months ended September 30, 2010.

Profit for the period

As a result of the above, our profit for the period increased by RMB299.1 million (US$44.7 million), or 109.3%, to RMB572.8 million (US$85.6 million) in the nine months ended September 30, 2010 from RMB273.7 million in the nine months ended September 30, 2009.

Other comprehensive income/(loss)

Our other comprehensive loss decreased by RMB5.7 million (US$0.9 million), or 81.4%, to a loss of RMB1.3 million (US$0.2 million) in the nine months ended September 30, 2010 from a loss of RMB7.0 million in the nine months ended September 30, 2009. This decrease was primarily due to the decrease in exchange differences on translation of foreign operations attributable to further appreciation in the Renminbi in the first nine months of 2010, thereby creating a loss from the translation of the financial statements of our overseas subsidiaries and jointly-controlled entities and associates that use Hong Kong dollars as their functional currencies into Renminbi.

Non-controlling interests

Our loss attributable to non-controlling interests increased by RMB27.9 million (US$4.2 million), or 845.5%, to RMB31.2 million (US$4.7 million) in the nine months ended September 30, 2010 from RMB3.3 million in the nine months ended September 30, 2009. This increase was primarily due to losses incurred by our non-wholly-owned subsidiaries who incurred additional administrative expenses during the start-up phase of their operations and developments. No revenue had been incurred by these non-wholly-owned subsidiaries as no properties held by them were sold or delivered.

2009 Compared to 2008

Revenue

Our revenue increased by RMB255.3 million (US$38.2 million), or 77.1%, to RMB586.5 million in 2009 (US$87.7 million) from RMB331.2 million in 2008. This increase was primarily due to the delivery of part of our properties in World City in Beijing in 2009 as well as increased rental income attributable to the leasing of a certain portion of retail shops in World City which commenced in the second half of 2009. World City is located in the central business district of Beijing and contains luxurious interior fittings. During 2009, the average selling price per sq.m for World City was RMB25,576 (US$3,823). In 2008, we sold and delivered properties in the remaining six blocks in Sapphire Peninsula, resulting in a total GFA sold and delivered in 2008 of 60,302 sq.m.

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

	2008		2009		
Project	Revenue	Percentage of total revenue from property sales	Revenue	Percentage of total revenue from property sales	Revenue
	RMB'000	(%)	RMB'000	(%)	US$'000
Sapphire Peninsula (Xiamen)	325,217	100	2,226	0.4	333
World City	—	—	562,767	99.6	84,114
Total	325,217	100.0	564,993	100.0	84,447

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

Project	2008 GFA sold	2008 Average Selling Price (per sq.m.)	2009 GFA sold	2009 Average Selling Price (per sq.m.)	
	(sq.m.)	RMB	(sq.m.)	RMB	US$
Sapphire Peninsula (Xiamen) — Phase I					
Residential	18,869	6,328	—	—	—
Commercial	—	—	—	—	—
Others	7,524	1,595	—	—	—
Total	26,393		—		
Sapphire Peninsula (Xiamen) — Phase II					
Residential	27,900	6,139	—	—	—
Commercial	1,152	9,547	—	—	—
Others	4,857	2,373	1,503	1,481	221
Total	33,909		1,503		
World City					
Residential	—	—	22,004	25,576	3,823
Commercial	—	—	—	—	—
Others	—	—	—	—	—
Total	—		22,004		

Cost of sales

Our cost of sales increased by RMB89.5 million (US$13.4 million), or 44.0%, to RMB292.8 million (US$43.8 million) in 2009 from RMB203.3 million in 2008. This increase was primarily due to the relatively higher land acquisition cost per sq.m. of the GFA of the World City for its prime location in the central business district of Beijing and its luxurious interior fittings.

Gross profit

As a result of the above, our gross profit increased by RMB165.9 million (US$24.8 million), or 129.8%, to RMB293.7 million (US$43.9 million) in 2009 from RMB127.8 million in 2008. Our gross profit margin increased from 38.6% in 2008 to 50.1% in 2009. The increase in gross profit margin was principally driven by the increase in the selling price per sq.m. of the sold GFA which was higher than the increase in the construction cost per sq.m. of the sold GFA.

Other income and gains

Our other income and gains increased by RMB9.0 million (US$1.3 million), or 128.6%, to RMB16.0 million (US$2.4 million) in 2009 from RMB 7.0 million in 2008. This increase was mainly attributable to the realization of exchange fluctuation reserve upon the de-registration of a wholly-owned subsidiary of the Group.

Changes in fair value of investment properties

Our changes in fair value of investment properties increased by RMB160.2 million (US$23.9 million), or 75.8%, to RMB371.6 million (US$55.5 million) in 2009 from RMB211.4 million in 2008. This increase in fair value of investment properties in 2009 was primarily attributable to the value appreciation of commercial properties at World City on revaluation.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB11.9 million (US$1.8 million), or 43.9%, to RMB39.0 million (US$5.8 million) in 2009 from RMB27.1 million in 2008. This increase was primarily due to an increase in the number of projects rolled out for pre-sale.

Administrative expenses

Our administrative expenses increased by RMB26.3 million (US$3.9 million), or 40.5%, to RMB91.2 million (US$13.6 million) in 2009 from RMB64.9 million in 2008. The increase was mainly attributable to the increase in expenses in connection with the preparation of the IPO, the amortization of prepaid land lease payments for the newly acquired subsidiary, Fujian Straits West-Coast Investment Co., Ltd. and the increase in number of employees of the Group in 2009.

Finance costs

Our finance costs increased by RMB2.3 million (US$0.3 million), or 69.7%, to RMB5.6 million (US$0.8 million) in 2009 from RMB3.3 million in 2008. This increase was primarily due to the interest expense incurred by the newly acquired subsidiary, Fujian Straits West-Coast Investment Co., Ltd.

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

Our share of losses of jointly-controlled entities and associates decreased by RMB4.4 million (US$0.7 million), or 48.4%, to RMB4.7 million (US$0.7 million) in 2009 from RMB9.1 million in 2008. This reduction in losses was mainly due to the increase in profit recorded by one of our jointly-controlled entities.

Profit before tax

As a result of the above, our profit before tax increased by RMB299.2 million (US$44.7 million), or 123.9%, to RMB540.7 million (US$80.8 million) in 2009 from RMB241.5 million in 2008.

Income tax

Our income tax increased by RMB103.4 million (US$15.5 million), or 136.8%, to RMB179.0 million (US$26.8 million) in 2009 from RMB75.6 million in 2008. This increase was primarily due to an increase in EIT and LAT levied on the sale of properties of our World City project and deferred tax liability arising from changes in fair value of our investment properties in 2009. The increase in EIT and LAT was due to the higher average selling price of the sold properties of World City which in turn increased the revenue and the land appreciation value.

Profit for the year

As a result of the above, our profit for the year increased by RMB195.8 million (US$29.3 million), or 118.0%, to RMB361.7 million (US$54.1 million) in 2009 from RMB165.9 million in 2008.

Other comprehensive income

Our other comprehensive income decreased to a loss of RMB5.8 million (US$0.9 million) in 2009 from a profit of RMB35.3 million in 2008. The decrease was mainly due to the exchange differences on translation of foreign operations attributable from the appreciation in the Renminbi in 2009, thereby creating a loss from the translation of the financial statements of our overseas subsidiaries and jointly-controlled entities and associates that use Hong Kong dollars as their functional currencies into Renminbi.

Non-controlling interests

Our loss attributable to non-controlling interests increased by RMB9.1 million (US$1.4 million) to RMB11.7 million (US$1.7 million) in 2009 from RMB2.6 million in 2008. This was primarily due to the increase in the losses incurred by our non-wholly-owned subsidiaries, namely SCE International Community, SCE Fortune Plaza, SCE Sapphire Hill and SCE Sapphire Uptown.

2008 Compared to 2007

Revenue

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

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

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

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

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

Cost of sales

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

Gross profit

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

Other income and gains

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

Changes in fair value of investment properties

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

Selling and marketing expenses

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

Administrative expenses

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

Other expenses

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

Finance costs

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

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

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

Profit before tax

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

Income tax

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

Profit for the year

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

Other comprehensive income

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

Non-controlling interests

Our non-controlling interests decreased by RMB3.5 million to a loss attributable to non-controlling interests of RMB2.6 million in 2008 from a profit attributable to non-controlling interests of RMB0.9 million in 2007. This decrease was primarily due to the losses incurred by our non-wholly-owned subsidiaries, namely SCE Sapphie Hill and SCE International Community. These losses were mainly attributable to high administrative expenses recognized during the start up phase of their operations and developments. No revenue had been incurred by these two non-wholly-owned subsidiaries in 2008, as no properties held by them were sold or delivered.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

Cash Flow

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

	For the year ended December 31,				For the nine months ended September 30,		
	2007	2008	2009		2009	2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	RMB'000	US$'000
Selected cash flow statement data							
Net cash inflow from/(used in) operating activities .	(72,497)	(379,217)	744,935	111,342	459,038	(980,750)	(146,588)
Net cash flows used in investing activities. .	(197,769)	(427,780)	(1,128,334)	(168,647)	(765,830)	(242,837)	(36,296)
Net cash flows from financing activities. .	152,083	788,789	813,203	121,546	652,696	1,803,813	269,608
Net increase/(decrease) in cash and cash equivalents	(118,183)	(18,208)	429,804	64,241	345,904	580,226	86,724

Net cash flow from/(used in) operating activities

Our cash used in operations principally comprises payments for our property development activities and land acquisitions. Our cash from operations is generated principally from proceeds received from pre-sales and sales of our properties and rental income. Our cash flows for a given period are also supplemented by increases in trade payables and other payables and accruals, which have been accrued but are not yet due. Our property development business experienced net operating cash outflows during 2007 and 2008, particularly when imbalances occurred between the timing of our cash inflows relating to the pre-sale and sale of properties and our cash outflows relating to the construction and development of properties and the acquisition of land parcels. We expanded our property development business, including the acquisition of land parcels and construction of projects, and incurred cash outflows at a more rapid rate than cash return from pre-sales and sales of our projects that were eligible for pre-sales or sales during 2007 and 2008. For the year ended December 31, 2009, we experienced net operating cash inflows.

For the nine months ended September 30, 2010, our net cash flows used in from operating activities was RMB980.8 million, which was primarily attributable to (i) a significant increase in properties under development, (ii) an increase in prepaid land premiums in respect of land acquisitions for the Anshan Project, the Tangshan Project and Provence Town; and (iii) a decrease in receipts in advance from our customers. These were partially offset by cash inflow and an increase in completed properties held for sale.

In 2009, our net cash flows from operating activities was RMB744.9 million, which consisted primarily of (i) a decrease in prepayments, deposits and other receivables in the amount of RMB690.2 million, and (ii) an increase in receipts in advance in the amount of RMB1,096.5 million, which mainly represented proceeds received from the pre-sale of our properties in World City, Seashore Suite No. 1 and West Lake No. 1. These were partially offset by (i) additionsto prepaid land lease payments in the amount of RMB815.9 million that we made for Fortune Plaza, (ii) an increase in completed properties held for sale in the amount of RMB299.1 million, (iii) a decrease in payables of RMB131.4 million; and (iv) interest payment of RMB104.6 million.

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

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

Net cash flows used in investing activities

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

For the nine months ended September 30, 2010, our net cash flows used in investing activities was RMB242.8 million, which was primarily attributable to the consideration paid for the acquisition of certain subsidiaries, including the subsidiary holding the Beijing Project and a non-controlling interest in SCE International Community.

In 2009, our net cash flows used in investing activities was RMB1,128.3 million, which primarily represented (i) the consideration paid for the acquisition of subsidiaries of RMB857.1 million, relating to the acquisition of a 58% equity interest in Fujian Straits West-Coast Investment Co., Ltd., (ii) additions to investment properties in the amount of RMB42.4 million and (iii) a decrease in consideration payable for the acquisition of subsidiaries and associates of RMB236.7 million, which mainly represented our settlement of outstanding payment for the consideration of Sapphire Boomtown.

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

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

Net cash flows from financing activities

Our cash flows from financing activities are mainly generated from new bank loans, advances from non-controlling interests of certain of our subsidiaries and contributions from non-controlling interests. Our cash outflow from financing activities reflects repayment of bank loans.

In the nine months ended September 30, 2010, our net cash flows from financing activities was RMB1,803.8 million, which was primarily attributable to (i) the IPO proceeds (ii) a net increase in bank and other borrowings; and (iii) a capital contribution from non-controlling interests.

In 2009, our net cash flows from financing activities was RMB813.2 million, which was primarily attributable to (i) increase in bank and other borrowings in the amount of RMB1,824.2 million for property development and (ii) net proceeds from Pre-IPO placing of RMB682.0 million. There were partially offset by our repayment of bank loans and other borrowings of RMB1,502.1 million.

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

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

Cash and Bank Balances

As at December 31, 2007, 2008 and 2009 and September 30, 2010, our cash and cash equivalents (excluding restricted cash) amounted to RMB81.1 million, RMB59.7 million, RMB489.5 million and RMB1,067.3 million, respectively.

Pursuant to the relevant regulations in the PRC, we are required to place certain amounts of pre-sales proceeds and other funds into designated bank accounts for guarantee purposes. As of December 31, 2007, 2008 and 2009, and September 30, 2010, such restricted cash amounted to RMB36.7 million, RMB83.4 million, RMB115.3 million and RMB118.3 million, respectively.

Indebtedness

Interest bearing bank and other borrowings

The following table sets forth our outstanding borrowings as of December 31, 2007, 2008 and 2009, and as of September 30, 2010:

	As of December 31,				As of September 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
Current						
— Bank loans - secured . .	40,000	793,500	555,000	82,953	610,101	91,189
— Current portion of long-term bank loans - secured	7,612	15,318	12,037	1,799	29,148	4,357
— Loan from companies controlled by Mr. Wong	—	200,607	—	—	—	—
	47,612	1,009,425	567,037	84,752	639,249	95,546
Non-current						
— Bank loans - secured . .	675,125	344,493	1,539,028	230,032	1,727,077	258,139
— Other loans - secured . .	—	—	—	—	44,400	6,636
	675,125	344,493	1,539,028	230,032	1,771,477	264,775
Total	722,737	1,353,918	2,106,065	314,784	2,410,726	360,321

As of September 30, 2010, we had obtained credit facilities from banks of approximately RMB11,000 million, of which RMB1,949 million had been utilized and approximately RMB9,051 million had not been utilized.

Our outstanding bank and other borrowings amounted to RMB722.7 million, RMB1,353.9 million, RMB2,106.1 million and RMB2,410.7 million as of December 31, 2007, 2008, 2009, and September 30, 2010, respectively. All of our outstanding bank loans as of September 30, 2010 are secured.

Except for secured bank loans of RMB8.7 million, RMB8.4 million and RMB51.1 million as of December 31, 2008, December 31, 2009 and September 30, 2010, respectively, and other loans of RMB8.8 million as of December 31, 2008, which are denominated in Hong Kong dollars, all of our secured and unsecured borrowings are denominated in RMB.

Except for the RMB40.0 million, RMB195.0 million and RMB545.0 million of short-term bank loans as of December 31, 2007, 2008 and 2009, respectively, other short-term loans of RMB15.0 million as of December 31, 2008, and other non-current secured loans of RMB44.4 million as of September 30, 2010 that bear interest at a fixed interest rate, all of our bank and other borrowings bear interest at floating rates. For the three years ended December 31, 2007, 2008, 2009 and the nine months ended September 30, 2010, the average interest rate was 8.5%, 6.2%, 5.0% and 3.9%, respectively, for our interest-bearing bank and other borrowings. The carrying amounts of our bank and other borrowings approximate their fair values.

Our net gearing ratio was 160.9%, 211.0%, 64.9% and 28.3% as of December 31, 2007, 2008, 2009 and as of September 30, 2010, respectively. The net gearing ratio was calculated by dividing the net amount of loans (interest-bearing bank and other loans after deduction of cash and cash equivalents and restricted cash) by total equity.

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

	As of December 31,				As of September 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
Bank and other loans repayable						
Within one year or on demand	47,612	808,818	567,037	84,753	639,249	95,546
In the second year	643,050	14,123	360,330	53,857	806,000	120,469
In the third to fifth years, inclusive	21,200	318,132	1,171,059	175,033	921,000	137,658
Beyond five years	10,875	12,238	7,639	1,142	77	11
Sub-total	722,737	1,153,311	2,106,065	314,785	2,366,326	353,684
Loans from companies controlled by Mr. Wong and repayable within one year	—	200,607	—	—	—	—
Other borrowings repayable in the second year	—	—	—	—	44,400	6,636
Total	722,737	1,353,918	2,106,065	314,785	2,410,726	360,320

Pledge of assets

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

	As of December 31,				As of September 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
Property and equipment	6,177	28,310	52,454	7,840	55,705	8,326
Investment properties	456,672	838,672	1,296,000	193,707	1,311,000	195,949
Prepaid land lease payments	12,963	230,385	1,132,399	169,255	916,334	136,960
Properties under development	506,106	674,896	1,928,086	288,183	3,528,931	527,454
Completed properties held for sale	—	607,862	3,488	521	—	—
Total	981,918	2,380,125	4,412,427	659,506	5,811,970	868,689

Contingent liabilities

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

	As of December 31,				As of September 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
Guarantees in respect of mortgage facilities for certain purchasers of our propertie[(1)]	688,347	504,211	879,213	131,412	1,164,062	173,990
Guarantees given to bank in connection with facilities granted to companies controlled by Mr. Wong	170,000	255,500	—	—	—	—

Note:

(1) *As of December 31, 2007, 2008 and 2009 and September 30, 2010, we provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of our properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, we are responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.*

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

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

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

Commitments

We had the following capital commitments as of the dates indicated:

	As of December 31,				As of September 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
Contracted, but not provided for:						
- Capital expenditure for properties under development, completed properties held for sale and construction of investment and owner-occupied properties in the PRC	532,638	1,110,644	1,332,476	199,159	1,139,865	170,371
- Capital expenditure for acquisition of property and equipment	3,609	—	—	—	—	—
- Acquisition of jointly-controlled entities	14,668	—	—	—	—	—
Total	550,915	1,110,644	1,332,476	199,159	1,139,865	170,371

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

	As of December 31,				As of September 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US$'000	RMB'000	US$'000
Contracted, but not provided for:						
Capital expenditure for jointly- controlled entities' properties under development	13,958	52,205	9,564	1,429	76,136	11,380
Capital expenditure for associates' properties under development	25,200	14,689	—	—	—	—

MARKET RISKS

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

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

Commodities Risk

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

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, we do not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same savings rate as unrestricted deposits throughout the three years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010. Our exposure to the risk of changes in interest rates relates to our bank deposits and bank borrowings with floating interest rates. We have not used any interest rate swaps to hedge our exposure to interest rate risk, but will consider hedging significant interest rate risk should the need arise. Please see "Risk Factors — Risks relating to our business — Our business may be adversely affected by future increases in interest rates".

Foreign Currency Risk

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

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

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

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

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

Credit Risk

It is our policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, we do not have any significant credit risk as the credit given to any individual or corporate entity is not significant. We do not have significant concentration of credit risk.

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

Inflation

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as measured by the general consumer price index, was approximately 4.8% in 2007, 5.9% in 2008 and -0.7% in 2009. Inflation in the past did not materially affect our business. Deflation could negatively affect our business as it might be a disincentive for prospective purchasers to make a purchase.

NON-GAAP FINANCIAL MEASURES

We use EBITDA and EBITDA margin to provide additional information about our operating performance. EBITDA refers to our profit for the period plus finance costs, income tax expense, depreciation and amortization and minus changes in fair value of investment properties. EBITDA margin is calculated by dividing EBITDA by revenue.

EBITDA is not a standard measure under either HKFRS or U.S. GAAP. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the period of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

As a measure of our operating performance, we believe that the most directly comparable HKFRS and U.S. GAAP measure to EBITDA is net profit for the period/year. We use EBITDA in addition to profit before income tax because profit before income tax includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of land use rights. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as land use rights amortization, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit before income tax under HKFRS to our definition of EBITDA for the periods indicated:

	For the year ended December 31,				**For the nine months ended September 30,**		
	2007	**2008**	**2009**		**2009**	**2010**	
	RMB'000	**RMB'000**	**RMB'000**	**US$'000**	**RMB'000**	**RMB'000**	**US$'000**
Profit for the year/period	160,077	165,859	361,691	54,060	273,732	572,752	85,607
Adjustments							
Income tax expense	70,581	75,606	178,996	26,754	147,883	402,032	60,090
Finance costs	1,376	3,324	5,642	843	2,368	4,026	602
Depreciation	3,073	5,272	7,157	1,070	5,725	7,013	1,048
Amortization	984	11,423	22,282	3,330	12,571	38,570	5,765
Changes in fair value of investment properties	(168,247)	(211,366)	(371,613)	(55,543)	(222,836)	(15,000)	(2,242)
EBITDA	67,844	50,118	204,155	30,514	219,443	1,009,393	150,870

You should not consider our definition of EBITDA in isolation or construe it as an alternative to operating profit or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or any of our affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

MACRO-ECONOMIC CONDITIONS OF THE PRC

Since China's adoption of the open door policy in 1978, it has experienced significant economic growth, which has been driven further by its accession to the World Trade Organization in 2001. China's nominal GDP increased from RMB15,987.8 billion in 2004 to RMB34,050.7 billion in 2009, representing a compound annual growth rate (CAGR) of 16.3% and making China one of the fastest growing economies in the world. In line with its GDP growth, China's per capita GDP also rose from RMB12,335.6 in 2004 to RMB25,575.5 in 2009, representing a CAGR of 15.7%. Amidst strong GDP growth, per capita annual urban disposable income in China grew rapidly during the period from RMB9,421.6 in 2004 to RMB17,174.7 in 2009, reflecting a nationwide CAGR of 12.8% during this period and implying increased purchasing power for urban households throughout China.

The table below sets forth selected economic statistics of China for the years indicated:

	2004	2005	2006	2007	2008	2009	CAGR 04-09
Population (millions)	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0	1,334.7	0.5%
Urban population (millions)	542.8	562.1	577.1	593.8	606.7	621.9	2.8%
Nominal GDP (RMB in billions)	15,987.8	18,493.7	21,631.4	26,581.0	31,404.5	34,050.7	16.3%
Real GDP growth (%)	10.1	11.3	12.7	14.2	9.6	9.1	N/A
Per capita GDP (RMB)	12,335.6	14,185.4	16,499.7	20,169.5	23,707.7	25,575.5	15.7%
CPI growth (%)	3.9	1.8	1.5	4.8	5.9	-0.7	N/A
Urbanization (%)	41.8	43.0	43.9	44.9	45.7	46.6	N/A
Unemployment rate (%)	4.2	4.2	4.1	4.0	4.2	4.3	N/A
Per capita annual urban disposable income (RMB)	9,421.6	10,493.0	11,759.5	13,785.8	15,780.8	17,174.7	12.8%
Consumption expenditure per capita (RMB)	7,182.1	7,942.9	8,696.6	9,997.5	11,242.9	12,264.6	11.3%
Retail sales of consumer goods (RMB in billions)	5,950.1	6,835.3	7,914.5	9,357.2	11,483.0	13,267.8	17.4%
Foreign direct investment (US$ in billions)	60.6	72.4	72.7	83.5	108.3	94.1	9.2%
Fixed asset investment (RMB in billions)	7,047.7	8,877.4	10,999.8	13,732.4	17,282.8	22,459.9	26.1%
Real estate investment in China (RMB in billions)	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2	22.5%

Sources: China Ethnic International Economic Cooperation Co. Data Company Ltd ("CEIC") and Economic Intelligence Unit

Key real estate reforms in the PRC

The property development industry in the PRC is extremely competitive and heavily restricted by governmental policies, regulations and laws. These barriers include obtaining qualification certificates related to property development, the demand for continuously increasing, or at least replenishing, land bank and maintaining adequate working capital for projects. Many of these requirements form a part of China's attempts to reform the market. Prior to the reform of the PRC real estate market in the 1990s, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated a number of real estate reforms and, as a result, China's real estate sector began its transition to a market-based system. A brief timeline of key real estate reforms is set out below:

1988 — National constitution amended by the PRC government to permit the transfer of state-owned land use rights

1991 — Commencement of employer/employee-funded housing fund

1992 — Commencement of public housing sales in major cities

1994 — Establishment of an all-round employer/employee-funded housing fund

1995 — Regulations regarding sales and pre-sales of real estate issued by the PRC government, establishing a regulatory framework for property sales

1998 — State-allocated housing policy abolished by the PRC government

1999 — The PRC government extended maximum mortgage term to 30 years and increased maximum mortgage financing from 70% to 80% of the total purchase price of the property

2000 — Regulations to standardize the quality of construction projects issued by the PRC government, establishing a framework to administer construction quality

2001 — Regulations relating to sales of commodity housing issued by the PRC government

2002 — New rules promulgated by the PRC government requiring that land use rights for the purposes of commercial use, tourism, entertainment, commodity residential properties and other operational purposes can only be granted by the PRC government through competitive bidding, public auction or listing-for-sale

— Dual system for domestic and overseas home buyers was eliminated

2003 — Regulations relating to property management issued by the PRC government

— The PRC government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans

— The State Council issued a notice for sustained and healthy development of the real estate market

2004 — The State Council issued a notice requiring that, with respect to property development projects (excluding affordable housing), the proportion of financing from capital funds of real estate developers should be increased from 20% to 35% of the total projected capital outlay

— The Ministry of Housing and Urban Rural Development of the PRC (中國住房和城鄉建設部) ("MOHURD") amended and supplemented the Administrative Measures on the Pre-sale of Commercial Housing imposing more restrictive requirements on the pre-sale of commodity housing in cities

— The China Banking Regulatory Commission (中國銀行業監督管理委員會) ("CBRC") issued the Guidelines for Commercial Banks on Risks Management of Real Estate Loan to further strengthen the risk control of commercial banks over real estate loans and financing

2005 — The PRC government instituted additional measures to discourage speculation in certain regional markets including, among others, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase, and prohibiting resale of unfinished properties

2006 — The PRC government implemented additional land supply, bank financing and other measures to curtail fast increases in real estate prices, to encourage the development of middle to low-end housing and to promote the healthy development of the PRC real estate industry

— MOHURD issued a guideline requiring, among others, that the total GFA of units with area below 90 sq.m. must not be less than 70% of total GFA of newly approved or newly constructed projects, the minimum required down-payment shall be increased to 30% of the total purchase price for units larger than 90 sq.m. and banks are not permitted to provide loans to a real estate developer with an internal capital ratio of less than 35%

— MOHURD, MOFCOM, the National Development and Reform Commission of the PRC (中國國家發展和改革委員會) ("NDRC"), PBOC, the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局) ("SAIC") and SAFE jointly issued new regulations with the aim of regulating foreign investment in the domestic real estate market and to restrict the abilities of certain offshore entities and foreign individuals to purchase commercial and residential properties in China

2007 — Regulations were issued to increase the annual land use tax, and to impose these land use taxes on foreign invested enterprises

— MLR issued regulations requiring land use rights certificates not to be issued unless and until the land premiums have been paid with respect to all of the land use rights under a land grant contract, which effectively stopped the practice of issuing these certificates in installments

2008 — The State Council issued a notice reinforcing that not less than 70% of any residential land development project must be used for developing low-cost rental units, small to medium-sized units, low to medium-cost units and units with a GFA of less than 90 sq.m. The notice also imposes an additional land premium surcharge on idle land

— The State Council implemented several tax related policies, including shortening the business tax exemption term for the transfer of ordinary residential housing from five years to two years and unifying the urban real estate tax applicable to foreign-invested and non-foreign-invested companies

— MOF and SAT adjusted real estate related tax rates for property sale or purchase by individuals, including temporarily lowering the deed tax rate to 1% for the purchase by individuals of their first residential unit with a GFA of no more than 90 sq.m., suspending stamp duty and LAT for sale of residential houses and suspending stamp duty for purchase of residential houses

— PBOC adjusted the lower limit of the lending rate and the minimum down-payment for commercial individual residential house

2009 — The State Council issued a notice lowering the minimum capital ratio for property development projects

2010 — MOF and SAT adjusted the business tax exemption term for the transfer of ordinary residential house from two years to five years

— The State Council issued a notice to further reinforce the administration of land supply and sales of commercial buildings

— MOHURD issued a notice requiring real estate developers of residential projects to publicize all licensed housing and price of each unit within 10 days of obtaining the pre-sale license

— MLR and MOHURD issued a notice requiring that the plot ratio of residential land must be over 1 and in accordance with the land-use-rights contract for housing construction projects, construction must be commenced within one year upon the delivery of land and be completed within three years after the date of commencement

— The State Council issued a notice stipulating that for families (including the borrower, spouse and underage children) who purchase their first residential unit for self-use with a GFA of over 90 sq.m., the down-payment ratio of the loan shall not be lower than 30%; the down-payment ratio of the loan for purchase of a second residential unit shall not be lower than 50%, and the interest rate on the loan shall not be lower than 1.1 times the benchmark interest rate. The down-payment and interest rate shall be raised substantially for loans to buy any additional residential units after the second unit

— PBOC and CBRC issued a notice requiring commercial banks to stop providing housing loans to local residents whose family members already own two or more residential units, and to non-local residents who cannot provide evidence showing that they have paid taxes or social insurance contribution for more than one year. The down-payment ratio for loans to buy residential units has been adjusted to no less than 30%; for any family that uses loans to buy a second residential unit, the down-payment ratio shall not be lower than 50% and the loan interest rate shall not be lower than 1.1 times the benchmark loan interest rate

— MOF, SAT and MOHURD adjusted the preferential policies on deed tax and individual income tax for property sales and purchases by individuals. Adjustments include cutting the deed tax rate of individuals by half for first-time purchases of residential units and to 1% for residential units with a GFA of no more than 90 sq.m., as well as cancelling preferential policies on individual income taxes for those who sells his/her residential unit and purchases another unit within one year

— MOHURD, MOF, PBOC and CBRC jointly issued a notice to stop providing housing provident fund loans to families that are purchasing a third residential unit or more. The down-payment for loans to purchase the first residential unit with a GFA of no more than 90 sq.m., shall not be lower than 20%, and for units with a GFA of more than 90 sq.m., the loan down-payment shall not be lower than 30%

Regulatory measures affecting the real estate market in the PRC

Reform of the PRC real estate market did not commence until the 1990s. Prior to such reform, the PRC property development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system.

In 1988, the PRC government amended the national constitution to permit the transfer of state-owned land use rights and, in 1992, sales of former public housing commenced in major cities. Two years later, in 1994, the PRC government implemented further reforms and established an employer/employee-funded housing fund and issued a regulation regarding pre-sale of commodity housing in cities. In 1995, the PRC government issued regulations regarding the transfer of real estate, established a regulatory framework for property sales and subsequently abolished the state-allocated housing policy in 1998. In 1999, the PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market.

The PRC government issued regulations to standardize the quality of construction projects in 2000, establishing a framework for administering construction quality. In 2002, the PRC government promulgated rules to require that state-owned land use rights be granted by way of competitive bidding, public auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China. In 2003, the PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.

From 2004 to the first half of 2008, in order to prevent the overheating of the PRC economy and to achieve balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. Since early 2001, the PRC government has also taken measures to discourage speculation in the residential real estate market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in real estate investment, the PRC government introduced policies and measures to restrict such increases as explained in "Regulation" of this document.

Regulatory measures adopted by Fujian Provincial Government

On May 14, 2001, the Fujian Provincial Government issued the Administration Measures Regarding the Grant of State-owned Land Use Rights by Way of Competitive Bidding, Public Auction and Listing-for-sale in Fujian Province (Fujian Government No. 64) requiring that land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through competitive bidding, public auction or listing-for-sale in Fujian Province.

On December 28, 2005, the Construction Department of Fujian Province issued the Notice of revising the Implementation Provision on Administration of Qualification of Real Estate Development Enterprise in Fujian Province (Min Jian Fa [2005] No. 85). Under this notice, property development enterprises in Fujian Province are categorized into four classes with reference to their qualification obtained from and as approved by different levels of government authorities, with the attainment of class 1 qualification being subject to the approval from the MOHURD, class 2 from the relevant provincial construction authority, class 3 from prefecture city construction authority and class 4 from the relevant local city or county construction authority. The scope and scale of property development that a real estate developer may engage in is dependent on its qualification classification.

On February 14, 2009, the General Office of the Fujian Province Government issued the Opinions on Facilitating Healthy Development of Real Estate Market (Min Zheng Ban [2009] No. 25) which provides that:

— the standards for ordinary commodity housing will be revised;

— the minimum lending interest rates for mortgage loans to first-time homebuyers of ordinary housing may be lowered to 70% of the benchmark lending rate and the minimum down-payment required be lowered to 20% of the total purchase price;

— stamp duty and LAT will be temporarily exempted for the sale and/or purchase of real estate;

— the local and municipal government may revise and loosen regulations and policies governing the procedures for applying for urban residence certificates by non-local residents who purchase commercial and second-hand houses;

— the deadline for payment of land grant fees regarding commercial land use rights newly granted through competitive bidding, public auction or listing-for-sale may be extended to 12 months and further extended to a maximum of 18 months for high-priced and large-scale land parcels. For land granted after January 1, 2007, if the transferee cannot commence construction in time, the deadline for completion of the construction of a project development may be extended to up to one year and the time extension shall be determined with reference to the scale of the relevant land; and

— LAT may be levied in stages or suspended to be levied on real estate developers with high credit rating, no records of non-payment of tax and proper construction planning.

On January 18, 2010, the General Office of the Fujian Province Government issued the Opinions on Promoting Stable and Healthy Development of Real Estate Markets (Min Zheng Ban [2010] No. 7) which provides that:

— for families (including the borrower, spouse and underage children) that have already purchased a residential unit backed with loans, the down-payment ratio of the loan for a second residential unit purchase or above shall not be lower than 40%;

— as of January 1, 2010, business tax is imposed on the full amount of the sales income upon the transfer of a non-ordinary residence by an individual within five years from the purchase date. For the transfer of a non-ordinary residence which is more than five years (inclusive) from the purchase date and an ordinary residence which is within five years of the purchase date, business tax is to be levied on the difference between the sales income and the purchase price. In the case of an ordinary residence, business tax is exempted if the transfer occurs after five years from the purchase date;

— the pre-sales permit for projects which meet the pre-sales conditions shall be conducted for the whole building in one batch rather than for each floor or unit.

On June 16, 2010, the Fujian Province Government issued The Notice of the State Council on Firmly Preventing Overly Fast Growth of Real Property Prices in Certain Cities (Min Zheng Wen [2010] No. 203) which provides that:

— unreasonable housing demands will be restrained;

— major clearing and auditing will be conducted on property development projects that are overpriced and whose prices rise too fast;

— the construction of affordable security housing project will be sped up;

— real estate market regulation will be strengthened; and

— For additional information on housing reforms and recent regulatory developments, please see "Regulation" of this document.

Development of the Western Taiwan Strait Economic Zone

On May 6, 2009, the State Council promulgated the Several Opinions in relation to Supporting Fujian Province to Accelerate the Development of the Western Taiwan Strait Economic Zone pursuant to which the PRC government intends to accelerate the development of the Western Taiwan Strait Economic Zone in order to boost the nation's coastal economy as a whole, channel overseas capital to western and central China and to forge stronger economic cooperation with Taiwan.

We believe Fujian Province is the key constituent of the Western Taiwan Strait Economic Zone and will act as the hub of the economic zone as it directly faces Taiwan across the Straits and links the Pearl River Delta region with the Yangtze River Delta region, two major economic hubs in the PRC. According to the measures mentioned above, Fujian Province is the key area for future development of the Western Taiwan Strait Economic Zone.

Fujian Province boasts geographic proximity to Taiwan, and shares the same ancestral origins, languages, folk customs and cultural traditions with Taiwan. In August 2005, Fujian Province became the first mainland province to import zero-tariff fruit from Taiwan. Fujian Province has been one of the largest markets for investment from Taiwan since the 1980s, when Taiwan residents started to invest and operate businesses in the PRC. Since then, according to statistics from the Office of Taiwan Affairs in Fujian Province, Fujian Province has attracted more than RMB160 billion in investment from Taiwan and Taiwan has become the second largest offshore investor in Fujian Province in 2009, following Hong Kong.

On July 29, 2009, the 8th Commission of Fujian Communist Party issued implementation rules for the proposed measures mentioned above in order to strictly implement and adopt the proposed development plans for Fujian Province. On January 30, 2010, the third Session of the 11th People's Congress of Fujian Province approved the Outline on the Construction of Western Taiwan Straits Economic Zone by Fujian Province (revised version) in order to accelerate the development of the Western Taiwan Straits Economic Zone. Pursuant to the implementation rules and the Outline, the PRC government intends to promote scientific development and adopt the reform and open door policy in Fujian Province, with the target that the GDP of Fujian Province will reach RMB4 trillion by 2020. In addition, the PRC government plans to further promote foreign investments in Fujian Province by, among others, (i) loosening restrictions on investment by Taiwan investors in specific regions in Xiamen, Quanzhou, Fuzhou and Zhangzhou and introducing preferential investment policies for Taiwan investors, such as providing preferential tax treatment and exemptions for Taiwan investments, (ii) promoting exports to, and free trade with, Taiwan and expanding certain ports in China's western coastal cities, and (iii) encouraging employment and secondment of Taiwanese employees to China and offering student exchange programs with Taiwan.

Pursuant to the implementation rules, the PRC government will also focus on the acceleration of urbanization in cities such as Fuzhou, Xiamen and Quanzhou with an aim of transforming such cities into centers for financial, logistics and convention services. The PRC government also aims to strengthen the infrastructure of cities such as Zhangzhou. In 2009, key infrastructure and development projects in Fujian Province totalled RMB148.0 billion, representing a year-on-year growth of 22.3%. We believe those will contribute to rapid economic growth in Fujian Province and will help consolidate its position as one of the more developed provinces within the PRC. As a result, we believe that the real estate market in Fujian Province will benefit from the implementation of such measures.

Growth of real estate markets in China

We believe the economic growth of China, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate are key factors in sustaining the growth of China's real estate market. Government housing reforms continue to encourage private ownership, and it is expected that an increasing proportion of urban residents will own private properties in the near future.

The average selling price of real estate in China reached a CAGR of 11.3% between 2004 and 2009. In 2009, the average price of residential real estate was RMB4,459.0 per sq.m., an increase of 24.7% from RMB3,576.0 per sq.m. in 2008.

From 2004 to 2009, there was an increasing trend in the GFA of residential real estate completed and sold in China. Even though the economic downturn of 2008 led to a dip in overall residential sales for that year, sales volume recovered strongly in 2009, with the GFA of residential sales outpacing residential completion. The year-on-year increase in sales from 2008 to 2009 was 45.4%, reaching a total GFA sold of 861.8 million sq.m. in 2009, reflecting that residential real estate demand in China is resilient and can quickly rebound from economic downturns. High growth in residential sales over the six years is reflected in a CAGR of 16.8%.

The table below sets out the residential GFA completed and sold, as well as the average selling price of real estate in China for the years indicated:

China Overall	2004	2005	2006	2007	2008	2009	CAGR 04-09
Residential GFA completed ('000 sq.m.)	426,197.2	436,828.5	454,717.5	498,313.5	543,341.0	596,290.0	6.9%
Residential GFA sold ('000 sq.m.)	397,226.8	495,878.3	554,229.5	701,358.8	592,803.5	861,848.9	16.8%
Residential average selling price (RMB per sq.m.)	2,608.0	2,937.0	3,119.3	3,645.2	3,576.0	4,459.0	11.3%

Source: CEIC

Fujian Province

Fujian Province is situated in the southeastern coastal area of China and is estimated to be the place of origin of more than 10 million overseas Chinese. Due to the close proximity of Fujian Province and Taiwan, business and trade between the two places has developed rapidly in recent years. In 2009, Fujian Province contributed 3.6% to China's nominal GDP while comprising only 2.7% of the national population. In line with the overall GDP growth of China, Fujian Province's nominal GDP reached RMB1,223.7 billion in 2009, representing a CAGR of 16.3% for the period from 2004 to 2009.

Between 2004 and 2009, per capita GDP in Fujian Province grew at a CAGR of 15.5% and almost doubled in absolute terms from RMB16,469.0 in 2004 to RMB33,840.0 in 2009. Per capita GDP in Fujian Province also exceeded that of China's average for each of these six years. Per capita annual urban disposable income in Fujian Province increased from RMB11,175.4 in 2004 to RMB19,576.8 in 2009, reflecting a CAGR of 11.9%. In absolute terms, the per capita disposable income in Fujian Province exceeded that of the national average for every year from 2004 to 2009.

Fujian Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions)	576.3	656.9	761.5	924.9	1,082.3	1,223.7	16.3%
Per capita GDP (RMB)	16,469.0	18,605.0	21,384.0	25,906.0	30,122.0	33,840.0	15.5%
Per capita annual urban disposable income (RMB)	11,175.4	12,321.3	13,753.3	15,506.1	17,961.5	19,576.8	11.9%

Source: CEIC and Fujian Statistical Yearbook

The real estate market in Fujian Province

The real estate market in Fujian Province grew rapidly from 2004 to 2009, with total investment in real estate increasing from RMB67.6 billion in 2004 to RMB193.8 billion in 2009, reflecting a CAGR of 23.5%. Following a dip in real estate investment in 2008 caused by the global economic crisis, total investment rebounded in 2009 with a year-on-year increase of 35.8%. Based on the statistics set out in the table below, fixed assets investments are mainly funded by domestic loans, self-raised funds and other loans and borrowings.

Source of funds of Fujian Fixed Assets Investments (RMB millions)

	2004	2005	2006	2007	2008	2009
Domestic loans	10,013.1	15,685.0	29,235.8	46,410.2	31,356.4	39,464.5
Foreign investment	1,551.1	1,481.2	1,447.0	2,277.0	4,101.9	1,385.6
Self-raised funds	19,633.7	21,715.4	31,187.3	47,600.2	42,550.3	45,817.1
Others	36,356.0	41,511.2	64,223.4	82,653.1	64,644.4	107,102.1
Total funds	**67,553.9**	**80,392.8**	**126,093.5**	**178,940.5**	**142,653.0**	**193,769.3**

Sources: National Bureau of Statistics

The annual total GFA of residential properties completed in Fujian Province grew from 14.2 million sq.m. in 2008 to 16.9 million sq.m. in 2009, representing a year-on-year growth of 18.8%. After a dip in residential sales in Fujian Province as a result of the global economic crisis of 2008, residential GFA sold regained momentum and almost doubled in 2009, increasing from 12.6 million sq.m. in 2008 to 24.2 million sq.m. in 2009. The average selling price for residential properties in Fujian Province has exceeded that of the national average since 2006, resulting in a CAGR of 18.1% from 2004 to 2009.

Fujian Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Residential GFA completed ('000 sq.m.)	12,605.5	13,048.5	11,285.9	13,444.2	14,228.3	16,908.5	6.0%
Residential GFA sold ('000 sq.m.)	12,246.1	17,205.6	17,433.9	20,963.9	12,550.0	24,208.0	14.6%
Residential average selling price (RMB per sq.m.)	2,332.0	2,800.9	3,655.7	4,476.0	4,498.0	5,366.0	18.1%

Source: CEIC

The following descriptions introduce the economy and real estate markets of Xiamen, Quanzhou, and Zhangzhou, which are major cities in Fujian Province and where our businesses principally operate. Total nominal GDP of the aforementioned three cities accounted for over 46.9% of Fujian Province's nominal GDP for each of the years between 2004 and 2009. The combined average per capita GDP and annual urban disposable income of these three cities surpassed the average of Fujian Province for each of the years from 2004 to 2009, demonstrating that the local economies of the cities where our developments are primarily focused generally outperformed other cities in Fujian Province.

Xiamen

Xiamen was one of China's earliest special economic zones in the 1980s and is a coastal sub-provincial city in southeastern Fujian Province. It covers a total area of 1,565.1 million sq.m. and had a population of 2.5 million in 2009. Xiamen's nominal GDP in 2009 was RMB162.3 billion, and the city's nominal GDP and per capita GDP from 2004 to 2009 grew at a CAGR of 12.9% and 9.9%, from 2004 to 2009 respectively. Per capita GDP reached RMB64,413.0 in 2009, which is almost double the per capita GDP of Fujian Province for the same year.

Xiamen's per capita annual disposable income for urban households exceeded the average per capita annual disposable income of Fujian Province for the six years from 2004 to 2009. Xiamen's per capita annual disposable income for urban households amounted to RMB26,130.6 in 2009, which is 33.5% higher than the average of Fujian Province in the same year. According to the Bulletin of Xiamen Economic and Social Statistics in 2009, the amount of foreign direct investment in Xiamen also increased significantly from US$570.2 million in 2004 to US$1,687.0 million in 2009, reflecting a CAGR of 24.2% and accounting for 29.4% of the total foreign direct investment in Fujian Province in 2009.

Xiamen	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions) . . .	88.3	100.7	116.8	138.8	156.0	162.3	12.9%
Per capita GDP (RMB).	40,147.0	44,737.0	50,130.0	56,188.0	62,651.0	64,413.0	9.9%
Per capita annual urban disposable income (RMB).	14,447.0	16,404.9	18,509.5	21,502.8	23,947.6	26,130.6	12.6%

Source: CEIC

The real estate market in Xiamen

The total GFA of residential properties completed showed a steady growth trend over the six years from 2004 to 2009, increasing from 2.8 million sq.m. in 2004 to 4.8 million sq.m. in 2009. After a sales dip caused by the global economic crisis in 2008, the residential market rebounded the next year, selling 4.0 million sq.m. of residential GFA in 2009, more than double the GFA sold in 2008. The average selling price of residential properties in Xiamen remained higher than that of Fujian Province in every year from 2004 to 2009, and grew at a CAGR of 18.8% during the period to reach RMB8,935.0 per sq.m. in 2009, more than double the national residential average selling price during the same period.

Xiamen	2004	2005	2006	2007	2008	2009
Residential GFA completed ('000 sq.m.)	2,815.6	2,767.6	2,109.5	2,413.6	3,679.8	4,756.2
Residential GFA sold ('000 sq.m.)	2,550.5	2,723.2	3,173.9	3,695.6	1,502.1	4,013.0
Residential average selling price (RMB per sq.m.).	3,768.0	4,744.0	6,600.7	8,907.0	8,940.0	8,935.0

Source: CEIC

Quanzhou

Quanzhou is a prefecture-level city on the southeastern coast of Fujian Province and faces the Taiwan Strait. It covers a total area of 11,015 million sq.m. and had a population of 7.8 million in 2009. Due to its close relationship with overseas Chinese and Taiwan compatriots, Quanzhou's economy has, to a large extent, been driven by foreign direct investments made by these diasporas. Total foreign direct investment in Quanzhou has accounted for over a quarter of the total dollar amount of foreign direct investments in Fujian Province over the past five years. For instance, foreign direct investment in Quanzhou totalled US$1,720.0 million in 2009, which represented 30.0% of the total dollar amount of foreign direct investments in Fujian Province.

Quanzhou's nominal GDP in 2009 was RMB300.2 billion, which is 24.5% of the total nominal GDP in Fujian Province and achieved a CAGR of 13.4% from 2004 to 2009. Quanzhou's per capita GDP was also above the average of Fujian Province for the six years and was RMB38,368.0 in 2009, achieving a CAGR of 12.5% from 2004 to 2009. The growth in per capita annual urban disposable income in Quanzhou reflected a CAGR of 12.5% from 2004 to 2009, and reached RMB22,912.8 in 2009, well above Fujian Province's average of RMB19,576.8.

Quanzhou	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions) . . .	160.3	162.6	190.1	228.4	270.5	300.2	13.4%
Per capita GDP (RMB).	21,259.6	21,426.9	24,847.0	29,601.0	34,840.0	38,368.0	12.5%
Per capita annual urban disposable income (RMB).	12,699.0	14,209.0	15,972.0	18,097.0	20,420.0	22,912.8	12.5%

Source: CEIC

The real estate market in Quanzhou

A total GFA of 2.2 million sq.m. was sold in Quanzhou in 2008. Compared to other cities in Fujian Province, Quanzhou weathered the global economic crisis relatively well, showing its resilience with only a small dip in residential GFA sold in 2008 as compared to 2007. The average selling price of residential properties also grew steadily, increasing from RMB2,255.0 per sq.m. in 2005 to RMB3,839.0 per sq.m. in 2008.

Quanzhou	2004	2005	2006	2007	2008	2009
Residential GFA sold ('000 sq.m.)	N/A	982.1	1,612.6	2,550.4	2,199.2	N/A
Residential average selling price (RMB per sq.m.).	N/A	2,255.0	N/A	3,224.0	3,839.0	N/A

Source: CEIC

Zhangzhou

Zhangzhou is located in the southern region of Fujian Province, west of Xiamen. It covers a total area of 12,607 million sq.m., with a total population of 4.7 million. Zhangzhou's nominal GDP reached RMB111.4 billion in 2009, while per capita GDP was RMB23,264.0 in 2009. Per capita annual urban disposable income in Zhangzhou reached RMB16,616.0 in 2009, reflecting a CAGR of 10.4% for the period from 2004 to 2009.

Zhangzhou	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions) . . .	70.2	62.9	71.7	85.5	100.2	111.4	9.7%
Per capita GDP (RMB).	15,394.0	13,402.0	15,221.0	18,072.0	21,073.0	23,264.0	8.6%
Per capita annual urban disposable income (RMB).	10,118.0	11,241.0	12,511.0	14,153.0	16,023.0	16,616.0	10.4%

Source: CEIC

The real estate market in Zhangzhou

Sales of residential property in Zhangzhou achieved a CAGR of 17.2% from 2005 to 2009. A total GFA of 2.8 million sq.m. was sold in Zhangzhou in 2009, representing a 73.2% year-on-year increase. The average selling price of residential properties in Zhangzhou increased 58.3% from 2005 to 2008.

Zhangzhou	2004	2005	2006	2007	2008	2009
Residential GFA sold ('000 sq.m.)	N/A	1,467.2	1,456.2	2,446.6	1,596.8	2,765.9
Residential average selling price (RMB per sq.m.).	N/A	1,882.0	N/A	2,900.0	2,979.0	N/A

Source: CEIC and Zhangzhou Statistical Bureau

Beijing

Beijing, the capital city of China, has been experiencing fast economic growth in the past few decades and has gradually developed into a relatively mature economy. Beijing is not only the political center of China but also one of the main international trade and financial centers of the country. In 2009, Beijing reached a nominal GDP of RMB1,215.3 billion, representing a CAGR of 15.0% from 2004 to 2009. In absolute terms, per capita GDP in Beijing reached RMB70,452.3 in 2009, more than double the national average of RMB25,575.5. Annual disposable income per capita for urban households in Beijing also grew to RMB26,738.5 in 2009, well exceeding the national average of RMB17,174.7, and achieved a CAGR of 11.3% for the six years from 2004 to 2009.

Beijing	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions) . . .	603.3	697.0	811.8	984.7	1,111.5	1,215.3	15.0%
Per capita GDP (RMB).	40,915.6	45,992.8	52,053.7	61,274.5	66,796.9	70,452.3	11.5%
Per capita annual urban disposable income (RMB).	15,637.8	17,653.0	19,977.5	21,988.7	24,724.9	26,738.5	11.3%

Source: CEIC

The real estate market in Beijing

Residential GFA completed for Beijing reached 16.1 million sq.m. in 2009, representing a 15.3% year-on-year growth, while residential GFA sold achieved a 82.3% year-on-year growth, selling 18.8 million sq.m. in 2009. The average selling price of residential properties in Beijing reached RMB13,224.0 per sq.m. in 2009, almost three times the national average and representing a CAGR of 21.6% from 2004 to 2009.

Beijing	2004	2005	2006	2007	2008	2009	CAGR 04-09
Residential GFA completed ('000 sq.m.)	26,670.4	28,414.2	21,933.2	18,539.5	13,993.0	16,132.0	N/A
Residential GFA sold ('000 sq.m.)	25,525.9	28,236.5	22,050.3	17,314.8	10,314.3	18,804.0	N/A
Residential average selling price (RMB per sq.m.)	4,972.0	6,162.1	7,375.4	10,661.2	11,648.0	13,224.0	21.6%

Source: CEIC

Shenzhen

Shenzhen is situated in southern China's Guangdong Province, immediately north of Hong Kong. It is China's first, as well as one of the most successful, Special Economic Zones, enjoying favorable economic policies that stimulate growth and development. Shenzhen has developed to become one of the main economic and trade centers of China, reaching a nominal GDP of RMB820.1 billion in 2009, representing a CAGR of 19.1% from 2004 to 2009, well exceeding the national average CAGR of 16.3% for the same period. Shenzhen's per capita GDP also enjoyed consistent growth across the six years, and was more than three times the national average, reaching RMB92,771.0 in 2009. Per capita annual urban disposable income was at RMB29,244.5 in 2009, also much higher than the national average.

Shenzhen	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions)	342.3	495.1	581.4	680.2	780.7	820.1	19.1%
Per capita GDP (RMB)	59,271.0	60,801.0	69,450.0	79,645.0	89,814.0	92,771.0	9.4%
Per capita annual urban disposable income (RMB)	27,896.0	28,665.0	32,567.1	33,592.8	26,729.3	29,244.5	0.9%

Source: CEIC

The real estate market in Shenzhen

The residential real estate market in Shenzhen has seen consistent growth in average selling price since 2004, achieving a CAGR of 17.6% between 2004 and 2009, well exceeding the national average of 11.3% for the same period. In absolute terms, Shenzhen's residential average selling price has also been much higher than national average between 2004 to 2009, reaching an average selling price of RMB14,389.0 per sq.m. in 2009, which is more than three times higher than the national average.

Shenzhen	2004	2005	2006	2007	2008	2009	CAGR 04-09
Residential GFA completed ('000 sq.m.)	5,300.6	7,044.4	5,818.7	4,371.4	4,437.7	2,695.4	N/A
Residential GFA sold ('000 sq.m.)	3,430.2	10,198.1	6,861.8	5,003.5	4,136.5	7,173.9	15.9%
Residential average selling price (RMB per sq.m.)	6,385.0	6,996.3	8,848.0	13,369.6	12,823.0	14,389.0	17.6%

Source: CEIC

Shanxi Province

Shanxi Province is situated in the center of the Yellow River valley. Shanxi Province experienced substantial GDP growth in the past six years, where nominal GDP doubled from RMB357.1 billion in 2004 to RMB735.0 billion in 2009, representing a CAGR of 15.5% from 2004 to 2009. Per capita GDP increased from RMB10,742.0 in 2004 to RMB21,522.0 in 2009, achieving a CAGR of 14.9% for the period. In 2009, Shanxi Province's annual disposable income per capita for urban households reached RMB 13,996.6, with a CAGR from 2004 to 2009 of 12.1%.

Shanxi Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions)	357.1	418.0	475.3	573.3	693.9	735.0	15.5%
Per capita GDP (RMB)	10,742.0	12,647.0	14,497.0	17,805.0	21,506.0	21,522.0	14.9%
Per capita annual urban disposable income (RMB)	7,902.9	8,913.9	10,027.7	11,565.0	13,119.1	13,996.6	12.1%

Source: CEIC

The real estate market in Shanxi Province

The residential real estate market in Shanxi Province began to develop and expand in early 2000. Total GFA completed in Shanxi Province reached 7.0 million sq.m. in 2009, while the total GFA sold reached 9.6 million sq.m. GFA sales growth has been outpacing the national average, with Shanxi Province's CAGR achieving 18.5% from 2004 to 2009, as compared to the national average of 16.8% for the same period. The average selling price for residential properties in Shanxi Province increased from RMB1,534.0 per sq.m. in 2004 to RMB2,552.0 per sq.m. in 2009.

Shanxi Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Residential GFA completed ('000 sq.m.)	4,566.8	5,573.8	5,926.1	6,863.7	7,812.0	6,979.4	8.9%
Residential GFA sold ('000 sq.m.)	4,133.8	6,198.6	7,407.3	8,465.0	8,931.0	9,640.5	18.5%
Residential average selling price (RMB per sq.m.)	1,534.0	1,876.4	1,805.5	2,052.4	2,253.0	2,552.0	10.7%

Source: CEIC

Hebei Province

Hebei Province is located in the northern part of China adjacent to Beijing and Tianjin. Hebei Province's nominal GDP reached RMB1,723.5 billion in 2009, representing a CAGR of 15.2% from 2004 to 2009. Growth in per capita GDP for Hebei Province reached a CAGR of 14.5%. Hebei Province's annual urban disposable income reached RMB14,718.3 in 2009 and achieved a CAGR of 13.1% from 2004 to 2009, outpacing the national growth rate for the same period.

Hebei Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions) . . .	847.8	1,009.6	1,166.0	1,371.0	1,618.9	1,723.5	15.2%
Per capita GDP (RMB).	12,487.0	14,659.0	16,682.0	19,662.0	22,986.0	24,581.0	14.5%
Per capita annual urban disposable income (RMB).	7,951.3	9,107.1	10,304.6	11,690.5	13,441.1	14,718.3	13.1%

Source: CEIC

The real estate market in Hebei Province

The GFA completed in Hebei Province achieved steady growth, increasing from 13.2 million sq.m. in 2004 to 16.4 million sq.m. in 2009. The market showed its resilience during the global economic crisis of 2008 by continuing to increase the amount of GFA sold, having grown 8.1% between 2007 and 2008, and 32.5% between 2008 and 2009. Hebei Province achieved a CAGR of 17.2% for GFA sold from 2004 to 2009, exceeding the national average of the same period, while selling 28.2 million sq.m. of residential GFA in 2009. The average residential selling price also experienced steady growth, doubling from RMB1,482.0 per sq.m. in 2004 to RMB3,210.0 per sq.m. in 2009, representing a CAGR of 16.7% and well exceeding the national average of 11.3%.

Hebei Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Residential GFA completed ('000 sq.m.)	13,185.8	10,217.9	12,457.6	12,089.6	15,014.2	16,394.4	4.5%
Residential GFA sold ('000 sq.m.) .	12,747.4	13,223.2	16,924.2	19,691.2	21,288.6	28,197.7	17.2%
Residential average selling price (RMB per sq.m.)	1,482.0	1,777.5	2,028.4	2,505.0	2,743.0	3,210.0	16.7%

Source: CEIC

Liaoning Province

Liaoning Province is located in the northeastern part of China. It is a fast growing region with CAGR in nominal GDP, per capita GDP, and annual urban disposable income of 17.9%, 17.3% and 14.5% respectively from 2004 to 2009, all of which have exceeded the growth rates of China's national average of the same period. Nominal GDP in Liaoning Province increased from RMB 667.2 billion in 2004 to RMB 1,521.2 billion in 2009, with per capita GDP rising from RMB 15,835.0 in 2004 to RMB 35,239.0 in 2009. For each year since 2005, Liaoning Province achieved a higher per capita GDP than the national average.

Liaoning Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Nominal GDP (RMB in billions) . . .	667.2	800.9	925.1	1,102.3	1,346.2	1,521.2	17.9%
Per capita GDP (RMB).	15,835.0	19,074.0	21,914.0	26,054.0	31,736.0	35,239.0	17.3%
Per capita annual urban disposable income (RMB).	8,007.6	9,107.6	10,369.6	12,300.4	14,392.7	15,761.4	14.5%

Source: CEIC

The real estate market in Liaoning Province

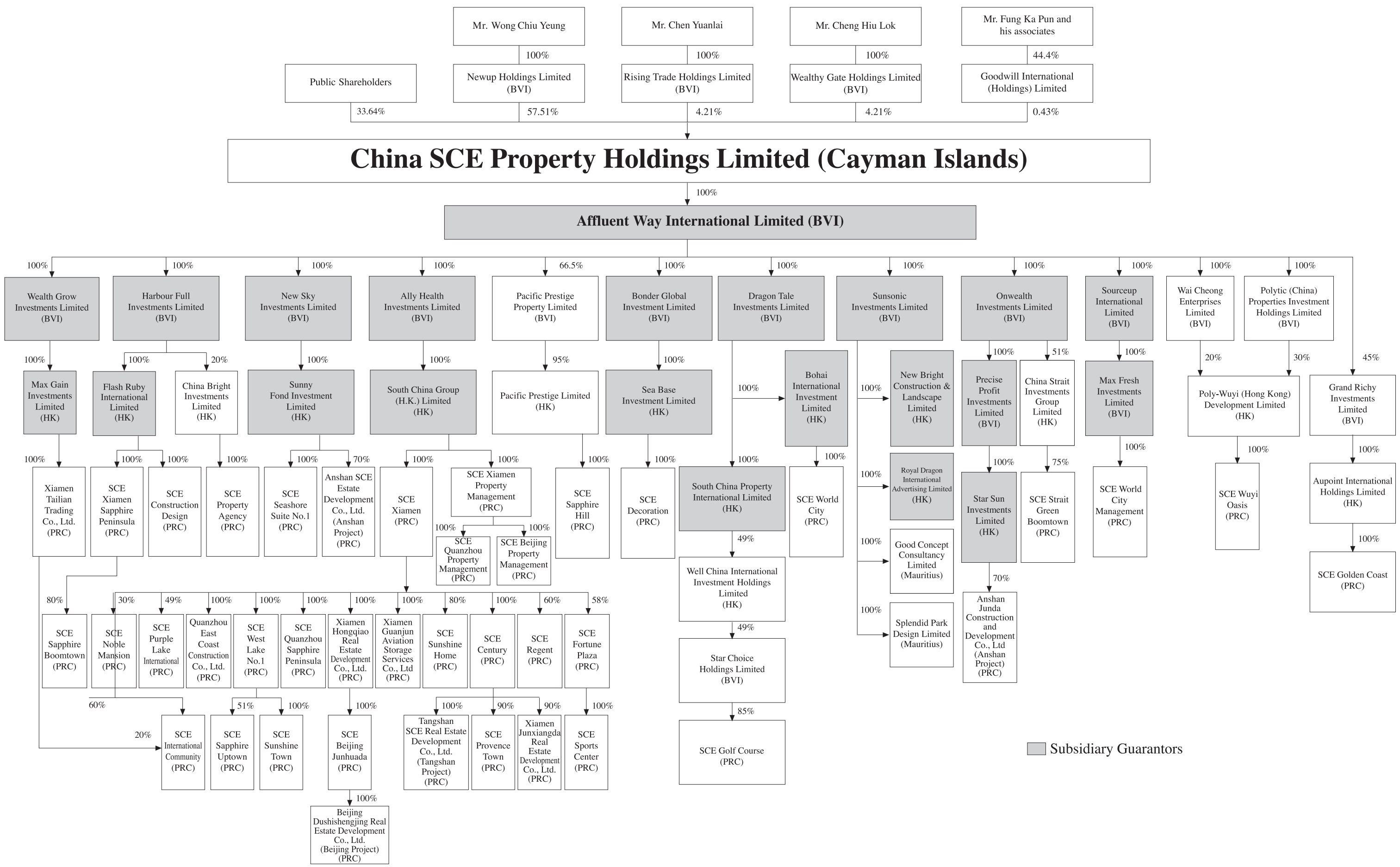
Liaoning Province achieved a CAGR from 2004 to 2009 for GFA completed and sold of 12.5% and 22.0% respectively, well above the national average. Total GFA completed in Liaoning Province reached 34.0 million sq.m. in 2009, while the total GFA sold reached 48.6 million sq.m. Residential average selling price achieved consistent growth over the six years, achieving an average price of RMB3,872.0 per sq.m. in 2009.

Liaoning Province	2004	2005	2006	2007	2008	2009	CAGR 04-09
Residential GFA completed ('000 sq.m.)	18,918.0	21,277.9	24,464.0	26,851.3	32,646.8	34,040.1	12.5%
Residential GFA sold ('000 sq.m.) .	17,984.2	23,403.6	27,307.4	35,455.5	37,311.9	48,642.5	22.0%
Residential average selling price (RMB per sq.m.)	2,316.0	2,651.7	2,883.6	3,354.6	3,575.0	3,872.0	10.8%

Source: CEIC

CORPORATE STRUCTURE

The following chart shows our corporate structure as of September 30, 2010.



Note 1: *Pursuant to a binding supplemental agreement signed by the shareholders of SCE Provence Town on [●], the registered capital of SCE Provence Town would be increased after obtaining the land use right. The interest of SCE Provence Town attributable to us raised from 51% to 90% after the completion of the capital increase on November 3, 2010*

Notes:

"SCE Beijing Junhuada"	*Beijing Junhuada Real Estate Development Co., Ltd. (北京駿華達房地產開發有限公司)*
"SCE Beijing Property Management"	*Beijing Cippon Tai Wo Property Management Co., Ltd. (北京世邦泰和物業管理有限公司)*
"SCE Century"	*Xiamen Zhongjun Century Real Estate Co., Ltd. (廈門中駿世紀房地產有限公司)*
"SCE Construction Design"	*Xiamen Rundi Architectural Design Co., Ltd. (廈門潤地建築設計有限公司)*
"SCE Decoration"	*Xiamen Lucky Star Decoration Engineering Co., Ltd. (廈門福斯達裝修工程有限公司)*
"SCE Fortune Plaza"	*Fujian Straits West-Coast Investment Co., Ltd (福建省海峽西岸投資有限公司)*
"SCE Golden Coast"	*South Fujian Gold Coast Resort Co., Ltd. Shishi (石獅市閩南黃金海岸渡假村有限公司)*
"SCE Golf Course"	*COSCO Jinjiang Development Co., Ltd. Quanzhou (泉州市晋江中遠發展有限公司)*
"SCE International Community"	*Shanxi Yuanhong Real Estate Co., Ltd. (山西源宏房地產開發有限公司)*
"SCE Noble Mansion"	*Quanzhou Baoxing Real Estate Development Co., Ltd. (泉州寶興房地產開發有限公司)*
"SCE Provence Town"	*Xiamen Junxianghexin Real Estate Co., Ltd. (廈門駿翔和信房地產有限公司)*
"SCE Property Agency"	*Xiamen Dayoufu Property Consultation Co., Ltd. (廈門大友富置業顧問有限公司)*
"SCE Purple Lake International"	*Quanzhou Yuanhang Real Estate Development Co., Ltd. (泉州遠航房地產開發有限公司)*
"SCE Quanzhou Property Management"	*Quanzhou Cippon Property Management Co., Ltd. (泉州世邦物業管理有限公司)*
"SCE Quanzhou Sapphire Peninsula"	*Zhongjun (Quanzhou) Real Estate Development Co., Ltd. (中駿(泉州)房地產開發有限公司)*
"SCE Regent"	*Xiamen Zhongjun Tianfeng Real Estate Co., Ltd. (廈門中駿天峰房地產有限公司)*
"SCE Sapphire Boomtown"	*Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd. (漳州龍文華港房地產開發有限公司)*
"SCE Sapphire Hill"	*Shenzhen Pacific Prestige Real Estate Development Limited (深圳泛亞房地產開發有限公司)*
"SCE Sapphire Uptown"	*Nan'an Junxin Real Estate Development Co., Ltd. (南安駿信房地產開發有限公司)*
"SCE Seashore Suite No. 1"	*Tianxia Estate (Xiamen) Develop Co., Ltd. (天下房地產(廈門)開發有限公司)*
"SCE Sports Center"	*Quanzhou Straits Sports Center Co., Ltd. (泉州市海峽體育中心有限公司)*
"SCE Strait Green Boomtown"	*Fujian SCE Gulf Construction and Development Co., Ltd (福建中駿海灣建設開發有限公司)*
"SCE Sunshine Home"	*Nan'an Junjie Real Estate Development Co., Ltd. (南安駿傑房地產開發有限公司)*
"SCE Sunshine Town"	*Nan'an Huajing Real Estate Development Co., Ltd. (南安市華景房地產開發有限公司)*
"SCE West Lake No. 1"	*Quanzhou Junjing Real Estate Corp., Ltd. (泉州駿景房地產開發有限公司)*

"SCE World City"	*Beijing Jinghui Real Estate Development Co., Ltd. (北京京匯房地產開發有限公司)*
"SCE World City Management"	*Beijing World City Property Management Co., Ltd. (北京世界城物業管理有限公司)*
"SCE Wuyi Oasis"	*Fuzhou Wuyi Oasis Real Estate Co., Ltd. (福州武夷綠洲房地產開發有限公司)*
"SCE Xiamen"	*Xiamen Zhongjun Industrial Co., Ltd. (廈門中駿集團有限公司)*
"SCE Xiamen Property Management"	*Xiamen Cippon Tai Wo Property Management Co., Ltd. (廈門世邦泰和物業管理有限公司)*
"SCE Xiamen Sapphire Peninsula"	*Xiamen Jinmen Seaview Manor Real Estate Co., Ltd. (廈門金門海景山莊房地產開發有限公司)*

OVERVIEW

We are one of the leading real estate developers in Fujian Province and were honored as one of the "China Top 100 Real Estate Developers" (中國房地產百強企業) and one of the "Star Developers Among the China Top 100 Real Estate Developers" (中國房地產百強企業 — 百強之星) in each of the years from 2008 to 2010 according to the China Real Estate Top 10 Research Team. Headquartered in Xiamen, we primarily focus on the development of high quality, mid-end to high-end residential real estate projects in the more prosperous regions of Fujian Province, which is located in the centre of the Western Taiwan Strait Economic Zone. Leveraging our experience in Fujian Province, we have expanded into, and expect to continue to consolidate our market position in selected areas in the Bohai Economic Rim, such as Beijing and other economically developed cities.

As of September 30, 2010, we had a land bank with an aggregate GFA of approximately 8,810,000 sq.m. (including approximately 6,400,000 sq.m. of GFA attributable to us on the basis of our effective interest in the relevant parcels of land) comprising:

(i) (a) completed projects held for investment with an aggregate GFA of approximately 39,000 sq.m.;

(b) projects under development with an aggregate planned GFA of approximately 1,750,000 sq.m.; and

(c) projects held for future development with an aggregate planned GFA of approximately 3,514,000 sq.m., for which we have obtained the relevant land use rights certificates;

(ii) projects with an aggregate planned GFA of approximately 2,059,000 sq.m. for which we had entered into land use rights grant contracts or for which we had successfully tendered for the land but had not yet obtained land use rights certificates as of September 30, 2010, among which we obtained land use rights certificates for approximately 143,000 sq.m. planned GFA in October 2010; and

(iii) projects with an aggregate planned GFA of approximately 1,448,000 sq.m. for which we had entered into master agreements with local governments but had not concluded the public tender process and/or entered into land grant contracts.

Approximately 5,869,000 sq.m. of our GFA (including approximately 4,276,000 sq.m. attributable to us on the basis of our effective interest in the relevant parcels of land), representing approximately 66.6% of our aggregate GFA (or 66.8% of the aggregate GFA attributable to us) is located in Fujian Province. The remainder of our land bank is located in Beijing, Linfen, Tangshan and Anshan in the Bohai Economic Rim and in Shenzhen. Our property development projects are generally situated in prime locations of major cities, as well as areas with natural scenic surroundings and convenient access to transportation.

In 2009 and the nine months ended September 30, 2010, our revenue was RMB586.5 million (US$87.7 million) and RMB2,102.7 million (US$314.3 million), respectively. For the same periods, our EBITDA was RMB204.2 million (US$30.5 million) and RMB1,009.4 million (US$150.9 million), respectively. Our shares have been listed on the Hong Kong Stock Exchange since February 5, 2010 under stock code 1966.HK.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

Leading real estate developer in Fujian Province with a growing presence in the Bohai Economic Rim

We are one of the leading real estate developers in Fujian Province according to the China Real Estate Top 10 Research Team based on a combination of factors including scale, profitability and growth rate. Building on our experience in Fujian Province, which is located in the centre of the Western Taiwan Strait Economic Zone, we have expanded into and expect to strengthen our market position in selected areas in the Bohai Economic Rim, such as Beijing and other economically developed cities. In particular, we believe that our World City project in Beijing, which has received wide recognition in the industry has demonstrated our ability to draw on and apply our experience in Fujian Province to other key strategic locations.

As of September 30, 2010, we had delivered 11 property development projects in Fujian Province with an aggregate GFA of approximately 843,000 sq.m. and one development project in the Bohai Economic Rim with an aggregate GFA of approximately 119,000 sq.m.

Sufficient land bank in strategic locations acquired at relatively low cost to support our future development

Relying on the in-depth industry experience of our management team and our thorough research and analysis before each land acquisition, we believe we have been able to acquire land bank with significant appreciation potential at reasonable cost. In 2009 and the nine months ended September 30, 2010, our average unit land acquisition cost based on GFA represented approximately 15.4% and 11.8%, respectively, of our average unit selling price based on GFA.

We primarily focus on developing high quality, mid-end to high-end residential properties which are located in prime locations of major cities, as well as areas with natural scenic surroundings and convenient access to transportation. We believe our operating flexibility as to the size and location of the land that we can develop enables us to take greater advantage of opportunities to acquire land at low cost. We conduct comprehensive research and analysis and try to identify the future growth potential of a land site for each property development. Such approach to land selection and evaluation has also contributed to our ability to acquire land at relatively low cost. We believe our ability to acquire land bank at relatively low cost allows us to use our working capital more efficiently, maintain a healthy profit margin and respond more effectively to changing market conditions.

Strong brand recognition and a reputation for high quality properties which allow us to enjoy premium pricing

We believe that we have established a reputable brand in Fujian Province and the Bohai Economic Rim for developing high quality residential properties and providing premium pre- and post-sales services to our customers. In recognition of our strong brand, we were honored as one of the "Leading China Real Estate Developers From Fujian Province" (中國地產閩商領軍企業) in 2009. We were honored as one of the "China Top 100 Real Estate Developers" (中國房地產百強企業) and one of the "Star Developers Among the China Top 100 Real Estate Developers" (中國房地產百強企業一百強之星) in each of the years from 2008 to 2010. We were also recognized as one of the "2010 China Most Influential Real Estate Developers" (2010中國最具影響力地產企業). Furthermore, our brand was recognized as a "Famous Trademark in Fujian Province" in 2010.

We believe that our commitment to offer high quality properties and services to our customers, enhances the inherent value of our brand, and enables us to price our projects at a premium compared to many other real estate projects in similar locations.

We also have a long-term working relationship with reputable construction and landscape designers such as Belt Collins International (HK) Limited and RTKL Associates Inc. We believe these relationships have enabled us to offer high quality properties to our customers, as evidenced by a number of quality-related awards we have received, including the "Provincial Landscape Model Enterprise" (省級綠化模範單位榮譽稱號) in 2010 for our Sapphire Peninsula (Quanzhou) project, the "China Real Estate Golden Key-2010 High-End Townhouse Habitat Model "(中國地產金鑰匙獎—2010高端城市別墅人居典範) in 2010 for our Sapphire Boomtown project, the "2010 China Most Influential Property Development Project " (2010中國最具影響力樓盤) for our Fortune Plaza project and the "2010 China Top Ten Stylish Property Development Project" (2010年度中國十大風尚樓盤) for The Regent project.

Detail-oriented and comprehensive project management system and a commitment to high quality properties and effective cost control

We utilize a project management system that helps us to maintain the high quality standards of our properties, minimize any deviation from pre-approved budgets and identify and resolve potential problems as early as possible in the process of the project development cycle. Our project management system comprises a set of detailed policies and guidelines in relation to property development such as the Key Performance Indicator system, or KPI, management principles that are Specific, Measurable, Attainable, Realistic and Time-Based, or SMART Principles and detailed business-flow control procedures. These policies and guidelines emphasize delivery of high quality properties and effective cost control and are further complemented by substantial input from, and monitoring and supervision by, our various departments in each stage of the project development. We believe such detail-oriented and comprehensive project management system enables us to effectively control costs and minimize execution risks in the development process while maintaining the high quality of our property development projects.

Experienced and professional management team and dedicated work-force

Our management team has extensive experience in the PRC real estate industry. Over the past five years, our key management members have remained substantially unchanged.

Our Chairman, Mr. Wong Chiu Yeung, who plays a pivotal role in managing our daily operations and in formulating our business strategies, has more than 14 years of experience in the property development industry. Through his business experience with leading Japanese joint venture partners (Sumitomo (S.H.I.) Construction Machinery Co., Ltd. and IHI Construction Machinery Limited), Mr. Wong has accumulated abundant experience in developing and maintaining a professional and detail-oriented management culture and applies that culture to our management. Mr. Wong was named as one of the "Leading China Real Estate Figures from Fujian Province" ("中國地產閩商領軍人物") in 2010 and one of the CIHAF "China Real Estate Top 10 New Leading Figures" ("中國住交會 — 中國房地產十大新領軍人物") in 2009. Other members of our management team are also highly experienced based on their previous roles with internationally renowned enterprises, state-owned enterprises in the PRC or renowned real estate developers.

Our management team is supported by well-trained and highly motivated professionals and staff. We are selective in our hiring process and endeavor to recruit and train employees who have the potential to become long-term and effective management staff. We have implemented an incentive scheme combining a performance-based bonus system with a career development platform. In addition, our practice of recruiting and retaining top talent with local knowledge and overseas experience has also enabled us to capitalize on their collective expertise to develop our business.

OUR BUSINESS STRATEGIES

We utilize the following key business strategies:

Strengthen our leading position in Fujian Province and further penetrate the Bohai Economic Rim market

We plan to continue to strengthen our leading position in Fujian Province by expanding into additional economically developed cities in Fujian Province. We also intend to build on our experience in Fujian Province to further penetrate the Bohai Economic Rim market by selectively expanding our operations into selected cities and by recruiting and retaining top talent with local knowledge.

Our strategy is in line with several key macro-economic and government policies. For example, in May 2009, the State Council adopted policies to promote the economic development of the Western Taiwan Strait Economic Zone, and on June 29, 2010, Mainland China and Taiwan entered into the ECFA which we believe will further contribute to economic development in Fujian Province and create greater demand for properties.

To capitalize on the economic development in Fujian Province, particularly in the greater metropolitan areas of Xiamen, Quanzhou, Zhangzhou and Fuzhou, we intend to continue to leverage our strong brand and leading market position to increase our land bank and property development projects in these areas in order to further strengthen our leading position and increase our market share.

Continue to expand our land bank prudently through multiple channels

We intend to continue to expand our land bank in strategic locations through a variety of channels including participating in open tenders, selectively acquiring project companies that have access to suitable sites, establishing joint ventures with other real estate developers and participating in urban redevelopment projects. In doing so, we intend to continue to employ a strategy of gradual and prudent land bank expansion and to make investment decisions based on thorough research and analysis after balancing a number of important factors, including our financial capacity, the expected return of the project and the future growth prospects of the project land.

Enhance our brand recognition and distinguish ourselves from our competitors

We believe we have established a reputable brand in the market that is associated with high quality products enabling us to enjoy a competitive advantage over our competitors in terms of pricing. We intend to continue to commit ourselves to developing high quality and innovative real estate projects, such as landmark properties in prime locations, in order to further enhance our brand recognition. We also plan to continue to actively participate in the selection of construction materials used in our projects in order to achieve desired quality levels and to maintain a cohesive brand image for our properties.

We also recognize that customer loyalty is critical to our success. We intend to continue to provide highly professional property management services to our customers in order to enhance the long-term value of our property developments and our brand recognition. As part of this strategy, we intend to provide professional property management services to all of our future property developments.

Continue to focus primarily on residential property development while seeking to expand into the commercial real estate market

The residential property development business has been, and will continue to be, our core business segment. However, in view of the steady and recurring revenue that may be generated by commercial real estate projects, we have begun to diversify our project portfolio by expanding into the commercial real estate market. We believe that such business diversification will enable us to capture recurring rental income through our retention and operation of commercial properties and enhance our ability to respond effectively to newly introduced regulatory measures.

Further optimize our capital and financing structure

Our business is capital-intensive in nature. We aim to continue to optimize our capital and financing structure to secure sufficient financing for our future property development projects on favorable terms by increasing our retained earnings and utilizing our access, as a Hong Kong listed company, to the equity and debt markets. We intend to continue to implement prudent business development and financial management strategies to deploy our capital efficiently and maximize returns.

OUR PROPERTY DEVELOPMENT BUSINESS

Overview

As of September 30, 2010, we had a total of 20 property development projects in various stages of development. Of the 20 property development projects, 14 are located in Fujian Province and the remaining 6 are located in Beijing, Linfen in Shanxi Province, Anshan in Liaoning Province, Tangshan in Hebei Province and Shenzhen in Guangdong Province.

The following map shows the geographic locations of our 20 property development projects that comprise our land bank as of September 30, 2010:

Linfen

Project	GFA (sq.m.)
SCE International Community	568,687
Total	568,687

Beijing

Project	GFA (sq.m.)
World City	30,899
Beijing Project	38,195
Total	69,094

Anshan

Project	GFA (sq.m.)
Anshan Project	1,813,868
Total	1,813,868

Tangshan

Project	GFA (sq.m.)
Tangshan Project	64,911
Total	64,911

Zhangzhou

Project	GFA (sq.m.)
Sapphire Boomtown	520,299
Total	520,299

Quanzhou

Project	GFA (sq.m.)
West Lake No.1	198,782
Fortune Plaza	1,367,655
Purple Lake International	123,199
Sunshine Town	432,926
Sapphire Peninsula	267,676
Sapphire Uptown	105,623
Golden Coast	1,256,400
Sunshine Home	300,641
Nan'an Convention Center	1,023,785
Total	5,076,687

Xiamen

Project	GFA (sq.m.)
SCE Building	42,970
The Regent	85,192
Provence Town	142,930
Green Lake Mansion	937
Total	272,029

Shenzhen

Project	GFA (sq.m.)
Sapphire Hill	424,098
Total	424,098

Most of our property development projects are developed in multiple phases and at any point in time each phase may be in a different stage of development. As of September 30, 2010, our land bank comprised 20 property development projects at various stages of development, which are classified into the following five categories:

Completed projects held for sale or investment — we consider that a property development project is completed and held for sale or investment if we have received the completion and acceptance certificate for the property from the government authorities but have not yet delivered the property.

Projects under development — we consider that a property development project is under development after the construction commencement permit has been issued by the government authorities but the completion and acceptance certificate has not been issued.

Projects held for future development — we consider that a property development project is held for future development if the relevant land use rights certificates have been obtained from the government authorities but the construction commencement permit has not yet been issued.

Projects contracted to be acquired — we consider that a property development project is contracted to be acquired when we have entered into the land grant contract or have successfully tendered for the parcel of land for the project but have not yet obtained the land use rights certificate from the government authorities.

Projects to be acquired for future development — we consider that a property development project is to be acquired for future development when we have entered into a master agreement with the local government but have not yet entered into a land grant contract. The master agreements are legally binding, but after signing such master agreements, in order to obtain the land use rights certificate, we are still required by relevant PRC laws and regulations to go through a process which may involve a competitive bidding, public auction or listing-for-sale, and, if successful, enter into a land grant contract and pay the relevant land premiums before we can obtain the land use rights certificate. We have not paid any consideration in connection with entering into these master agreements although we may be required to incur certain costs (such as land compensation fees, relocation fees and design fees) pursuant to the master agreements which, depending on the terms of such agreements, may not be recoverable in the event that we fail to win the bid for the relevant land in the subsequent competitive bidding, public auction or listing-for-sale process or to obtain the relevant government approvals. By entering into these master agreements, we are entitled to participate in the preliminary discussion of urban redevelopment or regional planning and therefore gain both further insights into the local real estate market and a better understanding of the demand for and availability of land, which in turn may provide us with an advantageous position in winning future tenders.

As of September 30, 2010, our land bank had an aggregate GFA of approximately 8,810,000 sq.m. Among this, our completed projects held for investment had a total GFA of approximately 39,000 sq.m., our projects under development had a total planned GFA of approximately 1,750,000 sq.m., our projects held for future development had a total planned GFA of approximately 3,514,000 sq.m., our projects contracted to be acquired had a total planned GFA of approximately 2,059,000 sq.m. and our projects to be acquired for future development had a total planned GFA of approximately 1,448,000 sq.m.

The following tables set out details of our property development projects as of September 30, 2010 in accordance with the classifications above:

Project name	City	Land Bank: Total GFA (sq.m.)	GFA pre-sold and undelivered as of 30 September 2010 (sq.m.)	Total saleable/leasable unsold GFA (sq.m.): Residential	Retail	Carpark	Office	Hotel	Others (sq.m.)	Construction commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
Investment properties													
SCE Building (Phase 1)	Xiamen	6,637	—	—	—	1,716	4,922	—	—	—	Completed	—	100%
World City	Beijing	30,899	—	—	30,277	622	—	—	—	—	Completed	—	100%
Green Lake Mansion	Xiamen	937	—	—	937	—	—	—	—	—	Completed	—	100%
Sub-total		38,473	—	—	31,214	2,338	4,922	—	—				
Projects under development													
West Lake No.1	Quanzhou	198,782	160,363	4,212	1,843	3,829	—	—	28,535	January 2008	December 2010	April 2008	100%
Sapphire Uptown	Nan'an, Quanzhou	105,623	67,940	8,859	—	550	—	—	28,274	October 2008	December 2010	November 2009	51%
Fortune Plaza (Phase 1)	Quanzhou	300,398	87,589	163,518	—	43,727	—	—	5,564	November 2008	2011	May 2010	58%
Sunshine Town (Phase 1 Blocks 1-8)	Nan'an, Quanzhou	60,063	54,370	114	3,121	—	—	—	2,458	May 2009	December 2010	November 2009	100%
Sapphire Peninsula (Phase 1)	Quanzhou	141,213	—	97,939	3,549	35,155	—	—	4,570	July 2009	2012	—	100%
SCE International Community (Phase 1)	Linfen	82,809	28,167	42,360	4,893	7,389	—	—	—	November 2009	2011	July 2010	80%
Sunshine Town (Phase 1 Blocks 9-17)	Nan'an, Quanzhou	152,634	79,024	63,477	368	2,964	—	—	6,800	February 2010	2011	March 2010	100%
The Regent	Xiamen	85,192	—	61,488	—	11,751	—	—	11,953	June 2010	2011 - 2012	November 2010	60%
Sapphire Peninsula (Quanzhou) (Phase 2)	Quanzhou	126,463	—	90,233	10,730	20,500	—	—	5,000	June 2010	2012	—	100%
Purple Lake International (Phase 1)	Jinjiang, Quanzhou	62,217	—	39,140	—	—	—	—	23,077	July 2010	2011	—	49%
Fortune Plaza (Phase 2)	Quanzhou	249,436	—	187,722	—	35,120	—	—	26,594	August 2010	2011 - 2012	—	58%
Sapphire Boomtown (Phase 1)	Zhangzhou	148,578	—	92,718	7,504	19,505	—	—	28,851	August 2010	2011	—	80%
SCE Building (Phase 2)	Xiamen	36,333	—	—	—	—	36,333	—	—	September 2010	2011	—	100%
Sub-total		1,749,741	477,454	851,780	32,009	180,489	36,333	—	171,676				
Projects held for future development													
Sunshine Home	Nan'an, Quanzhou	300,641	—	237,469	20,117	36,340	—	—	6,715	2010	2012	2011	80%
Provence Town	Xiamen	142,930	—	105,424	2,680	18,307	—	—	16,519	2010	2012	2011	90% (Note 2)
Purple Lake International (Phase 2)	Jinjiang, Quanzhou	60,982	—	44,482	—	—	—	—	16,500	—	—	—	49%
Anshan Project	Anshan	1,813,868	—	1,405,108	138,000	85,472	20,000	50,000	115,288	—	—	—	70%
Golden Coast	Shishi, Quanzhou	1,256,400	—	852,570	109,530	—	—	120,300	174,000	—	—	—	45%
SCE International Community (Phase 2 & 3)	Linfen	485,878	—	353,845	55,991	74,882	—	—	1,160	—	—	—	80%
Sapphire Boomtown (Phase 2, 3 & 4)	Zhangzhou	371,721	—	278,708	35,556	51,647	—	—	5,810	—	—	—	80%
Fortune Plaza (Phase 3 & 4)	Quanzhou	817,821	—	190,800	178,095	230,748	95,000	123,178	—	—	—	—	58%
Tangshan Project	Tangshan	64,911	—	56,680	3,639	—	—	—	4,592	—	—	—	100%
Beijing Project	Beijing	38,195	—	23,495	5,000	9,700	—	—	—	—	—	—	100%
Sunshine Town (Phase 2)	Nan'an, Quanzhou	220,229	—	193,263	2,283	23,367	—	—	1,316	—	—	—	100%
Sub-total		5,573,576	—	3,741,844	550,891	530,463	115,000	293,478	341,900				
Total		7,361,790	477,454	4,593,624	614,114	713,290	156,255	293,478	513,576				
Projects to be acquired for future development (Note 1)													
Sapphire Hill	Shenzhen	424,098	—	424,098	—	—	—	—	—	—	—	—	63%
Nan'an Convention Center	Nan'an, Quanzhou	1,023,785	—	1,023,785	—	—	—	—	—	—	—	—	100%
Sub-total		1,447,883	—	1,447,883	—	—	—	—	—				
Total		8,809,673	477,454	6,041,507	614,114	713,290	156,255	293,478	513,576				

Notes:

1. *Only framework agreements had been entered into with local governments but no public tender process had been concluded and/or land grant contracts had been entered into.*
2. *Pursuant to a binding supplemental agreement signed by the shareholders of SCE Provence Town, the registered capital of SCE Provence Town would be increased after obtaining the land use right. The interest of SCE Provence Town attributable to us raised from 51% to 90% after the completion of the capital increase on November 3, 2010*

In this document, we calculate the figures for completed GFA based on figures provided in the relevant documents issued by government authorities, and determine the construction period for the completed phases of our property development projects based on the relevant documents issued by government authorities or our own internal records, as applicable. "Saleable GFA" represents the GFA of a property which we intend to sell and does not exceed the result of the site area multiplied by the maximum plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to a project. "Non-saleable GFA" represents the GFA of a property that is not for sale, which typically consists of GFA for ancillary facilities.

The following information that appears in this document is based on our internal estimates, internal records or current business plans: (a) figures for planned GFA, saleable GFA, saleable GFA that has been pre-sold, planned saleable GFA, and planned leasable GFA; and (b) information regarding average selling price, total development costs incurred, estimated further development costs to complete the project and planned construction period. The actual figures and construction schedules may differ in material respects from our current estimates.

For completed projects held for sale or investment, projects under development and projects held for future development, as all the land premiums have been paid in full, information regarding total development costs incurred includes the land premiums paid for the land sites we acquired. For projects contracted to be acquired, as the land premiums have not been paid, the information regarding estimated further development costs to complete the project includes the estimated land premiums to be paid. With respect to projects which are developed by jointly-controlled or associated companies of us, information regarding total development costs incurred and the estimated further development costs to complete the project represents the total costs incurred or to be incurred for such projects.

A property is considered to be sold after we have executed the sales contract, completed the development of the property and delivered the property to the customer. A property is considered to be pre-sold after we have executed the sales contract but have not yet delivered the property to the customer. A property is considered to have been delivered to the customer when the customer has signed the written confirmation of the delivery of the property.

Description of our property development projects

We set out below a detailed description of each of our property development projects as of September 30, 2010 (including completed projects which we have delivered in the past and in which we no longer retain any further interest).

Completed projects held for investment

SCE Building (Phase 1) (中駿集團大廈第一期)

We are holding Phase 1 of the SCE Building for self-use and as an investment property. As of September 30, 2010, we occupied approximately 7,636 sq.m. of Phase 1 of the SCE Building as our headquarters in Xiamen, and the remaining GFA of 6,637 sq.m. was leased, or held for lease to, tenants. A more detailed description of the SCE Building is set out in "— Selected completed projects".

World City (世界城)

We have retained the shopping mall retail units and car parking spaces of our World City project with a total GFA of 30,899 sq.m. for leasing to third parties. See "— Selected completed projects".

Green Lake Mansion (碧湖豪庭)

We have retained six retail units of this project with an aggregate GFA of 937 sq.m. for leasing purposes. See "— Selected completed projects".

Projects under development

West Lake No.1 (西湖一號)

West Lake No. 1 is a large-scale residential community development comprising 31 lakefront multi-story townhouses, 14 high-rise buildings and retail store fronts located at the western side of West Lake Park and at the waterfront of West Lake in Quanzhou. West Lake No.1 also overlooks Qing Yuan Mountain (清源山), a national 4A tourist area and is within walking distance of the Quanzhou Museum and the China Museum for Fujian-Taiwan Kinship.

The project occupies a total site area of 66,687 sq.m. with a total planned GFA of approximately 198,782 sq.m. We acquired the land use rights to the site through public tender in 2006. There is no outstanding land premium. We are developing this project through our wholly-owned subsidiary, SCE West Lake No.1.

We expect to deliver this project in the last quarter in 2010.

Further details of West Lake No. 1 as of September 30, 2010 are as follows:

Planned construction period . . . . January 2008 to December 2010

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	151,184	8,263	10,800
Total pre-sold GFA (sq.m.)	146,972	6,420	6,971

Sapphire Uptown (藍灣上城)

Sapphire Uptown is a residential development comprising ten high-rise buildings, 32 low-rise buildings and retail units located in the west end of Round City West Road at Ximei Street in Nan'an.

The project occupies a total site area of 34,853 sq.m. with a total planned GFA of approximately 105,623 sq.m. We acquired the land use rights to the site through public tender in 2007. There is no outstanding land premium. We are developing this project through our subsidiary, SCE Sapphire Uptown, in which we hold a 51.0% interest. The remaining 49.0% interest in SCE Sapphire Uptown is held by an Independent Third Party.

We expect to deliver this project in the last quarter in 2010.

Further details of Sapphire Uptown as of September 30, 2010 are as follows:

Planned construction period . . . . October 2008 to December 2010

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	68,116	5,795	3,438
Total pre-sold GFA (sq.m.)	59,257	5,795	2,888

Fortune Plaza (Phases 1 and 2) (財富中心第一及第二期)

Fortune Plaza is a large-scale integrated urban complex that is expected to comprise a high-end residential community, office buildings, large-scale commercial centre and a hotel. The Fortune Plaza project is located in the core area of the central district of Quanzhou new town and sits next to the Quanzhou Haixia Sports Center (海峽體育中心) and is surrounded by schools and a hospital which currently are under construction.

We are developing Fortune Plaza in four phases. As of September 30, 2010, we were in the process of developing Phases 1 and 2 of Fortune Plaza, and Phases 3 and 4 were in the planning phase and held for future development.

The project occupies a total site area of 442,409 sq.m. with a total planned GFA of approximately 1,367,655 sq.m. We acquired our interest in the site through our investment in SCE Fortune Plaza, the company that held the site on which Phase 1 of the Fortune Plaza project is being developed. There is no outstanding land premium. We are developing this project through SCE Fortune Plaza, a subsidiary in which we hold a 58% interest with the remaining 42% interest being held by three Independent Third Parties.

Phase 1 of this project occupies a total site area of 75,947 sq.m. with a total planned GFA of approximately 300,398 sq.m. and will comprise 18 high-rise buildings.

Further details of Phase 1 as of September 30, 2010 are as follows:

Planned construction period . . . . November 2008 to 2011

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	237,353	9,404	48,077
Total pre-sold GFA (sq.m.)	73,835	9,404	4,350

Phase 2 of this project occupies a total site area of 109,850 sq.m. with a total planned GFA of approximately 249,436 sq.m. and will comprise 13 high-rise buildings and 48 townhouses.

Further details of Phase 2 as of September 30, 2010 are as follows:

Planned construction period . . . . August 2010 to 2012

	Residential	Carpark
Total planned saleable GFA (sq.m.)	187,722	35,120

Sunshine Town (Phase 1) (四季康城第一期)

Sunshine Town is a large-scale integrated residential and commercial complex which comprises high-rise residential buildings with retail store fronts located at the boundary of the Quanzhou urban area and Nan'an and between the No. 308 Provincial Highway and Jianzhong Road near the Jiang Nan High Tech Industrial Zone. The project is located 200 meters from the entrance of the Quansan Expressway and is opposite from the Quanzhou Flower City.

The project occupies a total site area of 86,908 sq.m. with a planned total GFA of approximately 432,926 sq.m. We acquired the land use rights to the site through a land grant contract with an Independent Third Party privately negotiated in 2003. There is no outstanding land premium. We are developing this project through our wholly-owned subsidiary, SCE Sunshine Town.

We are planning to develop Sunshine Town in two phases. As of September 30, 2010, we were developing Phase 1 and Phase 2 was in the planning stage and was being held for future development.

Phase 1 of this project occupies a total site area of 43,867 sq.m. with a total planned GFA of approximately 212,697 sq.m. and will comprise eight 18-story buildings and nine 33-story buildings. Further details of Phase 1 of Sunshine Town as of September 30, 2010 are as follows:

Planned construction period . . . . May 2009 to 2011

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	192,108	7,527	3,804
Total pre-sold GFA (sq.m.)	128,517	4,038	840

Sapphire Peninsula (Quanzhou) (泉州•藍灣半島)

Sapphire Peninsula (Quanzhou) is a large-scale residential and commercial complex comprising 21 high-rise buildings and retail and commercial facilities located in the Qiao Nan Pian District within the Bin Jiang Commercial District in Quanzhou. Sapphire Peninsula (Quanzhou) is conveniently situated on the eastern side of China National Highway 324 (G324) with Jin Jiang (晉江) to the east, Zi Mao Mountain Scenic Area (紫帽山風景區) and Xing Yan East Road to the west, and Quanzhou Convention and Exhibition Center to the north. The project is within seven kilometers from the entrance of the Fuxia Expressway. It is currently planned that a clubhouse, a commercial district complex, a kindergarten and other ancillary facilities will be constructed in the surrounding area.

The project occupies a total site area of 80,904 sq.m. with a total planned GFA of approximately 267,676 sq.m. We acquired the land use rights to the site through public tender in 2007. There is no outstanding land premium. We are developing this project through our wholly-owned subsidiary, SCE Quanzhou Sapphire Peninsula.

Further details of Sapphire Peninsula (Quanzhou) as of September 30, 2010 are as follows:

Planned construction period . . . . July 2009 to 2012

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	188,172	14,279	55,655

SCE International Community (Phase 1) (中駿國際社區第一期)

SCE International Community is a large-scale integrated residential and commercial project that is expected to comprise high-rise residential buildings, numerous retail store fronts stretching one kilometer along a commercial street, and a kindergarten located at the intersection of Banxia Street and Gu Lou North Street in Linfen, Shanxi Province.

The project occupies a total site area of 161,602 sq.m. with a total planned GFA of approximately 568,687 sq.m. We acquired land use rights to the site through the acquisition of SCE International Community, the project company that held the land use rights to the site at the time of our investment. There is no outstanding land premium. We are developing this project through our subsidiary, SCE International Community, in which we hold 80% interest. The remaining 20% interest in SCE International Community is held by an Independent Third Party.

We are planning to develop SCE International Community in three phases. As of September 30, 2010, only Phase 1 of SCE International Community was under development and the remaining two phases were at the planning stage and were being held for future development.

Phase 1 of this project occupies a total site area of 23,359 sq.m. with a total planned GFA of approximately 82,809 sq.m. comprising 12 high-rise buildings.

Further details of Phase 1 of SCE International Community as of September 30, 2010 were as follows:

Planned construction period	November 2009 to 2011

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	69,877	4,893	8,039
Total pre-sold GFA (sq.m.)	27,517	—	650

The Regent (天峰)

The Regent is a high-end residential development comprising five high-rise buildings and ten townhouses located at the intersection of Haicang Avenue and Jiao Song Road in the Haicang Investment Zone in Xiamen with unobstructed sea views. The Regent sits next to our Seashore Suite No.1 project and is also located on the first row of the Xihai waterfront adjacent to the Haicang Lake and next to the Haicang Bay Waterfront park.

The project occupies a total site area of 25,092 sq.m. with a total planned GFA of approximately 85,192 sq.m. We acquired the land use rights to the site through public tender in 2009. There is no outstanding land premium. We are developing this project through our subsidiary, SCE Regent, in which we currently hold a 60.0% interest. The remaining 40% interest in SCE Regent is held by an Independent Third Party.

Further details of The Regent as of September 30, 2010 are as follows:

Planned construction period	June 2010 to 2012

	Residential	Carpark
Total planned saleable GFA (sq.m.)	61,488	11,751

***Purple Lake International Phase 1*（*紫湖國際第一期*）**

Purple Lake International is a high-end low-density residential development that is expected to comprise townhouses and a 2,500 sq.m. clubhouse located inside the Quanzhou Golf Club, the only golf club in Quanzhou. The project is situated in an unique location with Zi Mao Mountain Scenic Area to the north, Zi Hu Reservoir to the west and the Quanzhou Golf Club to the south and will be designed by the internationally renowned design institute, Dahlin Group.

The project occupies a total site area of 180,000 sq.m. with a planned total GFA of approximately 123,199 sq.m. We acquired our interest in the site through our passive investment in SCE Purple Lake International, the company that held land use rights. There is no outstanding land premium. The project is to be developed through SCE Purple Lake International, a company in which we hold 49.0% interest. The remaining 51.0% interest in SCE Purple Lake International is held by an Independent Third Party.

It will be developed in two phases. We are developing Phase 1 and Phase 2 was at the planning stage and being held for future development.

Phase 1 of this project occupies a total site area of 107,987 sq.m. with a total planned GFA of 62,217 sq.m. and will comprise 80 townhouses. Further details of Phase 1 of Purple Lake International as of September 30, 2010 are as follows:

Planned construction period	July 2010 to 2012

	Residential
Total planned saleable GFA (sq.m.)	39,140

Sapphire Boomtown Phase 1 (藍灣香郡第一期)

Sapphire Boomtown is a large-scale high-end residential development that is expected to comprise high-rise residential buildings, townhouses and retail units located on the south side of Shuixian Street and the east side of No. 7 Road in the new Long Wen District of Zhangzhou.

The project occupies a total site area of 239,786 sq.m. with a planned total GFA of approximately 520,299 sq.m. We acquired our interest in the site through our acquisition of SCE Sapphire Boomtown, the company that held the land use rights to the site. There is no outstanding land premium. We are developing this project through our subsidiary, SCE Sapphire Boomtown, in which we currently hold an 80.0% interest. The remaining 20.0% interest in SCE Sapphire Boomtown is held by Independent Third Parties.

We are developing Sapphire Boomtown in four phases. As of September 30, 2010, Phase 1 was under development and the other three phases were at the planning stage and were being held for future development.

Phase 1

Based on our current project plans, Phase 1 of Sapphire Boomtown will comprise two high-rise buildings, 14 low-rise buildings and 46 villas and townhouses. Phase 1 occupies a total site area of 116,759 sq.m. with a planned total GFA of approximately 148,578 sq.m.

Further details of Phase 1 of Sapphire Boomtown as of September 30, 2010 are as follows:

Planned construction period	August 2010 to 2011

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	92,718	7,504	19,505

SCE Building (Phase 2) (中駿集團大廈第二期)

Based on our current project plans, Phase 2 of SCE Building is expected to comprise two office buildings.

Further details of Phase 2 of SCE Building as of September 30, 2010 are as follows:

Planned construction period	September 2010 to 2011

	Office
Total planned saleable/leasable GFA for future development (sq.m.)	36,333

Projects held for future development

Sunshine Home (四季家園)

Sunshine Home is an integrated, residential and commercial complex that is expected to comprise high-rise buildings and other retail and commercial facilities. The project is located in the urban area of Nan'an, Quanzhou and is surrounded by schools and a kindergarten which currently is under construction.

The project occupies a total site area of 64,632 sq.m. with a total planned GFA of approximately 300,641 sq.m. We acquired the land use rights to the site through public tender in 2010. There is no outstanding land premium. We are developing this project through our subsidiary, SCE Sunshine Home, in which we currently hold an 80.0% interest. The remaining 20% interest in SCE Sunshine Home is held by an Independent Third Party.

Further details of Sunshine Home as of September 30, 2010 are as follows:

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	237,469	20,117	36,340

Provence Town (藍灣尚都)

Provence Town is a mid- to high-end residential development comprising high-rise buildings and townhouses. The project is located in the Xiang'an District in Xiamen in Fujian Province within ten kilometers from the Xiang'an underground tunnel which links to the urban areas of Xiamen. It is currently proposed that a kindergarten and other ancillary facilities will be constructed.

The project occupies a total site area of 56,948 sq.m. with a total planned GFA of approximately 142,930 sq.m. We acquired the land use rights to the site through a land grant contract with a joint venture partner in 2010. There is no outstanding land premium. We are developing this project through our subsidiary, SCE Provence Town, in which we currently hold a 90.0% interest.

Further details of Provence Town as of September 30, 2010 are as follows:

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	105,424	2,680	18,307

Sapphire Boomtown Phases 2, 3 and 4 (藍灣香郡第二、三及四期)

Phases 2, 3 and 4

Phases 2, 3 and 4 occupy a total site area of 123,026 sq.m. with a total planned GFA of approximately 371,721 sq.m.

Further details of Phases 2, 3 and 4 of Sapphire Boomtown as of September 30, 2010 are as follows:

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	278,708	35,556	51,647

Golden Coast (黃金海岸)

Golden Coast is a large-scale residential and resort development that is expected to comprise high-rise buildings, townhouses, hotels, retail facilities and other recreational facilities located on the waterfront of Yongning Town of Shishi in Fujian Province with a coastline covering three kilometers. The surrounding area contains a number of tourist attractions, including Luo Jia Temple (珞珈寺), an oceanworld themepark and a fisherman's wharf.

The project occupies a total site area of 1,196,614 sq.m. with a planned total GFA of approximately 1,256,400 sq.m. We acquired our interest in the site through our investment in SCE Golden Coast, the company that held that site at the time of our investment. There is no outstanding land premium. The project is to be developed through SCE Golden Coast, a company in which we hold a 45% interest. The remaining 55% interest is held by Independent Third Parties.

As of September 30, 2010, both phases were at the planning stage and were being held for future development. Further details of Golden Coast as of September 30, 2010 are as follows:

	Residential	Retail	Hotel
Total planned saleable/leasable GFA (sq.m.)	852,570	109,530	120,300

Purple Lake International Phase 2 (紫湖國際第二期)

Phase 2 of this project occupies a total site area of 72,013 sq.m. with a total planned GFA of approximately 60,982 sq.m. Further details of Phase 2 of Purple Lake International as of September 30, 2010 are as follows:

	Residential
Total planned saleable GFA (sq.m.)	44,482

Anshan Project

Anshan Project is a large-scale integrated urban complex that is expected to comprise a residential community, office buildings, a commercial centre and a luxury hotel. The project is located in the Qianshan District in Anshan, Liaoning Province and sits near Tanggangzi Spring, a well-known hot spring in north east China.

We are developing Anshan Project in five phases. The project occupies a total site area of 603,562 sq.m. with a total planned GFA of approximately 1,813,868 sq.m. We acquired the land use rights to the site through public tender in 2010. There is no outstanding land premium. We are developing this project through our subsidiaries, Anshan Junda Construction and Development Co. Ltd. and Anshan SCE Estate Development Co. Ltd., in each of which we currently hold a 70.0% interest.

Further details of Anshan Project as of September 30, 2010 are as follows:

	Residential	Retail	Office	Hotel	Carpark
Total planned saleable GFA (sq.m.) . .	1,405,108	138,000	20,000	50,000	85,472

SCE International Community (Phases 2 and 3) (中駿國際社區第二至第三期)

Phases 2 and 3 have a total planned GFA of approximately 485,878 sq.m. Further details of Phases 2 and 3 of SCE International Community as of September 30, 2010 are as follows:

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	353,845	55,991	74,882

Fortune Plaza (Phases 3 and 4) (財富中心第三及第四期)

Phases 3 and 4 of Fortune Plaza occupies a total site area of 256,612 sq.m. with a total planned GFA of approximately 817,821 sq.m. and is expected to comprise serviced apartments, a shopping mall and a hotel.

Further details of Phase 3 of Fortune Plaza as of September 30, 2010 are as follows:

	Residential	Retail	Office	Hotel	Carpark
Total planned saleable GFA (sq.m.) . .	190,800	178,095	95,000	123,178	230,748

Tangshan Project

Tangshan Project is a high-end low density residential development that is expected to comprise townhouses and other retail facilities located in the Tangshan, Hebei Province. The project is situated in the northwest part of the Nanhu Ecological Park (南湖生態公園). The site is easily accessed and surrounded by natural scenic surroundings.

We are planning to develop Tangshan Project in 2 phases. The project occupies a total site area of 113,292 sq.m. with a total planned GFA of approximately 64,911 sq.m. We acquired the land use rights to the site through public tender in 2010. Approximately RMB89 million of the land premium is outstanding. We intend to develop this project through our wholly-owned subsidiary, Tangshan SCE Real Estate Development Co., Ltd.

Further details of Tangshan Project are as follows:

	Residential	Retail
Total planned saleable GFA (sq.m.)	56,680	3,639

Beijing Project

Beijing Project is a high-end residential development that is expected to comprise high-rise buildings of luxury mansions and retail shops located at No.8 Desheng Street within the central business district inside the North No. 2 Ring Road of Beijing.

The project occupies a total site area of 5,799 sq.m. with a total planned GFA of approximately 38,195 sq.m. We acquired the land use rights to the site through acquisition of Beijing Dushishengjing Real Estate Development Co., Ltd. There is no outstanding land premium.

Further details of Beijing Project are as follows:

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	23,495	5,000	9,700

Sunshine Town (Phase 2) (四季康城第二期)

Phase 2 of Sunshine Town has a total planned GFA of approximately 220,229 sq.m. Further details of Phase 2 of Sunshine Town as of September 30, 2010 are as follows:

	Residential	Retail	Carpark
Total planned saleable GFA (sq.m.)	193,263	2,283	23,367

Projects to be acquired for future development

Sapphire Hill (藍灣翠嶺)

Sapphire Hill is a large-scale residential community development that is expected to comprise high-rise residential buildings and retail stores located along the boundary of the Long Jiang Old City District in Shenzhen near the entrance of the Shenzhen-Shantou Expressway. The project will feature convenient access to public transportation, such as Line No. 3 of the Shenzhen Metro and Shenzhen East Railway Station, which are under construction or being planned by the local government.

The project is expected to occupy a total site area of 251,749 sq.m. with a total planned GFA of approximately 424,098 sq.m. We plan to develop this project through our subsidiary, SCE Sapphire Hill, in which we hold an indirect interest of approximately 63.2%. The remaining 36.8% interest in SCE Sapphire Hill is held by Independent Third Parties.

We are planning to develop Sapphire Hill in four phases. We entered into a master agreement with the local government in relation to the Sapphire Hill project in July 2006. Under the master agreement, we are responsible for the relocation and the resettlement work for the land site. Approval from local government and relocation and resettlement works are in progress. As of September 30, 2010, we still need to successfully tender for the project, sign a land grant contract and pay the land premium before we can obtain the land use rights certificate.

Nan'an Convention Center (南安會展中心)

Nan'an Convention Center is an integrated urban complex that is expected to comprise a convention center, residential apartments, commercial facilities and a hotel located on the southern shore of the Xixi river on the east side of Nan'an in Fujian Province. The project is situated opposite Phoenix Mountain (鳳凰山).

The project is expected to occupy a total site area of 558,000 sq.m. with a total planned GFA of approximately 1,023,785 sq.m. We plan to develop this project through a wholly-owned subsidiary to be established.

We entered into a master agreement with the local government in relation to the Nan'an Convention Center project in March 2008. Under the master agreement, we are responsible for the formulation of the project planning and design and the local government is responsible for the relocation and resettlement work for the land site. As of September 30, 2010 we still need to go through the competitive bidding process, sign the land grant contract and pay the land premium before we can get the land use rights certificate.

Selected completed projects

Jade Lakefront Manor (翠湖莊園)

Jade Lakefront Manor is a high-end residential development comprising 123 villas and four apartment buildings with retail units located at the intersection of Island Ring Road and Jinshang Avenue in Xiamen in Fujian Province and is situated along the waterfront of the Dai Liao Reservoir (埭遼水庫). Jade Lakefront Manor is conveniently located near the Xiamen International Airport, the Ji Mei Bridge (集美大橋), the Wu Yuan Bay Commercial District (五緣灣商業圈) and Cheng Gong Avenue, the main road of Xiamen and is only seven kilometers from Wu Tong pier (五通碼頭). There is also a large-scale residents' clubhouse and other recreational and sporting facilities within Jade Lakefront Manor. The project was completed in January 2006.

The project occupies a total site area of 48,126 sq.m. with a total GFA of approximately 72,768 sq.m.

Green Lake Mansion (碧湖豪庭)

Green Lake Mansion is a high-end residential community comprising one low-rise building, four high-rise buildings and one office building with retail store fronts located and within the Fu Shan Business Circle (富山商圈) at the intersection of Hu Ming Road and Bin Lang Road in Xiamen in Fujian Province and situated at the waterfront of the Yundang Lake (篔簹湖), the largest lake in Xiamen's main city district. Green Lake Mansion is surrounded by commercial and educational facilities. It is within close proximity to the Bin Bei CBD (濱北中央商務區) and Bin Lang Road (濱榔路), a popular entertainment hub in Xiamen with numerous pubs, bars and restaurants. The development was completed in July 2006.

The project occupies a total site area of 9,117 sq.m. with a total GFA of approximately 43,211 sq.m.

Sapphire Peninsula (Xiamen) (廈門●藍灣半島)

Sapphire Peninsula (Xiamen) is a high-end residential development comprising 15 high-rise buildings with retail store fronts located at the intersection of Haicang Avenue and Canghong Road in the Haicang Port District within the Haicang Investment Zone in Fujian Province. Sapphire Peninsula (Xiamen) sits next to our Seashore Suite No. 1 development project and also is located on the first row of the Xihai waterfront next to the Binhai Park and is situated within 20 minutes from the Xiamen International Airport. The development was completed in January 2008.

The project occupies a total site area of 45,917 sq.m. with a total GFA of approximately 135,747 sq.m.

SCE Building (Phase 1) (中駿集團大廈第一期)

The SCE Building is an office building located to the east of the intersection of Dailiao Road and Fangzhong Road in Xiamen in Fujian Province and adjacent to both the Jinshang Avenue Economic Zone and the Wu Yuan Bay Commercial District (五緣灣商業圈).

The project occupies a total site area of 13,644 sq.m. with a total GFA of 44,358 sq.m. We acquired the site from the local government in 2006.

The SCE Building is being developed in two phases. Construction of Phase 1 is complete and comprises an 11-story office building with a total GFA of 14,274 sq.m. We are holding Phase 1 of the SCE Building for self-use and as an investment property.

World City (世界城)

World City is a high-end integrated residential and commercial community comprising two buildings of serviced apartments, one of which consists of luxury mansions and over 30,000 sq.m. of retail shops located at No.8-9 Jinhui (金匯) Road in the Chaoyang District of Beijing. The project is situated in the heart of the central business district of Beijing within the East No.3 Ring Road and at the junction of the Chao Wai Business Circle, Jian Guo Men Business Circle and the World Trade Center Business Circle.

The project occupies a total site area of 14,344 sq.m. with a total GFA of 118,848 sq.m.

Seashore Suite No. 1 (海岸一號)

Seashore Suite No.1 is a residential development with sea views that comprises five 29 to 33-story high-rise buildings and retail store fronts located at the intersection of Haicang Avenue and Binhu North Road in the Haicang Port District within the Haicang Investment Zone in Fujian Province, the largest investment zone established by the PRC Government for investments from Taiwan residents. Seashore Suite No.1 is located on the first row of the Xihai waterfront adjacent to the Haicang Weilai Lake and next to the Haicang Bay Waterfront Park, which possesses six kilometers of shoreline. It is also situated within 20 minutes from the Xiamen International Airport.

The project occupies a total site area of 24,083 sq.m. with a total GFA of 105,401 sq.m.

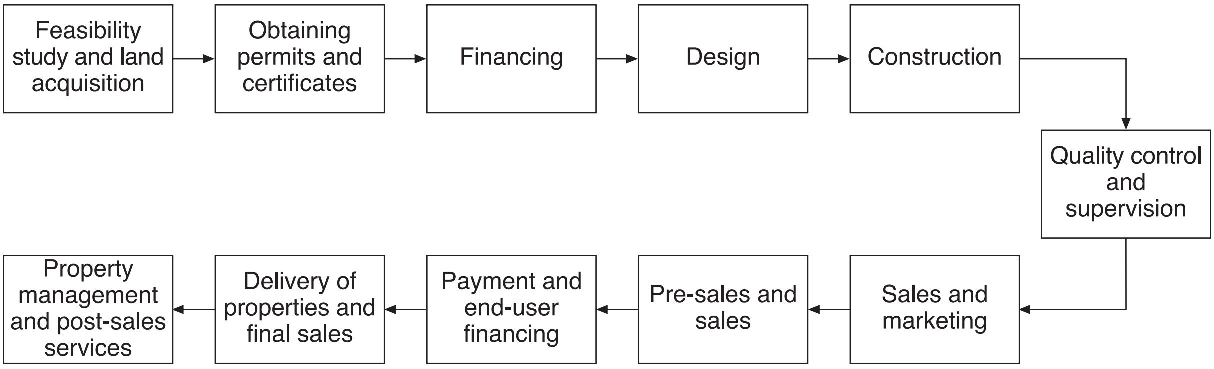
OUR PROPERTY DEVELOPMENT PROCESS

Project Management System and Procedures

We attach great importance to our property development process. As such, we have developed a set of detailed and standardized operating procedures to which we strictly adhere when conducting each of our project development processes. These processes are managed, coordinated and supervised centrally by our senior management at our headquarters in Xiamen and implemented by the dedicated departments of our regional offices and project companies. These operating procedures feature substantial input from, and undergo constant monitoring and supervision by, different departments in each stage of our development process. Those procedures are also designed to enable real-time monitoring and supervision of each stage of our development process in order to help us identify and resolve potential problems as early as possible during the project cycle. We then are able to minimize material deviations from pre-approved budgets at each stage of our development process and better maintain quality standards across all of our projects.

Overview of the Development Process

Although the nature and sequence of specific planning and execution activities may vary from project to project, we have summarized below the core elements of the typical project development process for our properties:



We typically establish a separate project company to undertake the development of each project and to facilitate the project management.

Feasibility Study and Land Acquisition

Performing a feasibility study is the first step of our property development process. Our strategic development department and sales management department conduct feasibility studies based on factors such as the supply and demand in the relevant real estate market, potential market growth, local urban planning and development policies, geographical location of the development sites, and the estimated cost of development. Other departments, including the audit and legal department, the design management department, financial management department and construction management department work closely together with our strategic development department and provide input based on their respective expertise. The strategic development department then prepares a feasibility study report for consideration and approval by our board.

Upon approval by our board, we will seek to acquire the site for the property development project. We generally acquire the land through participating in the competitive bidding, public auction or listing-for-sale process or acquiring project companies from other developers. For certain projects, we establish joint ventures with third parties who hold the relevant land use rights to the site.

Obtaining Permits and Certificates

Real estate developers like us are only allowed to commence construction of a property development project upon obtaining the construction works commencement permit, which is issued only when the land use rights certificate, the construction land planning permit and the construction works planning permit are obtained. Further details of such certificates and permits are set out below:

- **land use rights certificate** — a certificate evidencing the right of a party to use a parcel of land;

- **construction land planning permit** — a permit authorizing a developer to begin the survey, planning and design of a parcel of land;

- **construction works planning permit** — a permit evidencing government approval for a developer's overall planning and design of the project and allowing a developer to apply for a construction works commencement permit; and

- **construction works commencement permit** — a permit required for commencement of construction work.

As of September 30, 2010, we had entered into land use rights grant contracts or tendered for the land for projects with an aggregate planned GFA of approximately 2,059,000 sq.m. but had not yet obtained the land use rights certificates. We obtained land use rights certificate for approximately 143,000 sq.m. of this planned GFA in October 2010.

Financing

We have financed our projects primarily through bank and other borrowings, pre-sale proceeds of our properties, and equity and debt issuances.

Although the financing sources vary from project to project, we are required under relevant PRC regulations to finance at least 20% of the total project costs with our own funds when we develop ordinary commodity housing and finance at least 30% of the total project costs with our own funds when we develop other real estate projects.

Bank loans have been one of the primary sources of funding for our property development projects. As of September 30, 2010, our outstanding bank and other borrowings amounted to RMB2,410.7 million. For details of our banking facilities, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness — Bank and other borrowings".

It is one of our strategies to optimize our capital and financing structure to secure sufficient financing for our future property development projects, which we intend to achieve through a combination of cash flow from operations and issuance of debt and equity securities.

Design

Our design management department is responsible for coordinating all design-related aspects of a project. By working closely with our external architectural, interior, landscaping and gardening design contractors, as well as our internal construction management department and sales and marketing department, our design management department seeks to ensure that we consistently develop high quality projects with innovative designs that appeal to potential purchasers.

Construction

After obtaining the land use rights to a parcel of land, our in-house construction management team will start to prepare the land for construction and development, including, arranging for the fencing of the site.

Our construction management department arranges for the selection of construction contractors through a tender process. We typically conduct comprehensive due diligence on our contractors before inviting them to participate in the tender process, and the successful bidder is selected based on a variety of factors including its proposed fee, the proposed construction schedule, the quality of its construction works, the construction plan, proposed allocation of manpower, construction safety measures and standards, equipment and facilities proposed to be applied, and the industry experience of the project manager. Depending on the complexity and the scale of our project, some factors may outweigh others in determining the contractor that we select for a particular project.

Our construction contracts generally provide for payments to be made upon the achievement of specific milestones throughout the construction process. We also generally retain 5% of the contract price for a period of one to two years after completion of the construction works and will apply such retained amount against any expense incurred by us to rectify any defects of the construction should the contractor fail to rectify such defects when called upon to do so. Equipment and construction materials required for our construction works are generally procured by our contractors at a pre-agreed price. In the event that the final purchase price of the equipment and construction materials procured increases or decreases by more than a pre-determined percentage from the pre-agreed price, payments to our contractors will be adjusted accordingly to reflect any such difference. Certain equipment, such as elevators and air-conditioning units, are procured centrally through our procurement department at our headquarters from pre-selected suppliers, which typically provide favorable price arrangements for our bulk purchases.

We are not responsible for any labor-related liabilities of our contractors. Under our construction contracts, the contractors are required to make an upfront payment of 5% of the contract price to guarantee the performance of their obligations under the contracts and we are entitled to apply such amount against any liability incurred by us as a result of any non-compliance by the contractors with applicable PRC laws and regulations concerning environmental protections, labor and safety issues.

Quality Control and Supervision

We place a strong emphasis on quality control to attempt to ensure that our property development projects not only comply with relevant regulations but also meet very high standards.

We have standardized and detailed quality control procedures in place for our various functional departments. We have also established stringent internal quality control procedures which apply to the design construction of, and quality of materials used in, our property development projects.

Quality control procedures are managed, coordinated and supervised in a centralized manner by our senior management and are implemented by each functional department through on-site inspections and supervision on a daily basis. In addition, we engage independent and certified engineering supervisory companies to conduct quality and safety control checks on all building materials, equipment and construction in accordance with relevant PRC regulations.

We are of the view that our commitment to quality control and developing high quality properties are widely recognized and we have received various awards in recognition of the quality of our properties, including the "Provincial Landscape Model Enterprise" (省級綠化模範單位榮譽稱號) in 2010 for our Sapphire Peninsula (Quanzhou) project, the "China Real Estate Golden Key-2010 High-End Townhouse Habitat Model" (中國地產金鑰匙獎—2010高端城市別墅人居典範) in 2010 for our Sapphire Boomtown project, the "2010 China Most Influential Property Development Project" (2010中國最具影響力樓盤) for our Fortune Plaza project and the "2010 China Top Ten Stylish Property Development Project" (2010年度中國十大風尚樓盤) for The Regent project.

Sales and Marketing

Our sales and marketing department is based at our headquarters in Xiamen and is responsible for conducting market research, determining our marketing strategy, and formulating specific marketing plans for each property development project. Each of our project companies also has its own sales and marketing team to implement highly customized strategies for individual projects. The sales and marketing strategy varies from project to project and is formulated after taking into account a wide range of factors, including market conditions, the phase and location of the project, positioning of the project, targeted customer group and sales progress.

We generally market our property development projects through advertisements in newspapers and on billboards. We also set up on-site reception centers and showroom offices at each of our project sites to display information relating to, and promote the sales of, the relevant project.

In 2008, we established the SCE Customers Club, which serves as a platform for us to communicate with our customers, handle customer inquiries and enhance customer loyalty, and as a medium to promote sales of our properties to existing customers or potential purchasers. All purchasers of our properties will, upon joining the SCE Customers Club, be entered into priority services. In addition, potential customers can also apply to become a member of the SCE Customers Club.

Pre-sales and Sales

The sales process of our property development projects typically occurs phase by phase and will generally commence prior to the completion of their construction. The proceeds from the pre-sales are an important source of financing for our property developments.

Payment and End-user Financing

Our customers are required to make payment for the properties in one lump sum. Most customers make their payments by mortgage loans from banks and other financial institutions.

In line with market practice, we cooperate with various banks for the provision of mortgage loans to our customers and provide guarantees for these mortgages generally until completion of the construction and delivery of the relevant property ownership certificates to the mortgagee banks. As of December 31, 2007, 2008 and 2009 and September 30, 2010, the amount of our outstanding guarantees for such mortgage loans was RMB688.3 million, RMB504.2 million, RMB879.2 million and RMB1,164.1 million, respectively.

Delivery of Properties

Once a property development project has passed the requisite government inspections and is ready for delivery, we will notify the purchaser and deliver the properties to complete the sales process. Our pre-sale and sale contracts stipulate the time frame for delivery and we are required to make penalty payments to our customers for any delay in delivery. Please refer to "Risk Factors — Risks Relating to Our Business — We face contractual risks relating to the pre-sale of properties, including the risk that property developments cannot be completed, or cannot be completed on time".

Property Management and Post-Sales Services

We currently provide property management services to a number of projects that we have developed but we intend to provide property management services for each of the properties we develop in the future. Our property management services are provided through our wholly-owned subsidiaries, SCE Xiamen Property Management, SCE Quanzhou Property Management and SCE Beijing Property Management under the "世邦泰和" brand. We also occasionally engage the services of external property management consultants such as DTZ and Savills to provide property management advice, which we believe will allow us to offer high quality services to residents of our properties.

Our property management services generally include security, maintenance of common facilities, gardening and landscaping. The property management contract with owners of the properties sets out the scope and standard of the services to be provided by our property management companies.

COMPETITION

Competition within the real estate industry in the PRC is highly intense. Our major competitors include large domestic state-owned, private real estate developers and foreign-funded real estate developers who focus on developing residential properties in the PRC. We compete on the basis of size of land bank, geographical location, quality of real estate offered, brand recognition, ability to secure financing, pricing and design. A number of our competitors have greater financial, marketing, land bank and other resources than we do, as well as greater economies of scale, broader name recognition, a better track record and more established status in the real estate markets where we operate.

For more information on competition, please see “Risk Factors — Risks relating to our business — We face intense competition from other real estate developers”.

EMPLOYEES

As of September 30, 2010, we had 627 full-time employees. Set out below is a breakdown of the number of our full-time employees by function:

Departments	Number of Employees
Management	8
General office	8
Administration and human resources	28
Financial management	11
Sales and marketing	26
Design management	29
Engineering management	11
Commercial property	11
Sub-total	132
Project companies	495
Total	627

We offer competitive remuneration packages to our employees, including basic salaries and bonuses to qualified employees. We also provide technical as well as operational training to all new employees and on-going training for all existing employees. Since our inception, we have not experienced any significant turnover of staff nor any disruption to our business operations due to labor disputes. We believe we have maintained excellent relationships with our employees. This is evidenced by the fact that we received the “10 Best Employer in Xiamen in 2008” and the “Best Employer for Female Employees in Xiamen in 2008” awards from *zhaopin.com*, a leading online recruitment portal in China.

INSURANCE

Real estate developers like us are not required under PRC laws and regulations to maintain insurance coverage in respect of their property development operations. In line with industry practice, we do not maintain insurance coverage on our properties developed for sale except for those developments for which we are required to maintain insurance coverage under the financing documents. In addition, we generally do not take out insurance against personal injuries that may occur during the construction of our properties. According to relevant PRC laws and regulations, the general contractors and construction companies are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers. The general contractors and construction companies will also bear the risks and liabilities arising from tortious acts committed on work sites under the terms of our construction contracts.

We carry social insurance for our employees and maintain, on a voluntary basis, personal accident insurance and supplementary commercial insurance.

We believe that the insurance coverage taken out by us is typical and in line with the industry practice for similar operations. However, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise from our business operations. Please refer to “Risk Factors — Risks relating to our business — We may suffer losses and claims arising from uninsured risks”.

SOCIAL, HEALTH AND SAFETY MATTERS

Under PRC laws and regulations, an enterprise is required to execute employment contracts with its employees according to the relevant laws and regulations and shall not rescind the employment contract without cause. Employees are entitled to breaks and take annual leave based on the law and provisions as stipulated in their employment contracts. An enterprise is also required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as necessary protective equipment. In addition, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, and personal injury insurance for its staff and pay the relevant insurance premiums in accordance with relevant laws and regulations.

We believe that by protecting the interests of our employees, we can enhance employee morale and improve our long-term retention of quality personnel.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organised by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, personal injury insurance and housing provident fund. Our human resources department personnel are responsible for our social, health and safety issues.

INTELLECTUAL PROPERTY RIGHTS

We conduct our property development business under the "中駿", "" and the "中駿置业" trademarks, all of which are registered in the PRC and owned by us, and our property management business under the "世邦泰和" trademark, for which we have filed the applications for registration with relevant authorities in the PRC. We are also the registered owner of the domain name "www.sce-re.com".

Quanzhou Transformer, a company controlled by Mr. Wong, has registered the trademarks "SCE", "中駿" and "" in the PRC in the areas of manufacturing of transformers and other electric machinery.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to certain laws and regulations of the PRC concerning environmental protection. Pursuant to these laws and regulations, we are required to undergo environmental assessments with respect to each property development project. An environmental assessment report is required to be prepared by qualified independent experts and submitted by a real estate developer before the relevant authorities will grant a permit for commencement of construction works. Upon completion of the property development, the relevant environmental authorities will inspect the property to ensure compliance with applicable environmental standards and regulations before the property is delivered to the purchaser. Save for the fee paid to independent experts for the preparation of environmental assessment report as mentioned above, we were not required to pay, nor did we incur, any cost of compliance with applicable environmental laws and regulations during the three years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010. In addition, we do not expect to incur any material cost of compliance with applicable environmental laws and regulations in the future.

LEGAL PROCEEDINGS

In the ordinary course of business, we have occasionally been involved in legal proceedings, the nature of which are primarily contractual disputes with customers and contractors, which is common in our industry. However, we are not aware of any litigation, arbitration or claim pending or threatened against us which would have a material adverse effect on the results of our operations or financial condition.

LEGAL SUPERVISION RELATING TO REAL ESTATE SECTOR IN THE PRC

A. Establishment of a property development enterprise

Pursuant to the "Law of the People's Republic of China on Administration of Urban Real Estate" (the "Urban Real Estate Law") (《中華人民共和國城市房地產管理法》) enacted by the Standing Committee of the National People's Congress on July 5, 1994, effective on January 1, 1995 and amended on August 30, 2007, a real estate developer is defined as "an enterprise which engages in the development and sale of property for the purposes of making profits". Under the "Regulations on Administration of Development of Urban Real Estate" (the "Development Regulations") (《城市房地產開發經營管理條例》) enacted by the State Council and effective on July 20, 1998, a property development enterprise must satisfy the following requirements: (a) have a registered capital of not less than RMB1 million and (b) have four or more full-time professional property/construction technicians and two or more full-time accounting officers with the relevant qualifications. The Development Regulations also stipulates that the People's government of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a property development enterprise have to be submitted to the department of administration of industry and commerce. The applicant must file a record with the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

The minimum internal capital ratio for real estate projects (excluding economically affordable housing projects) was 35% under the "Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries" (《關於調整部分行業固定資產投資項目資本金比例的通知》) issued by the State Council on April 26, 2004. In May 2009, the State Council issued a "Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets" (《關於調整固定資產投資項目資本金比例的通知》) and reduced such ratio to 20% for ordinary commodity housing projects and affordable housing projects, and 30% for other real estate projects.

B. Foreign-invested real estate enterprises

Pursuant to the "Foreign Investment Industrial Guidance Catalog" (the "Guidance Catalog") (《外商投資產業指導目錄》) jointly enacted by MOFCOM and NDRC on November 30, 2004 and effective on January 1, 2005, the development and construction of ordinary residential units fall within the category of "encouraged industry"; the development of an entire land lot operated by Sino-foreign equity joint ventures or Sino-foreign co-operative joint ventures, and the construction and operation of high-end hotels, villas, premium office buildings, international conference centers and large theme parks fall within the category of "restricted industry"; and other types of property development fall within the category of "permitted industry". MOFCOM and NDRC amended the Guidance Catalog in October 2007, which provides that, effective from December 1, 2007, foreign-invested property development business falls within the category of "permitted industry", except that foreign investment in the development of whole land lots which shall be operated only by Sino-foreign equity joint ventures or Sino-foreign cooperative joint ventures, the construction and operation of high-end hotels, villas, premium office buildings, cinema and large theme parks, international conference centers, real estate transactions in the secondary market and real estate intermediaries fall within the category of industries in which foreign investment is subject to restrictions, and the construction and operation of golf courses falls within the category of industries in which foreign investment is subject to prohibitions. Foreign-invested real estate enterprises can be established in the form of a Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly-owned foreign enterprise according to the Guidance Catalog and other laws and administrative regulations relating to foreign-invested enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an approval certificate for a foreign-invested enterprise.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (Jianzhufang [2006] No. 171) (《關於規範房地產市場外資准入和管理的意見》). According to this circular, foreign investment in real estate market must comply with the following requirements:

(a) foreign institutions or individuals purchasing real estate in China which is not for their own residential use shall follow the principle of commercial existence and apply for the establishment of foreign-invested enterprises under the regulations of foreign investment in real estate. Foreign institutions and individuals can only carry on their business pursuant to the approved business scope after obtaining the approvals from relevant authorities and upon completion of the relevant registrations;

(b) if the total investment of a foreign-invested property development enterprise exceeds or equals US$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US$10 million, the amount of the registered capital shall follow the existing regulations;

(c) the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishing and effecting the registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying for the land use right, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive an official approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprises in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities;

(d) transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign investors should submit: (i) the guarantee letters for the performance of the State-owned Land Use Rights Grant Contracts, the Construction Land Planning Permit and the Construction Work Planning Permit; (ii) the Certificate of Land Use Rights; (iii) the certification on alteration of archive files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities; and

(e) when acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, settle bank loans and pay the consideration in one single payment using internal funds. Foreign investors with irregular financial track records shall not be allowed to conduct any of the aforementioned activities.

On August 14, 2006, the General Office of MOFCOM enacted the "Notice on Relevant Issues concerning the Carrying out the Opinions on Regulating the Access and Management of Foreign Capital in the Real Estate Market" (《關於貫徹落實〈關于規範房地產市場外資准入和管理的意見》〉有關問題的通知). According to this notice, if the total investment of a foreign-invested property development enterprise exceeds US$3 million, the registered capital must be no less than 50% of the total estimated investment; if the total investment is less than or equal to US$3 million, the registered capital must be no less than 70% of the total estimated investment. When a foreign investor who merges with a domestic property development enterprise by transferring equity or by other means or by purchasing equity from other Chinese shareholders of a foreign-invested property development enterprise, proper arrangements must be made for the original employees of the merged companies, bank debts must be settled and the entire consideration for the transfer must be paid off within three months after the date of the issue of the business license or the effective day of the equity transfer agreement.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in the Real Estate Sector in the PRC" (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》), which stipulates the following requirements for the approval and supervision of foreign investment in the real estate sector:

(i) foreign investment in the PRC real estate sector relating to luxury properties should be strictly controlled;

(ii) before obtaining approval for the establishment of real estate entities with foreign investment, (a) both the land use rights certificates and housing ownership right certificates should have been obtained, or (b) contracts for obtaining land use rights or housing ownership rights should be entered into;

(iii) entities which have been set up with foreign investment need to obtain approval before they expand their business operations into property development, and entities which have been set up for property development operations need to obtain new approval in order to expand their real estate business operations;

(iv) acquisitions of real estate entities and foreign investment in the real estate sector by way of "round-trip" investment (返程投資) should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;

(v) parties with interests in real estate entities with foreign investment should not in any way guarantee a fixed investment return;

(vi) registration shall be immediately effected according to applicable laws with MOFCOM regarding the set-up of real estate entities with foreign investment approved by local PRC governmental authorities;

(vii) foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM or fail to pass the annual reviews; and

(viii) for those real estate entities who are wrongfully approved by local authorities for establishment set ups, (a) MOFCOM should carry out investigations and order punishment and rectification, and (b) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On July 10, 2007, the General Affairs Department of SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that have Properly Registered with MOFCOM" (《關於下發第一批通過商務部備案的外商投資房地產專案名單的通知》) ("Notice No. 130"). This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purposes of injecting such funds into the companies either through a capital increase or by way of shareholder loans. Notice No. 130 stipulates, among other things, that:

(A) SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007; and

(B) SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchanges submitted by real estate enterprises with foreign investment that obtained approval certificates from local government commerce departments on or after June 1, 2007 but that have not registered with MOFCOM.

In June 2008, MOFCOM issued the "Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector" (《關於做好外商投資房地產業備案工作的通知》) ("Notice No. 23"). According to Notice No. 23, when a foreign-invested real estate enterprise is established, increases its registered capital, transfers its shares, merges with or acquires another enterprise, the provincial level MOFCOM is required to verify all records regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved real estate project.

On August 29, 2008, SAFE issued the "Circular on the Relevant Operating Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises" (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》)" ("Circular No. 142"). Pursuant to Circular No. 142, Renminbi amounts from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope of the enterprise as approved by the examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for in other regulations.

According to the "Interim Provisions on Approving Foreign-Invested Projects" (《外商投資項目核准暫行管理辦法》) promulgated by the NDRC in October 2004, local authorities may examine and approve (i) foreign-invested projects with total investment less than US$100 million within the category of encouraged or permitted foreign investments and (ii) foreign-invested projects with total investment less than US$50 million within the category of foreign investments subject to restrictions. Approval from the NDRC is required for foreign-invested projects with total investment of US$100 million or more within the category of encouraged or permitted foreign investments and those with total investment of US$50 million or more within the category of foreign investments subject to restrictions. Further, apart from examination by the NDRC, approval from the State Council is required for foreign-invested projects with total investment of US$500 million or more within the category of encouraged or permitted foreign investments and those with total investment of US$100 million or more within the category of foreign investments subject to restrictions. Additional approval from the development and reform authority at provincial level is required for projects that are subject to restrictions. In July 2008, the NDRC issued the "Notice on Further Reinforcing and Regulating the Administration of Foreign-Invested Projects", (《關於進一步加強和規範外商投資項目管理的通知》) which requires that any capital increase and reinvestment in projects by foreign-invested enterprises should obtain approval from the NDRC or its local counterpart.

On July 16, 2004, the State Council issued the Decision of the State Council on Reforming the Investment System (《國務院關于投資體制改革的决定》) and Catalog of Investment Projects Approved by the Government (2004) (《政府核准的投資項目目錄》(2004年)) (the "Decision and Catalog"). According to the Decision and Catalog, as to foreign investment projects, encouraged or permitted projects with a total investment (including increased capital) of US$100 million or above and restricted projects with a total investment (including increased capital) of US$50 million or above as prescribed in the Guidance Catalog are subject to the approval of NDRC. Issues in relation to the establishment and alteration of foreign investment enterprises involving the administration on quota and license, the total investment of which is above the State-prescribed quotas and in which the investment is restricted; and the material changes (including increase and decrease of capital, transfer of shares and mergers) as prescribed by the contract and/or articles of association of a large foreign-invested project and laws, are subject to the examination and approval of MOFCOM. Foreign-invested projects other than the aforesaid projects are subject to the examination and approval of local governments in accordance with relevant regulations.

On April 6, 2010, the State Council released the "Several Opinions of the State Council on Further doing a Good Job in the Utilization of Foreign Investment" (《國務院關於進一步做好利用外資工作的若干意見》), under which, foreign-invested projects with a total investment (including increased registered capital) less than US$300 million within the category of encouraged or permitted foreign investment, other than the projects required by the Category of Investment Projects Examined and Approved by the Government to be examined and approved by relevant departments under the State Council, can be examined and approved by the relevant local authorities. Except for approvals from the relevant departments under the State Council that are explicitly specified by laws and regulations, the aforementioned departments can shift the authority of approval to the relevant local authority, in the context of strengthened supervision.

On May 4, 2010, the NDRC issued the "Circular of NDRC on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects" (《國家發展改革委關於做好外商投資項目下放核准權限工作的通知》). According to this circular, foreign-invested projects with a total investment of less than US$300 million within the category of encouraged or permitted foreign investment, which was previously examined and approved by NDRC, except for the projects required by the Category of Investment Projects Examined and Approved by the Government to be examined and approved by relevant departments under the State Council, can be examined and approved by the provincial development and reform committee. The authority of approving the projects within the category of foreign investment subject to restrictions is not delegated and special regulations in respect of the approval of projects stipulated in other laws and regulations or State Council documents should be complied with.

On June 10, 2010, MOFCOM issued the "Circular of MOFCOM on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment" (《商務部關于下放外商投資審批權限有關問題的通知》). According to this circular, commercial departments of provinces, autonomous regions, municipalities directly under the Central Government, cities specifically designated in the state plan, Xinjiang Production Construction Corps and sub-provincial cities (including Harbin, Changchun, Shenyang, Jinan, Nanjing, Hangzhou, Guangzhou, Wuhan, Chengdu, and Xian) are in charge of the examination, approval and management of the issues relating to establishment and changes of foreign-invested enterprises which fall within the category of encouraged or permitted investment with a total investment less than US$300 million or restricted investment with a total investment less than US$50 million as prescribed in the Guidance Catalog. Issues relating to increases of capital where the increment is less than the State-prescribed quotas are subject to the examination, approval and management of the local authority.

C. **Qualifications of a real estate developer**

(a) ***Classifications and assessment of a property development enterprise's qualification***

Under the "Provisions on Administration of Qualifications of Real Estate Developers" (the "Provisions on Administration of Qualifications") (《房地產開發企業資質管理規定》) promulgated by the Ministry of Construction in March 2000, a real estate developer shall apply for registration of its qualifications in accordance with the Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes. Developers with class 1 qualifications shall be subject to preliminary examination and approval by the construction authority under the People's government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualifications shall be formulated by the construction authority under the People's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. After a newly established real estate developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The real estate development authority can extend the validity period for not more than two years after considering the actual business condition of the enterprise. The real estate developer shall apply for a qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

On December 28, 2000, the Construction Department of Fujian Province issued the Notice of revising the Implementation Provision on Administration of Qualification of Real Estate Development Enterprise in Fujian Province (Min Jian Fa [2005] No. 85) (the "Fujian Real Estate Developers Provisions") (《福建省<房地產開發企業資質管理規定>實施細則》), a property developer must register with the local property development authorities within 30 days after receiving its business license. The latter must issue a Provisional Qualification Certificate to the eligible developers within 20 days after receiving application filings. The Provisional Qualification Certificate will be effective for one year from the date of its issuance. The property development authority may extend the validity to a period of no more than two years due to the situation of the property developers.

According to the Fujian Real Estate Developers Provisions, the property development enterprises in Fujian Province shall be classified into four classes according to the specific situation of the enterprises. The class 1 qualification is preliminarily examined by the provincial construction authority for submission to MOHURD for approval. The class 2 qualification is preliminarily examined by the city and county construction authority for submission to the provincial construction authority for approval. The class 3 qualification is preliminarily examined by the county (city) construction authority for submission to the prefecture construction authority for approval. The class 4 qualification is examined and approved by the city and county construction authority. After obtaining the qualification the property development enterprises can engage in the development of real estate of a certain scale according to their qualification classification.

(b) ***Business scope of a real estate developer***

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate developer is not restricted as to the scale of a real estate project to be developed and may undertake a property development project anywhere in the country. A class 2 real estate developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the People's government of the relevant province, autonomous region or municipality.

Under the Fujian Real Estate Developers Provisions, a property developer must, after obtaining its qualification certificate, only engage in the development of the property according to its qualification classification: (i) the construction scale of a property development project undertaken by a real estate developer with class 1 qualification is not subject to restriction; (ii) a real estate developer with class 2 qualification may undertake any real estate development project with a gross floor area of 250,000 sq.m. or less; (iii) a property developer with class 3 qualification may undertake any property development project with a gross floor area of 200,000 sq.m. or less; and (iv) a real estate developer with class 4 qualification may undertake any property development project with a gross floor area of 100,000 sq.m. or less.

(c) ***Annual inspection of a real estate developer's qualification***

Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 real estate developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the People's government of the relevant province, autonomous region or municipality.

D. **Development of a real estate project**

(a) ***Land for property development***

Under the "Interim Regulations of the People's Republic of China on Assignment and Transfer of the Right to Use State-owned Land in Urban Areas" (the "Interim Regulations on Assignment and Transfer") (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated and enforced by the State Council on May 19, 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user for the grant of the land use rights. The land user shall pay the land premium as provided for by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use rights certificate evidencing the acquisition of land use rights. The Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

Under the "Regulations on the Assignment of State-owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (《招標拍賣掛牌出讓國有土地使用權規定》) enacted by MLR on May 9, 2002 and enforced on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development is assigned by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

(i) the land authority under the People's government of the city and county (the "assignor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid;

(ii) the assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale;

(iii) after determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposits to other bidding or auction applicants;

(iv) the assignor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use rights; and

(v) the winning tender or winning bidder should apply for the land registration after paying off the land grant premium in accordance with the state-owned land use rights grant contract. The People's government above the city and county level should issue the "Land Use Permit for State-owned Land".

On December 30, 2007, MLR issued the Measures for Land Registration, (《土地登記辦法》) which specifies detailed provisions relating to the procedure of the land registration and materials required for such registration.

According to the "Notice of MLR on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (《關於加強土地供應管理促進房地產市場持續健康發展的通知》) enacted by MLR on September 4, 2003, land use for luxurious commodity houses shall be stringently controlled and applications for land use for building villas will not be accepted.

On March 21, 2004, MLR together with the Ministry of Supervision issued the "Notice in Respect of Enforcing and Supervising the Transfer of Operative Land Use Rights Through Tenders, Bidding and Public Auction" (《關于繼續開展經營性土地使用權招標拍賣挂牌情况執法監察工作的通知》), which expressly required that after August 31, 2004, no land use rights transfer in the form of agreement by the excuse of historical difficulties will be allowed.

On May 30, 2006, MLR issued the "Urgent Notice of Further Strengthening the Administration of the Land" (the "Urgent Notice") (《關於當前進一步從嚴土地管理的緊急通知》) stipulating that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale, development projects for villas should not be permitted, and all supply of land for such purposes and the handling of related land use procedure will be ceased from the issuance date of the notice.

Under the Urgent Notice, the land authority should rigidly apply the "Model Text of the State- owned Land Use Rights Assignment Contract" (《國有土地使用權出讓合同示範文本》) and "Model Text of the State-owned Land Use Rights Assignment Supplementary Agreement (for Trial Implementation)" (《國有土地使用權出讓合同補充協議示範文本(試行)》) jointly enacted by MLR and SAIC. The document of the land grant should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land use rights grant contract. On May 30, 2008, MLR and SAIC jointly issued the Notice on Distribution of Model Text of the State-owned Land for Construction Use Rights Assignment Contract ("Model Text of Contract") (《關於發佈《國有建設用地使用權出讓合同》示範文本的通知》). The Notice replaces the Model Text of the State-owned Land Use Right Assignment Contract and Model Text of the State-owned Land Use Rights Assignment Supplementary Agreement (for Trail Implementation) aforesaid with the new Model Text of Contract enclosed in the Notice.

Under the "Regulations on the Assignment of State-owned Land for Construction Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (《招標拍賣掛牌出讓國有建設用地使用權規定》) enacted by MLR on September 28, 2007, and enforced on November 1, 2007, land for industrial use (including land for warehouses, but not including land for mining), commercial use, tourism, entertainment and commodity housing development or more than two competing users on one piece of land shall be assigned by way of competitive bidding, public auction or listing-for-sale. The assignee should obtain the land use rights certificate after paying off the total premium. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land premium, and no land use rights certificates will be issued pro rata based on partial payment received.

In November 2009, MLR issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement) and the Catalog for Prohibited Land Use Projects (2006 Version Supplement) (《關於印發〈限制用地項目目錄(2006年本增補本)〉和〈禁止用地項目目錄(2006年本增補本)〉的通知》). In this circular, MLR set forth a ceiling for the land granted by local governments for the development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In November 2009, MOF, MLR, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). The notice raises the minimum down-payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, MLR promulgated the Circular on Strengthening Real Estate Land Supply and Supervision (the "Circular") (《關於加強房地產用地供應和監管有關問題的通知》). Under the Circular, the price for a given land grant is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land grant is required to be equal to at least 20% of the applicable minimum land premium. The Circular has made further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal being closed, the down-payment of 50% of the land premium (taking into account any deposits previously paid) shall be paid within one month as of the date of land grant contract, and the remaining fee shall be paid within one year, in accordance with provisions of the land grant contract.

(b) ***Real estate project development***

i. *Commencement of a real estate project and the idle land*

When carrying out the feasibility study for a construction project, a construction company shall make a preliminary application for construction on the relevant site to the land administration authority of the same level as the project approval authority, in accordance with the "Measures for Administration of Examination and Approval for Construction Sites"(《建設用地審查報批管理辦法》) promulgated by MLR in March 1999 and the "Measures for Administration of Preliminary Examination of Construction Project Sites" (《建設項目用地預審管理辦法》) promulgated by MLR in July 2001 and as amended in October 2004 and November, 2008, respectively. After receiving the preliminary application, the land administration authority shall carry out preliminary approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the government, and shall the issue a preliminary approval report in respect of the project site. The land administration authority under the government of the relevant city or county shall sign a land grant contract with the land user and issue an approval for construction site to the construction company.

Under the Urban Real Estate Law, those who have obtained the land use rights through an assignment must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights assignment contract. According to the "Measures on Disposing Idle Land" (《閒置土地處置辦法》) enacted and enforced by MLR on April 28, 1999, land can be defined as idle land under any of the following circumstances:

(A) where development and construction of the land has not commenced within the prescribed time limit without consent from the People's government who approved the use of the land;

(B) where the "Contract on Paid Use of the Right to Use State-owned Land" or the "Approval Letter on Land Used for Construction" has not prescribed the date for commencing the development and construction, the development and construction of the land has not commenced with one year of the date when the "Contract on Paid Use of the Right to Use State-owned Land" became effective or when the administrative department of land issued the "Approval Letter on Land Used for Construction";

(C) where the development and construction of the land has commenced but the area of the development and construction that has commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction has been suspended for a continuous period of one year or more without an approval; or

(D) other circumstances prescribed by laws and regulations.

After a piece of land has been determined to be idle land, the relevant municipal authority will notify the concerned land user and draft a proposal on methods of disposing the idle land, including, but not limited to, extending the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining a new land user by competitive bidding or public auction. The administrative department of land under the People's government at the city or county level shall, after the proposal on disposal has been approved by the original People's government who approved the use of the land, arrange for implementation of the proposal. For land which is obtained by assignment and which is within the scope of city planning, if the work has not commenced after one year from the prescribed date for commencement, a surcharge on idle land equivalent to a maximum of 20% of the assignment price may be levied; if the work has not commenced after two years from the prescribed date for commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure, acts of government or acts of other relevant departments under the government, or by the indispensable preliminary work.

On January 3, 2008, the State Council reiterated the above-mentioned policies in the "Notice on Enhancing the Economical and Intensive Use of Land" (《關於促進節約用地的通知》). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) MLR and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land added price (增值地價) on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any real estate developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

ii. *Planning of a real estate project*

According to the "Urban and Rural Planning Law of the People's Republic of China" (replacing the previous "City Planning Law of the People's Republic of China" (《中華人民共和國城市規劃法》) since January 2008) (《中華人民共和國城鄉規劃法》), the "Administrative Measures on Planning of Grant and Transfer of Urban State-owned Land Use Rights" (《城市國有土地使用權出讓轉讓規劃管理辦法》) enacted by the Ministry of Construction on December 4, 1992 and effective on January 1, 1993 and the "Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant of State-owned Land Use Rights" (《關於加強國有土地使用權出讓規劃管理工作的通知》) enacted by the Ministry of Construction and effective on December 26, 2002, after signing an assignment contract, a real estate developer shall apply for an Opinion on Construction Project's Site Selection if the land was obtained through government allocation and a Permit for Construction Site Planning from the city and county planning authority with the assignment contract. After obtaining a Permit for Construction Site Planning, a real estate developer shall organize the necessary planning and design work with regard to planning and design requirements, and apply for a Permit for Construction Work Planning from the city planning authority with the relevant approval documents.

iii. *Construction of a real estate project*

According to the "Regulations for the Administration of Demolition and Removal of Urban Housing" (《城市房屋拆遷管理條例》), promulgated by the State Council in June 2001, if the demolition and removal of housing needs to proceed before the commencement of construction of the real estate project contemplated, upon obtaining approvals for a construction project, construction plan and state-owned land use rights, a real estate developer may apply to the municipal, district or county government of the place where the real estate is situated for a permit to demolish the existing buildings and remove the debris (a "demolition and removal permit"). Upon granting an approval and issuing a demolition and removal permit, the real estate administration department shall issue a notice to the residents of the buildings to be demolished. The real estate developer undertaking the demolition and removal shall implement the demolition and removal within the area and time period specified in the demolition and removal permit. If the real estate developer undertaking the demolition and removal fails to complete the demolition and removal within the specified time period, it shall, within 15 days prior to the expiry of the permit, apply to the original government department approving such demolition and removal for an extension.

During the demolition and removal period, the real estate developer undertaking the demolition and removal and the residents of the buildings to be demolished shall enter into a written agreement for compensation and resettlement in respect of the demolition and removal. If the parties involved cannot reach an agreement, any concerned party may apply to the original government department approving the demolition and removal for a ruling. Such ruling shall be rendered within 30 days of the application. If any party disagrees with the ruling, it may initiate proceedings in a court within three months after the ruling. Pursuant to PRC laws and regulations, if the real estate developer undertaking the demolition and removal has provided monetary compensation or housing to the residents whose residences were demolished or the owner of the real estate to be demolished has provided monetary compensation or housing to a lessee, the demolition and removal shall not be suspended during the course of the legal proceeding.

Compensation for housing demolition and removal may be effected by way of monetary compensation or exchange for property rights. If the monetary compensation method is used, the amount of compensation shall be assessed based on the real estate market price determined by the location, uses and the gross area of the housing to be demolished. If property right exchange is used, the real estate developer undertaking the demolition and removal and the residents of the buildings to be demolished shall, on the basis of the location, usage and the gross area of the housing to be demolished, calculate the amount of compensation which shall be made for the housing to be demolished, the real estate price of the housing to be exchanged for the housing to be demolished, and work out the difference between the two.

In addition to paying the demolition and removal compensation, the real estate developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

On November 17, 2007, the General Office of the State Council issued the Circular of on Strengthening and Regulating the Administration on Newly-commenced Projects（Guo Ban Fa [2007] No.64）（《國務院辦公廳關於加強和規範新開工項目管理的通知》）, which set forth the conditions that shall be met by various investment projects when they are commenced:

1. the projects are subject to the industrial policies, development and construction plans, land supply policies and market-access criteria of the State;

2. the formalities of approval, ratification or filing of the projects must have been completed;

3. the location and distribution of the projects within the planning area must be in line with urban and rural planning, and relevant planning approval formalities for the projects have gone through in accordance with urban and rural planning law;

4. the approval of use of the land, which is subject to application, must be obtained, the contract of compensated use of the state-owned land shall have been signed or the decision on the allocation of the state-owned land has been obtained, and the land for the construction of profit-making investment projects shall be gained by means of competitive bidding, public auction or listing-for-sale in accordance with relevant provisions;

5. the examination and approval of environmental impact assessment must have been completed in accordance with the provisions on the category administration of environmental impact assessment as well as examinations and approval of environmental impact assessment at different levels;

6. the energy-saving appraisal and examination of the fixed asset investment projects must have been completed in accordance with relevant provisions;

7. the construction unit must have, prior to the commencement of the construction projects, acquired the construction permit or work-start report in accordance with relevant provisions of the Construction Law, and taken specific measures which can guarantee the quality and safety of the construction projects; and

8. the projects must meet other relevant requirements as specified by the laws and regulations of the State.

After obtaining the Permit for Construction Work Planning, a real estate developer shall apply for a Construction Permit from the construction authority above the county level according to the "Measures for the Administration of Construction Permits for Construction Projects" (《建築工程施工許可管理辦法》) enacted by the Ministry of Construction on October 15, 1999 and revised and effective on July 4, 2001.

iv. *Completion of a real estate project*

According to the Development Regulation, the "Regulation on the Quality Management of Construction Projects" (《建設工程質量管理條例》) enacted and enforced by the State Council on January 30, 2000, the "Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the "Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》) enacted by the Ministry of Construction and effective on June 30, 2000, after completion of work for a project, a real estate developer shall apply for the acceptance examination to the property development authority under the People's government on or above the county level and report details of the acceptance examination, upon which the "Record of acceptance examination upon project completion" is issued. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

E. **Real estate transactions**

(a) ***Transfer of real estate***

According to the Urban Real Estate Law and the "Provisions on Administration of Transfer of Urban Real Estate" (《城市房地產轉讓管理規定》) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (i) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; and (ii) if development is to be carried out according to the assignment contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed or in case of a whole land lot development project, construction work has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes. In addition, if the construction of the real property has been completed, the real property should be transferred after the certificate of the housing title is obtained.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights assignment contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original assignment contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights assignment contract or a new land use rights assignment contract shall be signed in order to, *inter alia*, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary power of approval as required under the regulations of the State Council. If the People's government vested with the necessary power of approval approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(b) ***Sale of commodity properties***

Under the "Regulatory Measures on the Sale of Commodity Properties" (《商品房銷售管理辦法》) enacted by the Ministry of Construction on April 4, 2001 and effective June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. *Permit of Pre-completion sale of commodity properties*

According to the Development Regulations and the "Measures for Administration of Pre-completion Sale of Commodity Properties" (the "Pre-completion Sale Measures") (《城市商品房預售管理辦法》) enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004, respectively, the pre-completion sale of commodity properties shall be subject to a permit system, under which a real estate developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building may only be sold before completion provided that: (A) the assignment price has been paid in full for the assignment of the concerned land use rights and a land use rights certificate has been issued; (B) a Permit for Construction Work Planning and a Permit for Construction of Work have been obtained; (C) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (D) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained. In addition, regulations of certain local governments, such as Guangdong and Tianjin, have set forth additional conditions to be satisfied in connection with the application for a pre-completion sale permit.

According to the "Administrative Provisional Measures on the Pre-sale of Commercial Housing in Fujian Province" (the "Pre-sale Measures in Fujian") (《福建省商品房預售管理暫行辦法》) promulgated by the Fujian Provincial Department of Construction on December 14, 2005 and effective on January 1, 2006, the following conditions shall be fulfilled for the pre-sale of commodity properties in Fujian Province: (i) land premium has been paid in full and

State-owned land use rights certificates have been issued; (ii) construction work planning permit and Permit for Construction Work have been obtained; and (iii) the funds invested in the development of the commodity properties put to pre-sale represent 25% or more of the total investment in the project (more than 20% of the total GFA has been completed in line with the design) and the progress of work and delivery dates have been ascertained.

ii. *Management of pre-completion sale proceeds of commodity properties*

According to the Pre-completion Sale Measures, the proceeds obtained by a real estate developer from the advance sale of commodity housing must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administration departments.

iii. *Conditions of the sale of post-completion commodity properties*

Under the "Regulatory Measures on the Sale of Commodity Properties (《商品房銷售管理辦法》)", commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (A) the property development enterprise offering to sell the post-completion properties shall have an enterprise legal person business license and a qualification certificate of a real estate developer; (B) the enterprise has obtained a land use rights certificate or other approval documents of land use; (C) the enterprise has the permit for construction project planning and the permit for construction; (D) the commodity properties have been completed and been inspected and accepted as qualified; (E) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc., have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (G) the property management plan has been completed.

Before the post-completion sale of a commodity building, a real estate developer must submit the Real Estate Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority, for its records.

iv. *Regulations on sale of commodity properties*

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity property, the developer shall sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and recording of the contract for pre-completion sale of commodity property to the relevant administrative departments governing the property and the land administration department of the city or county governments. The property administration departments are supposed to take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices" (《國務院辦公廳轉發建設部與關於做好穩定住房價格工作意見的通知》) on May 9, 2005, there are several regulations concerning sales of commodity properties:

- the buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an advance sale commodity building to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If there are any discrepancies in the name of the applicant for property ownership and the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not record the application of real estate ownership; and

- a real-name system for house purchases should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts for commodity properties.

On July 6, 2006, the Ministry of Construction NDRC and SAIC jointly enacted a "Notice on Reorganizing and Regulating Order in the Real Estate Transactions" (《關於進一步整頓規範房地產交易秩序的通知》), the details of which are as follows:

- the developer should start to sell the commodity properties within 10 days after receiving a "Permit for Pre-completion Sale of Commodity Properties". Without this permit, the pre-completion sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is forbidden;

- the property administration authority should establish an immediate network system for pre-sale contracts for commodity properties and a system for the publication of property transaction information. The basic information of the commodity building, the schedule of the sale and the ownership status should be duly, truly and fully published in the network system and on the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but is still under construction;

- without the "Permit for Pre-completion Sale of Commodity Properties", no advertisement of the pre-completion sale of commodity properties can be published;

- real estate enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-completion sale of commodity properties are not allowed to take part in sale activities; and

- the property administration authority should strictly carry out the regulations for the pre-completion sale contract registration and records and apply the real name system for property purchase.

In April 2010, MOHURD issued the Notice on Issues Relating to the Further Strengthening of Real Estate Market Regulation and Improvement of the Pre-selling System for Commodity Housing (《關於進一步加強房地產用地供應和監管有關問題的通知》), which stipulates: (i) a real estate developer should disclose, within 10 days of the receipt of a pre-sale permit, all the properties approved for pre-sale and the price of each unit, and should sell the properties at prices which are the same as the prices submitted in the pre-sale proposal; and (ii) the plan for pre-completion sale of commodity properties submitted by the real estate developer with provisional qualification certificate when applying for the Permit for Pre-completion Sale of Commodity Properties should identify a body bearing all responsibilities relating to the qualification of the commodity property after the bankruptcy, and such body should submit a letter of guarantee.

(c) ***Mortgages of real estate***

Under the Urban Real Estate Law and the "The Security Law of the People's Republic of China" (《中華人民共和國擔保法》) enacted by the Standing Committee of the National People's Congress on June 30, 1995 and effective on October 1, 1995, and the "Measures on the Administration of Mortgage of Buildings in Urban Areas" (《城市房地產抵押管理辦法》) enacted by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor's rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds of the public auction or listing-for-sale of the concerned properties. The mortgage shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of state-owned land acquired through means of assignment is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the real estate is situated. A real estate mortgage contract shall become effective on the date of conclusion of the real estate mortgage contract. If a mortgage is created on real estate in respect of which a property ownership certificate has been legally obtained, the registration authority shall make an entry under the "third party rights" item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

(d) ***Lease of buildings***

Under the Urban Real Estate Law and the "Measures for Administration of Leases of Buildings in Urban Areas" (《城市房屋租賃管理辦法》) enacted by the Ministry of Construction on May 9, 1995 and enforced on June 1, 1995, the parties to a lease of a building shall enter into a lease contract in writing. A system has been adopted for registering leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated.

F. Real Estate Financing

According to the "Notice of PBOC on Regulating Home Financing Business" (《中國人民銀行關於規範住房金融業務的通知》) promulgated by PBOC in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans or individual commercial flat loans:

- housing development loans from banks shall only be granted to real estate developers with adequate development assets and sufficiently high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of capital no less than 30% of the total investment required of the project, the project itself must have been issued with a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit;

- in respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the "Mortgage Ratio") shall never exceed 80%. Where an individual applies for a home loan for pre-sale, such real estate must have achieved the stage of "topping-out of the main structure completed" for multi-story buildings and "two-thirds of the total investment completed" for high-rise buildings; and

- in respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the relevant commercial flat must have already been completed.

PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" (《關於進一步加強房地產信貸業務管理的通知》) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

(a) the real estate loan by commercial banks to real estate enterprises shall be granted only under the title of "property development loan" and it is strictly forbidden to extend such loans as current capital loan for a property development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the land use rights certificates, construction land planning permit, construction works planning permit and work commencement permit;

(b) commercial banks shall not grant loans to real estate developers to pay off land premiums;

(c) commercial banks shall not advance current capital loans to real estate developers; commercial banks shall not advance loans to real estate developers of which capital is less than 30% of the total investment of the project; and

(d) commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down-payment remains at 20%. In respect of his loan application for the additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the "Guidance on Risk Management of Property Loans of Commercial Banks" (《商業銀行房地產貸款風險管理指引》) issued by CBRC on September 2, 2004, any real estate developer applying for property development loans shall have at least 35% of the capital funds required for the development.

According to the "Notice of PBOC on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit", (《中國人民銀行關於調整商業銀行住房信貸政策和超額儲備金存款利率的通知》) enacted by PBOC on March 16, 2005, effective from

March 17, 2005, the down-payment for individual homes increased from 20% to 30% in cities and areas where real estate prices grow too quickly. The commercial banks can independently determine scope of such real estate price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council passed the "Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices" (《關於調整住房供應結構穩定住房價格的意見》). The regulations provide the following:

(a) the tightening of the control of advancing loan facilities. Commercial banks are not allowed to advance their loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and revolving credit facilities in any form to the real estate developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer; and

(b) from June 1, 2006, purchasers need to pay a minimum of 30% of the purchase price as down-payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20% of the purchase price as down-payment remains unchanged.

On July 22, 2006, CBRC promulgated a Notice on Further Strengthening the Administration of Real Estate Credit (《關於進一步加強房地產信貸管理的通知》). The notice requests (i) improving the credit risk classification system for all kinds of real estate loans; (ii) prohibiting providing loans to disqualified real estate developers whose own capital is less than 35% of the total capital required for the projects (not including affordable housing), or who have not obtained the "four certificates"; (iii) setting the loan term appropriately, and not allowing the provision of working capital loans in the name of property development loans; (iv) strictly restricting new loans for those developers who hoard land or housing and disturb market order; (v) preventing developers from obtaining loans by project split-up or rolling-ahead development strategies; and (vi) enhancing management after providing loans. All financial institutions must provide loans strictly in accordance with the real estate project progress and strengthen overall supervision of the whole process of loan utilization by developers. According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market, foreign-invested real estate enterprises which have not fully paid up their registered capital, or failed to obtain a land use rights certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments will not approve any settlement of foreign loans by such enterprises.

On July 10, 2007, SAFE issued a circular indicating that, for foreign-invested enterprises in the real estate sector, it would not process any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after June 1, 2007. See "— B. Foreign-invested real estate enterprises".

On September 27, 2007, PBOC and CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property" (《關於加強商業性房地產信貸管理的通知》), with a supplement issued in December 2007. The circular aims to tighten the control over real estate loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down-payment where the property has a unit floor area of 90 sq.m. or more and the purchaser is buying the property for their own residence;

- for a second time home buyer, increasing (i) the minimum amount of down-payment to 40% of the purchase price and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second time home buyer;

- for a commercial real estate buyer, (i) requiring banks not to finance any purchase of pre- sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to real estate developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to real estate developers to finance the payment of land use rights grant fees.

On July 29, 2008, PBOC and CBRC issued the "Notice on Promoting Economization of Land Use in Finance" (Yin Fa [2008] No. 214) (《關於金融促進節約集約用地的通知》), under which, commercial banks are prohibited from providing loans (i) for projects that fall within the Catalog for Prohibited Land Use Project (and, if extended, any such loan must be withdrawn gradually); (ii) to real estate developers to finance the payment of land use right grant fees; (iii) to real estate developers that hold idle land for two years and prohibited commercial banks from extending other loans (including asset management business) secured by such idle land to the real estate developers.

In addition, commercial banks are required to be prudent when extending loans for restricted land use projects and when extending loans to the real estate developers where the development and construction of the land has not commenced within the prescribed time in the land grant contract or where the development and construction of the land has commenced but the area of the development and construction that has commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment.

According to the notice on "Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans" (《關於擴大商業性個人住房貸款利率

下浮幅度等有關問題的通知》) issued by PBOC on October 22, 2008 and effective on October 27, 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down-payment ratio of residential properties was lowered to 20%.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》), adopting a series of measures to strengthen and improve the regulation of the real estate market, stabilize market expectations and facilitate the stable and healthy development of the real estate market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of real estate, restrain speculation of real estate, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price. In April 2010, the State Council issued the circular on Restraining the Housing Price from Increasing Rapidly for Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》) which provides the following:

- a household (including the borrower, his or her spouse and any minor children) that borrows a mortgage loan for the purchase of its first residential property, of which the building area is more than 90 sq.m., must make a down-payment of not less than 30% of the purchase price;

- a household that borrows a mortgage loan for the purchase of its second residential property must make a down-payment of not less than 50% of the purchase price and pay a mortgage rate which is not lower than 110% of the benchmark interest rate;

- the down-payment proportion and mortgage rate applicable to the purchase of a household's third residential property or beyond shall be significantly increased at the sole discretion of the commercial banks according to their risk controlling principles;

- in regions where commodity housing prices are too high, have increased too rapidly or where commodity housing is in short supply, commercial banks may suspend the grant of mortgage loans to any third-time (or beyond) home buyers if they deem it appropriate according to the risks involved, and may suspend the grant of mortgage loans to any non-local home buyers who are unable to provide proof of payment of local taxes or social security contributions covering a period of one year or more. Local governments may, based on the circumstances, impose temporary restrictions during a certain period of time on the number of properties that can be purchased; and

- commercial banks are prohibited from providing loans for new development projects to real estate developers who have been found to be leaving their land idle and speculating on land.

Three authorities, including MOHURD, PBOC and CBRC, jointly released the "Circular on Regulating the Criteria for Identifying the Second Residential Property in Connection with Commercial Mortgage Loans" (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》) on May 26, 2010, so as to regulate applicants for commercial housing loans for second houses (hereinafter referred to as the loan applicants). Under the Circular, the number of houses owned by a family in the commercial housing loans for individuals shall be calculated according to number of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children) of the family who plans to purchase a house. The Circular also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in writing. The loan applicant shall provide the credit guarantee in written to prove the actual number of houses owned by his/her family.

G. Insurance of a real estate project

There are no mandatory provisions in PRC law, regulations and government rules which require a real estate developer to take out insurance policies for its real estate projects.

In light of the "Construction Law of the People's Republic of China" (《中華人民共和國建築法》) enacted by the Standing Committee of the National People's Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must maintain accident and casualty insurance for workers engaged in dangerous operations. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" (《關於加強建築意外傷害保險工作的指導意見》) enacted by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance.

Construction companies shall pay the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as real estate risks, third party liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

H. Major taxes applicable to real estate developers

(a) *Income tax*

According to the "Income Tax Law of The People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" (《中華人民共和國外商投資企業和外國企業所得稅法》) enacted by National People's Congress on April 9, 1991 and effective on July 1, 1991 and its detailed rules enacted by the State Council on June 30, 1991, the rate of EIT for foreign-invested enterprises and EIT for entities and premises engaged in production and operation by foreign enterprises in China is 30%, and the rate of local income tax is 3%.

Pursuant to the "Provisional Regulations of the People's Republic of China on EIT" (《中華人民共和國企業所得稅暫行條例》) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and its Implementation Rules enacted by MOF on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises is 33%.

According to the EIT Law (《中華人民共和國企業所得稅法》) enacted by the National People's Congress on March 16, 2007 and effective from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, unlike the Income Tax Law of the People's Republic of China for Enterprise with Foreign investment and Foreign Enterprise currently in effect, which specifically exempts withholding tax on any dividends payable to non-PRC investors, the PRC Enterprise Income Tax Law and its implementation provide that an income tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside, whereupon the relevant tax may be reduced or exempted.

(b) *Business tax*

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" enacted by the State Council on December 13, 1993 and effective on January 1, 1994 as amended on November 10, 2008 and its "Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax" issued by MOF on December 25, 1993 and as amended on December 18, 2008, the tax rate on transfer of immovable properties, their superstructures and attachments is 5%.

(c) ***Land appreciation tax***

According to the requirements of the “Provisional Regulations of The People’s Republic of China on LAT” (the “Land Appreciation Provisional Regulations”) (《中華人民共和國土地增值稅暫行條例》) which was enacted on December 13, 1993 and became effective on January 1, 1994, and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on LAT” (the “Land Appreciation Detailed Implementation Rules”) (《中華人民共和國土地增值稅暫行條例實施細則》) which was enacted and effective on January 27, 1995, any appreciation gained from taxpayer’s transfer of real estate shall be subject to LAT. LAT is set at four different rates: 30% on appreciation not exceeding 50% of the sum of deductible items; 40% on appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on appreciation exceeding 200% of the sum of deductible items. The deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of real estate; and
- other deductible items as specified by the MOF.

According to the requirements of the Land Appreciation Provisional Regulations, the Land Appreciation Detailed Implementation Rules and the Notice issued by the MOF in respect of the “Levy and Exemption of LAT for Development and Transfer Contracts Signed before January 1, 1994” (《關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知》) which was announced by MOF and SAT on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- for ordinary standard residential properties (i.e. residential properties built in accordance with the local standard for general civilian residential properties and not deluxe apartments, villas, resorts etc. where the appreciation amount does not exceed 20% of the sum of deductible items;
- where property taken over and repossessed according to laws due to the construction requirements of the State;
- due to individuals who relocate as a result of redeployment of work or improvement of living standards from originally self-used residential property, but only where they have been living for five years or more, and after obtaining tax authorities’ approval;
- for real estate transfer contracts which were signed before January 1, 1994, whenever the properties are transferred, LAT shall be exempted; and
- if the property development contracts (房地產開發合同) were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred for the first time within five years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. For particular real estate projects approved by the government for the development of the entire piece of land and long-term development, if the properties are transferred for the first time after the five-year tax-free period, after auditing by the local financial and tax authorities, and approval by MOF and SAT, the tax-free period would be appropriately prolonged.

On December 24, 1999, MOF and SAT issued the "Notice in respect of the Extension of the Period for the LAT Exemption Policy (《關於土地增值稅優惠政策延期的通知》)", extending the period for the LAT exemption policy as mentioned in the last bullet above to the end of 2000.

After the issuance of the Land Appreciation Provisional Regulations and the Land Appreciation Detailed Implementation Rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, MOF, SAT, the Ministry of Construction and MLR had separately and jointly issued several notices to restate the following: after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate located, and pay LAT in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

SAT also issued the "Notice issued by SAT in respect of the Serious Handling of Administration Work in relation to the Collection of LAT" (《關於認真做好土地增值稅徵收管理工作的通知》) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, to improve the methods of pre-levying for the pre-sale of real estate. That notice also pointed out that the preferential policy of LAT exemption for first time transfer of properties under property development contracts signed before January 1, 1994 or project proposal that has been approved and for which capital was injected for development is expired, and that such tax shall be levied again.

SAT issued the "Notice of SAT in respect of the Strengthening of Administration Work in relation to the Collection of LAT" (《關於加強土地增值稅管理工作的通知》) on August 2, 2004 and the "Notice of SAT in respect of the Further Strengthening of Administration Work in relation to the Collection of LAT and Land Use Tax in Cities and Towns" (《關於進一步加強城鎮土地使用稅和稅徵收管理工作的通知》) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 expire and such tax shall be levied again. Where such taxes were still not levied, the situation should be immediately rectified. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On March 2, 2006, MOF and SAT issued the "Notice of Certain Issues Regarding LAT". (《 關於土地增值稅若干問題的通知》) The notice clarifies the relevant issues regarding LAT as follows:

(a) *Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties*

The notice sets out the recognized standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties or commercial properties, the value of land appreciation shall be assessed individually. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the People's government of the province, autonomous region or municipality directly under the central government.

(b) *Advance Collection and Settlement of LAT*

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the real estate industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as at the day following the expiration of the prescribed advance collection period.

- As to any real estate project that has been completed and gone through the acceptance procedure, where the floor area of the real estate as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred real estate according to the matching principles regarding the proportion between the income generated from the transfer of real estate and the deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On December 28, 2006, SAT issued the "Notice on the Administration of the Settlement of LAT of Property Development Enterprises" (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) which came into effect on February 1, 2007. The notice sets out further provisions concerning the settlement of LAT by real estate developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled, etc. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

Pursuant to the notice, a real estate developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the real estate developer transfers the whole incomplete development project; or (iii) the land use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (b) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (c) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The notice also indicates that if a real estate developer satisfies any of the following circumstances, the tax authorities will levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book as required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are disorganized or illegible, or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT collection, in May 2009, SAT released the Rules on the Administration of the Settlement of LAT (《土地增值稅清算管理規程》), which became effective on June 1, 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On May 19, 2010, SAT issued the "Circular on Issues Concerning Settlement of LAT" (《關於土地增值稅清算有關問題的通知》) which clarifies the revenue recognition in the settlement of land value-added tax and other relevant issues. According to the Circular, in the settlement of land value-added tax, if the sales invoices of commodity houses are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity houses are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other income. If the area of a commodity house specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey and the purchase price is made up or returned before the settlement of land value-added tax, adjustments shall be made in the calculation of land value-added tax. The Circular provides that the deed tax paid by a property development enterprise for land use right shall be treated as the "relevant fees paid in accordance with the uniform regulations of the state" and be deducted from the "amount paid for land use right."

On May 25, 2010, SAT issued the "Notice on Strengthening of Administration work with respect to the Collection of LAT" (《關於加強土地增值稅徵管工作的通知》) which specifies the advance collection rate of LAT in different regions in China. According to this circular, except for low-income housing, the advance collection rate of LAT should not be less than 2% in provinces of China's eastern region, 1.5% in provinces of China's central and northeastern regions, and 1% in provinces of China's western region. The local government should apply the proper advance collection rate on the basis of the specific property category (regions should be divided in accordance with the relevant documents of the State Council).

According to the "Notice on further strengthening Administration of LAT of Real Estate Development Enterprise in Our Province" (Min Di Shui Fa [2008] No. 64) (《關於進一步加强我省房地產開發企業土地增值税管理的通知》) issued by the Fujian Provincial Local Tax Bureau, which provides that: (i) LAT liabilities are based on a fixed rate, which ranges from 1% to 5% of the proceeds from pre-sales of the properties, depending on the different types of property development project. Regarding the property development which has obviously higher LAT rate, LAT liability will be independently calculated and shall not be less than the average rate; (ii) the settlement project shall be separately levied as ordinary houses, non-ordinary houses and non-residential houses. In addition the taxpayer who violates the rules will be punished accordingly and the settlement projects which shall be settled under the "Notice of SAT on the Administration of the Settlement of LAT of Property Development Enterprises (Guo Shui Fa [2006] No. 187) shall be settled in required period; and (iii) projects which have been completed and sold but with LAT obligations not settled before January 1, 2006, shall be subject to tax according to the pre-levied rate in the appropriate period. Completed projects which have been sold but with LAT obligations not settled before June 30, 2008, shall be subject to tax on 3% of the sale amount. From July 1, 2008, LAT shall be levied on 5% of the sale amount or on the independent pre-levied rate verified by the local tax authority.

(d) ***Deed tax***

Pursuant to the "Interim Regulations of the People's Republic of China on Deed Tax" (《中華人民共和國契税暫行條例》) enacted by the State Council on July 7, 1997 and enforced on October 1, 1997, the transferee, whether an entity or individual, of the title to land or building in the PRC shall pay deed tax. The rate of deed tax is 3% to 5%. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to MOF and SAT for their record.

Pursuant to the "Implementation Measures on' Interim Regulations of the People's Republic of China on Deed Tax' in Fujian Province"(《福建省貫徹〈中華人民共和國契税暫行條例〉實施辦法》) promulgated by the People's Government of Fujian on November 8, 1997, effective on October 1, 1997 and amended on November 7, 2003, the rate of deed tax in Fujian is 3%.

(e) ***Urban land use tax***

Pursuant to the "Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns" (《中華人民共和國城鎮土地使用税暫行條例》) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, the land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax as January 1, 2007 shall be between RMB0.6 and RMB30.0 per sq.m. of urban land, calculated according to the tax rate determined by local tax authorities.

(f) ***Buildings tax***

Under the "Interim Regulations of the People's Republic of China on Buildings Tax" (《中華人民共和國房產税暫行條例》) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986, buildings tax is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

(g) ***Farmland Use Tax***

Pursuant to the "Tentative Provisions on the Farmland Use Tax of the People's Republic of China" (Order of the State Council [2007] No.511)(《中華人民共和國耕地佔用税暫行條例 》) ("Provisions of Farmland Use Tax") enacted by the State Council on December 1, 2007, and the "Detailed Rules for the Implementation of the Tentative Regulations of the People's Republic on Farmland Use Taxes" (Order of MOF and SAT [2008] No. 49) (《中華人民共和國耕地佔用税暫行條例實施細則》) ("Detailed Rules of Farmland Use Taxes") enacted by MOF and SAT on February 26, 2008, farmland use tax is levied according to the actual area occupied by the taxpayer. The average tax rate for farmland use taxation in the various provinces, autonomous regions, and municipalities directly under the central government, shall be determined according to the average tax rate for farmland use set out in the Detailed Rules of

Farmland Use Taxes and the applicable tax rates for county-level administrative districts shall be determined according to the Provisions of Farmland Use Tax, the Detailed Rules of Farmland Use Taxes, and the rulings of the People's governments of the various provinces, autonomous regions, and municipalities directly under the central government.

(h) ***Stamp duty***

Under the "Interim Regulations of the People's Republic of China on Stamp Duty" (《中華人民共和國印花稅暫行條例》) enacted by the State Council on August 6, 1988 and effective on October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty is levied at RMB5 per item.

(i) ***Municipal maintenance tax***

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises" (《關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知》) and the "Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign Invested Freightage Enterprises" (《關於外資投資貨物運輸企業徵免城市維護建設稅和教育費附加問題的批覆》) issued by SAT on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to municipal maintenance tax will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment before December 1, 2010. According to the circular issued by the State Council on October 18, 2010 regarding the Unification of Municipal Maintenance Tax and Education Surcharge towards Foreign and Domestic Enterprises and Individuals 《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》, the Interim Regulations of the PRC on Municipal Maintenance Tax also applies to foreign investment, foreign enterprises and foreign individuals from December 1, 2010.

(j) ***Education surcharge***

Under the "Interim Provisions on Imposition of Education Surcharge" (《徵收教育費附加的暫行規定》) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas" (《國務院關於籌措農村學校辦學經費的通知》). Under the "Supplementary Notice Concerning Imposition of Education Surcharge" (《國務院關於教育費附加徵收問題的補充通知》) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign Invested Freightage Enterprises, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment before December 1, 2010. According to the circular issued by the State Council on October 18, 2010 regarding the Unification of Municipal Maintenance Tax and Education Surcharge towards Foreign and Domestic Enterprises and Individuals《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》, the Interim Provisions on Imposition of Education Surcharge also applies to foreign investment, foreign enterprises and foreign individuals from December 1, 2010.

I. Measures on adjusting the structure of housing supply and stabilizing housing price

The General Office of the State Council enacted the "Circular on Stabilizing Housing Price" (《關於切實穩定住房價格的通知》) on March 26, 2005, requires measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market.

On May 9, 2005, the General Office of the State Council revised the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, the opinion provides:

(a) *Intensifying the planning and control and improving the supply structure of houses*

Where the housing price is growing excessively and where the supply of ordinary commodity houses in the medium or low price range, and economical houses are insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design, such as the height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to not be in compliance with the planning permits will be revoked.

(b) *Intensifying the control over the supply of land and rigorously enforcing the administration of land*

Where the price of land for residential use and residential properties grows too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium- or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing real estate construction is strictly restricted.

(c) *Adjusting the policies of business tax on residential property transfer and strictly regulating the collection and administration of tax*

From June 1, 2005, the business tax on transfer of a residential property by an individual within two years of the purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual who sells two years or more after the purchase is exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

(d) *Rectifying and regulating for an orderly market*

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the "Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices (《關於調整住房供應結構穩定住房價格的意見》)" (the "Opinion") of the Ministry of Construction and other relevant government authorities. The opinion provides the following:

(1) *Adjusting the Housing Supply Structure*

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.

- As at June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities listed on state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(2) *Further adjustments by tax, loan and land policies*

- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.

- Commercial banks are not allowed to advance loan facilities to real estate developers who do not have the required 35% minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate developers who have a lot of idle land and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.

- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential real estate price, land supply will be granted by way of public auction to the real estate developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area property construction will be restricted.

- The relevant authorities will levy a higher surcharge against those real estate developers who have not commenced construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate, without compensation, the land from those real estate developers who have not commenced construction work beyond two years from the commencement date stipulated in construction contract without proper reasons. The relevant authorities will dispose of idle land of those real estate developers who have suspended construction work for one year without approval, who have invested less than one-quarter of the total proposed investment and who have developed less than one-third of the total proposed construction area.

(3) *Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing*

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt "excessive real estate growth triggered by passive means" (被動性住房需求的過快增長).

(4) *Further Rectifying and Regulating the Order of the Real Estate Market*

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit (規劃許可證), construction permit (施工許可證) or permit for pre-sale of commodity properties (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the real estate developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of commodity properties (住房) and to confiscate the land in accordance with the law.

- The property administration authority and the administration of industry and commerce will investigate illegal dealings, such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For real estate developers who deliberately manipulate the supply of commodity housing, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

(5) *Gradually relieving the housing demands for low-income families*

- To expedite the establishment of low-cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(6) *Improving information disclosure system and system for collecting real estate statistics*

On May 30, 2006, MLR published an urgent notice to tighten land administration (《關於當前進一步從嚴土地管理的通知》). In this notice, MLR stressed the local governments should strictly restrict the supply of land for low-density and large-size housing and suspend the supply of land for new villa projects.

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang [2006] No. 165) (《關於落實新建住房結構比例要求的若干意見》) (the "Supplemental Opinion"). The Supplemental Opinion provides the following:

- as at June 1, 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70% of the total construction area must be used for building small apartments a with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality; and

- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a real estate developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit. If the real estate developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006, but that were not granted a construction work permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, PBOC and CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down-payment a property purchase must make before seeking mortgage financing. See " — Legal supervision relating to real estate sector in the PRC — Real estate financing".

(e) ***Implementing restrictions on the payment terms for land use rights***

On September 28, 2007, MLR issued a regulation, which reiterated that real estate developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective November 1, 2007. In November 2009, MOF, MLR, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). The notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

In March 2010, MLR published the Notice on Increasing the Supply of Land for Real Estate Development and the Tightening of Regulation (《關於加強房地產供應和監管有關問題的通知》), which requires: (i) that the minimum land premium payable shall not be less than 70% of the benchmark price for land of the same grade as that of the lot to be granted; (ii) that the competitive bid bond shall not be less than 20% of the minimum land premium; and (iii) that 50% of the total land premium must be paid within one month of the signing of the contract as down-payment with the remainder to be paid by the time agreed in the contract, but in any event no later than one year after the signing of the contract. If a real estate developer fails to pay the land premium when due or is found to be leaving the land idle, hoarding or speculating on land, or to have undertaken land development beyond its capacity or failed to perform its obligations under the land use contract, the relevant municipal or county administrative authority shall prohibit it from participating in any competitive bidding for land within a certain period of time.

Pursuant to the notice on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down-payment ratio of residential properties was lowered to 20%. On October 22, 2008, MOF and SAT issued the "Notice on the Adjustments to Taxation on Real Property Transactions" (《關於調整房地產交易環節稅收政策的通知》), pursuant to which, from November 1, 2008, the rate of deed tax has been reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 sq.m., individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from land value added tax.

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (《關於促進房地產市場健康發展的若干意見》) which aims to, among other things, encourage the consumption of ordinary residential units and support real estate developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and a ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to ‘‘low- to medium-level price’’ or ‘‘small- to medium-sized’’ ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

On December 29, 2008, MOF and SAT issued the “Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties”, (《關於個人住房轉讓營業稅政策的通知》) which reiterates the measures regarding business tax set forth in the above-mentioned Several Opinions on Facilitating the Healthy Development of the Real Estate Market.

On February 14, 2009, the General Office of the Fujian Province Government issued the Several Opinions on Facilitating Healthy Development of Real Estate Market (Min Zheng Ban (2009) No. 25) (《關於促進房地產市場健康發展的若干意見》). These Opinions include: (i) revising the standard of ordinary commercial house; (ii) regarding the mortgages for first time purchases of self-use residences, the lower limit of lending rates can be 70% of benchmark lending rates and the minimum down-payment of the total purchase price can be 20%; (iii) the stamp duty will be temporarily exempted for the selling and purchasing real estate by individual and LAT will be temporarily exempted for the selling real estate by individual. The city and county government may revise and loosen the policy facilitating that the outlanders who purchase the commercial houses and second hand houses apply the local urban residence certificate; (iv) the payment period of land grant fee regarding commercial land use right newly granted through, competitive bidding, public auction or listing-for-sale can be extended to 12 months. With respect to some high-price and large-scale land the payment period may be extended to maximum 18 months. In case regarding the land granted after January 1, 2007 the transferee cannot commerce the construction in time, the period of commencement and completion of construction for project can be extended to extra one year according to the scale of land; (v) the tax relating to development project can be levied by stages or suspended to be levied.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and MOF and SAT jointly issued the “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (《關於調整個人住房轉讓營業稅政策的通知》) to curtail speculation in the real estate market in response to the real estate price rises across the country. Pursuant to the notice, effective from January 1, 2010, business tax is imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

In January 2010, the General Office of the State Council issued the “Circular on Facilitating the Stable and Healthy Development of Property Market” (《關於促進房地產市場平穩健康發展的通知》), adopted a series of measures to strengthen and improve the regulation of the real estate market, stabilize market expectation and facilitate the stable and healthy development of the real estate market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of real estate, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the “Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities” (《國務院關于堅决遏制部分城市房價過快上漲的通知》) which stipulated that down-payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down-payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down-payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans.

Three authorities, including MOHURD, PBOC and CBRC, jointly released the "Circular on Regulating the Criteria for Identifying the Second Residential Property in Connection with Commercial Mortgage Loans" (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》) on May 26, 2010, so as to regulate applicants for commercial housing loans for second properties (hereinafter referred to as the loan applicants). Under the Circular, number of houses owned by a family in the commercial housing loans for individuals shall be calculated according to number of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children) of the family who plans to purchase a house. The Circular also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in writing. The loan applicant shall provide the credit guarantee in written to prove the actual number of houses owned by his/her family.

Legal supervision relating to the property management sector in the PRC

A. ***Foreign-invested real estate management enterprises***

According to the Guidance Catalog, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalog and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign owned enterprise. Before the administration of Industry and Commerce registers a foreign-invested enterprise as a foreign-invested real estate management enterprise, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a "foreign-invested enterprise approval certificate".

B. ***Qualifications of a real estate management enterprise***

According to the "Regulation on Real Estate Management" (《物業管理條例》) enacted by the State Council on June 8, 2003 and effective on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the "Measures for Administration of Qualifications of Real Estate Service Enterprises" (《物業服務企業資質管理辦法》) enacted by the Ministry of Construction on March 17, 2004 and effective on May 1, 2004, as amended on November 26, 2007, a newly established real estate service enterprise shall, within 30 days of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the central government for a grading assessment. The departments of qualification examination and approval will check and issue a "real estate service qualification certificate" corresponding to their grading assessment results.

According to the Measures for the Administration on Qualifications of Real Estate Service Enterprises, real estate service enterprise shall be classified as either class one, class two or class three. The competent construction department of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government is responsible for issuing and administering the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government is responsible for issuing and administering the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the People's government of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualifications may undertake various property service projects. The real estate service enterprises with class two qualifications may undertake the property service business of residential management projects of less than 300,000 sq.m. and non-residential management projects of less than 80,000 sq.m. The real estate service enterprises with class three qualification may undertake the property service business of residential projects of less than 200,000 sq.m. and non-residential projects under 50,000 sq.m.

According to the "Regulation on Real Estate Management" (《物業管理條例》), the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than half of the owners who in the aggregate hold more than 50% of the total private area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

C. ***Employment of a real estate service enterprise***

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who, in aggregate, hold more than 50% of the total private area of the building. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a real estate management enterprise, it shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

Regulation on foreign exchange registration of offshore investment by PRC residents

Pursuant to the "SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles" (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), issued on May 2007, or Circular No. 75 and its implementation rules, issued on October 21, 2005 ("Circular No. 106"), (a) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle, or SPV, for the purpose of overseas equity financing with domestic enterprises assets or equity held by it (including convertible debt financing); (b) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a SPV, or engages in overseas financing after contributing assets or equity interests into a SPV, such PRC resident shall register his or her interest in the SPV and the change thereof with the local branch of SAFE; and (c) when the SPV undergoes a material event which is not related to "round-trip" investment (且不涉及返程投資的) outside the PRC, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days of the occurrence of such event, register such change with the local branch of SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on the PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV.

As a result, under Circular No. 75, if the PRC resident or the SPV described above engages in an overseas offering or otherwise undergoes a material event outside the PRC, such PRC resident and SPV are required to register such change with the local branch of SAFE within 30 days from the occurrence of such offering or event.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this document.

Name	Age	Position
Directors		
Wong Chiu Yeung	44	Chairman of our board and President
Chen Yuanlai	44	Vice Chairman of our board and Executive Director
Cheng Hiu Lok	46	Vice Chairman of our board and Executive Director
Li Wei	40	Executive Director and Executive Vice President
Fung Ka Pun	65	Non-Executive Director
Ting Leung Huel Stephen	57	Independent Non-Executive Director
Lu Hong Te	50	Independent Non-Executive Director
Dai Yiyi	43	Independent Non-Executive Director
Senior Management		
Liu Zhijie	53	Vice President and General Manager of engineering management department
Huang Youquan	42	Vice President
Huang Jing Song	41	Vice President
Bian Yinghua	36	Assistant President
Li Siu Po	42	Financial Controller and Company Secretary
Tang Xiaojuan	37	General Manager of sales and marketing management department
Zheng Quanlou	39	General Manager of design management department
Zhang Haitao	42	General Manager of president office

BOARD OF DIRECTORS

Our board consists of eight directors, comprising four executive directors, one non-executive director and three independent non-executive directors.

Executive Directors

Mr. Wong Chiu Yeung (黃朝陽), aged 44, is one of our founders and the Chairman of our board and President of as well as the Chairman of the Remuneration Committee. He was appointed as our Executive Director on November 30, 2007. He is responsible for formulating business development strategies for our Company and managing the commercial property development and supervising the administration of human resources, financial management, sales and marketing management and design management department of our Company. Since the development of our first real estate project in 1996 (namely Junda Center), Mr. Wong has been involved in all of the projects developed by us, and has 14 years of experience in property development. Mr. Wong is also a member of the National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會), the vice chairman of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會), the guest professor of Nanchang University (南昌大學), the vice chairman of the board of directors of Quanzhou Normal University (泉州師範學院), the chairman of the board of directors of Nan'an Overseas Chinese Middle School (南安華僑中學). Mr. Wong is currently pursuing his EMBA at Xiamen University.

Mr. Chen Yuanlai (陳元來), aged 44, is one of our founders and the Vice Chairman of our board. He was appointed as our Executive Director on August 12, 2009. He is in charge of our project management for all projects in the southern China region. Since the development of our first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by us, and has 14 years of experience in property development. Mr. Chen also has extensive experience in investment management and project management through his involvement in all projects developed by us. He is the director of Fujian Provincial Young Entrepreneurs Association (福建省青年企業家協會) and a member of Fujian Provincial Youth Federation (福建省青年聯合委員會). Mr. Chen was a representative of the Second Session of the People's Congress of Fengze District in Quanzhou (泉州市豐澤區第二屆人民代表大會). Mr. Chen completed the Executive Management Program in Business Administration of Commercial Real Estate Development and Funding, a one year program jointly offered by School of Professional and Continuing Education of Hong Kong University and Fudan University, Shanghai, in May 2008.

Mr. Cheng Hiu Lok (鄭曉樂), aged 46, is one of our founders and the Vice Chairman of our board and the Chairman of Nomination Committee. He was appointed as our Executive Director on August 12, 2009, and is in charge of project management for all projects in northern China region and supervising our construction management. Since the development of our first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by us. Mr. Cheng has 14 years of experience in property development and also has extensive experience in investment management, project management and construction management. Mr. Cheng completed his college education at Fujian Normal University (福建省師範大學) in 1987.

Mr. Li Wei (李維), aged 40, is an Executive Director and the Executive Vice President of our Company, as well as a member of the Nomination Committee. He was appointed as our Executive Director on August 12, 2009. Mr. Li is responsible for the daily operational management and operation plan of our Company, including office of president development, administration and human resources department, management of property management company. Mr. Li was the general manager of the operations department and the credit department of the Xiamen Branch of China Construction Bank before he joined our Company in June 2006. Mr. Li graduated and obtained his bachelor's degree in economics from the Faculty of Banking and Finance of Xiamen University in 1992.

Non-Executive Director

Mr. Fung Ka Pun (馮家彬), aged 65, was appointed as a Non-Executive Director of our Company on January 6, 2010. Mr. Fung is a member of the Association of International Accountants and a member of the Institute of Chartered Secretaries & Administrators. Mr. Fung is also an executive director and vice-chairman of the board of Hao Tian Resources Group Limited (0474) and an independent non-executive director of each of Samling Global Limited (3938), GZI Transport Limited (1052) and Lee Hing Development Co., Ltd (0068). From March 2004 to March 2008, Mr. Fung also acted as an independent non-executive director of Lei Shing Hong Limited, a company previously listed on the Hong Kong Stock Exchange and was privatized by way of a scheme of arrangement in March 2008. Mr. Fung is the founder and chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and corporate finance business. Mr. Fung is also a director of Mateland Holdings Limited, a joint venture partner of the Regent Project of our Company.

Independent Non-Executive Directors

Mr. Ting Leung Huel Stephen (丁良輝), aged 57, MH, FCCA, FCPA (Practising), CTA, ACA, FHKIoD, was appointed as an Independent Non-Executive Director of our Company on January 6, 2010. He is also the Chairman of our Audit Committee and a member of our Remuneration Committee. Mr. Ting is an accountant in public practice and has more than 30 years of experience in this field. Currently, he is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants (Practising). Mr. Ting is also a member of the 9th and 10th Chinese People's Political Consultative Conference, Fujian. Mr. Ting is a non-executive director of Chow Sang Sang Holdings International Limited (0116) and an independent non-executive director of seven other listed companies in Hong Kong, namely Tong Ren Tang Technologies Company Limited (1666), Tongda Group Holdings Limited (0698), Minmetals Resources Limited (1208), JLF Investment Company Limited (0472), Computer and Technologies Holdings Limited (0046), Texhong Textile Group Limited (2678) and Dongyue Group Limited (0189).

Dr. Lu Hong Te (呂鴻德), aged 51, was appointed as an Independent Non-Executive Director of our Company on January 6, 2010, and is also a member of our Audit Committee and Nomination Committee. Dr. Lu obtained a bachelor's degree in industrial management science from National Cheng Kung University in 1983, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Dr. Lu is a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in sales management and business competitive strategies. He also serves as a visiting professor at institutions including SGP International Management Academy, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center. Dr. Lu is an independent non-executive director of Capxon International Electronic Company Limited (0469), ANTA Sports Products Limited (2020) and China Lilang Limited (1234), the shares of which are listed on the Hong Kong Stock Exchange. He is also an independent director of four companies in Taiwan, namely Everlight Chemical Industrial Corporation (1711) and Aiptek International Inc. (6225) which are listed on the Taiwan Stock Exchange and Firich Enterprises Co., Ltd (8076) and Lanner Electronics Inc. (6245), the shares of which are traded in the Gre Tai Securities Market in Taiwan.

Dr. Dai Yiyi (戴亦一), aged 43, was appointed as an Independent Non-Executive Director of our Company on January 6, 2010, and is also a member of our Audit Committee and Remuneration Committee. Dr. Dai is the vice dean and a full-time professor of the Executive Master of Business Administration program of the School of Management of Xiamen University and also serves as an adjunct professor for real estate CEO programs hosted by Tsinghua University and Peking University. From 1997 to 2001, Dr. Dai served as the research secretary, assistant to the dean and vice dean of the Planning and Statistics Department at the School of Economics of Xiamen University. From 2003 to 2007, Dr. Dai served as the deputy head and then the head of the Executive Master of Business Administration program for senior management personnel held by the School of Management of Xiamen University. Dr. Dai was a senior visiting scholar at the School of Management of McGill University (Canada) in 2002 and a senior visiting scholar at Northwestern University (USA) from 2007 to 2008. Dr. Dai has been a consultant with the Fujian Real Estate Association since 2005. Dr. Dai is an independent non-executive director of Mingfa Group (International) Company Limited (0846), a company listed on the Hong Kong Stock Exchange, and is an independent director of Xiamen C&D Inc. and Xiamen International Trade Group Corp., Ltd., which are listed on the Shanghai Stock Exchange, and Fujian Septwolves Industry Co., Ltd. and Guangdong Shirongzhaoye Co., Ltd., which are listed on the Shenzhen Stock Exchange. Dr. Dai graduated from Xiamen University with a bachelor's degree in economics in 1989, and received a doctoral degree in economics from Xiamen University in 1999. He also completed training at the 6th Ford Program of the Sino-American Economics Training Centre of Renmin University of China. Dr. Dai was awarded a certificate as a PRC certified property valuer in 1997.

SENIOR MANAGEMENT

Mr. Liu Zhijie (劉志傑), aged 53, is the Vice President of our Company and the General Manager of our construction department. He joined us in 1998 and is responsible for the engineering management of our Company. Mr. Liu completed his college education in civil engineering at Fujian College of Architecture and Civil Engineering (福建省建築高等專科學校) in 1981. Mr. Liu possesses extensive experience in engineering and construction and cost management.

Mr. Huang Youquan (黃攸權), aged 42, is the Vice President of our Company. He is responsible for the financial management of our Company. Before joining us in 2003, Mr. Huang was the audit manager and assistant to the head of the Xiamen office of Fujian Hongshen Accounting Firm (福建弘審會計師事務所有限公司廈門分公司). Mr. Huang graduated with a bachelor's degree in science from the Faculty of Mathematics of Xiamen University in 1991. He is pursuing his EMBA at the Xiamen University since September 2009. Mr. Huang is a PRC Certified Public Accountant and a member of the Fujian Institute of Certified Public Accountants.

Mr. Huang Jing Song (黃勁松), aged 41, is the Vice President of our Company. He is responsible for managing our commercial properties related work. Before joining our Company in 2010, Mr. Huang was the deputy general manager of Xiamen International Trade Group Corp., Ltd. (廈門國貿集團股份有限公司) and the general manager of Xiamen International Motors Co., Ltd. (廈門國貿汽車股份有限公司). Mr. Huang graduated from the Faculty of International Trade in Xiamen University and obtained his master's degree of business administration from the Singapore National University in 2002. Mr. Huang has more than 19 years of experience in enterprises management.

Mr. Bian Yinghua (卞應華), aged 36, is the Assistant President of our Company and the General Manager of Xiamen Branch. Before joining our Company in September 2007, Mr. Bian was the deputy head of the strategic development department of China Ocean Shipping (Group) Company. Mr. Bian graduated with a bachelor's degree in engineering from the Faculty of Civil Engineering of Dalian University of Technology (大連理工大學) in 1996.

Mr. Li Siu Po (李少波), aged 42, is our Financial Controller and Company Secretary. He is responsible for the financial reporting, investor relations and company secretarial work of our Company. Before joining our Company in January 2008, Mr. Li was a manager at one of the leading international accounting firms. Mr. Li graduated from Hong Kong Polytechnic University with a bachelor's degree in accounting in 1994. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Li has extensive experience in financial management and auditing.

Ms. Tang Xiaojuan (湯筱娟), aged 37, is the General Manager of our marketing department and the General Manager of commercial property management company. She is responsible for managing the sales and marketing functions of our Company, as well as for customer services and commercial property management related work. Prior to joining our Company in 2002, Ms. Tang served as the office manager of Xiamen Yong Hong Ji Real Estate Development Company Limited (廈門永宏基房地產開發有限公司). Ms. Tang graduated and obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics (江西財經學院) in1994.

Mr. Zheng Quanlou (鄭全樓), aged 39, is the General Manager of our design department. He is responsible for design management related work. Before joining our Company in November 1998, Mr. Zheng was the on-site manager of Quanzhou Dong Hai Development Company Limited (泉州市東海開發有限公司). Mr. Zheng completed his college education in construction engineering at Fujian College of Architecture and Civil Engineering (福建省建築高等專科學校) in 1992 and obtained his bachelor's degree from Faculty of Civil

Engineering of Fujian Agriculture and Forestry University in 2009. Mr. Zheng is a PRC Registered Cost Engineer, and serves as an expert of bid evaluation of construction project in Quanzhou since 2006. Mr. Zheng is currently attending an Executive Master of Business Administration course in Xiamen University.

Ms. Zhang Haitao (張海濤), aged 42, is the General Manager of our president office. She is responsible for audit functions, legal affairs, and strategic development of our Company. Before joining our Company in January 2007, Ms. Zhang was a senior manager of Xiamen Tianjian Huatian Accounting Firm (廈門天健華天會計師事務所). Ms. Zhang graduated with a bachelor's degree in economics from the Faculty of Accounting of Xiamen University in 1990. Ms. Zhang is a PRC Certified Public Accountant and a senior accountant with extensive auditing experience.

COMPANY SECRETARY

Mr. Li Siu Po (李少波), a member of our senior management, is the Financial Controller and Company Secretary of our Company. Detailed information of Mr. Li is set forth in "— Senior Management".

BOARD COMMITTEES

Audit Committee

We have established an audit committee pursuant to a resolution of our directors passed on January 6, 2010. The audit committee consists of three Independent Non-Executive Directors, namely Ting Leung Huel Stephen, an Independent Non-Executive Director with the appropriate professional qualifications who shall serve as chairman of the committee, Lu Hong Te and Dai Yiyi. The primary duties of the audit committee are to assist our board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as assigned by our board.

Remuneration Committee

We have established a remuneration committee pursuant to a resolution of our directors passed on January 6, 2010. The remuneration committee consists of two Independent Non-Executive Directors, namely Ting Leung Huel Stephen and Dai Yiyi, and one Executive Director, namely Wong Chiu Yeung, who is the chairman of the remuneration committee. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our directors and senior management and evaluate and make recommendations on employee benefit arrangements.

Nomination Committee

We have established a nomination committee pursuant to a resolution of our directors passed on January 6, 2010. The nomination committee consists of one Independent Non-Executive Director, namely Lu Hong Te, and two Executive Directors, namely Cheng Hiu Lok, who is the chairman of the nomination committee, and Li Wei. The primary function of the nomination committee is to make recommendations to our board on the appointment and removal of directors of our Company.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at September 30, 2010, the interests and short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in ordinary shares of the Company:

	Interest in shares			
Name of director	**Personal interest**	**Interest of controlled corporation**	**Number of shares held**	**Approximate percentage of the Company's issue share capital**
Mr. Wong Chiu Yeung ("Mr. Wong")	1,000,000	1,640,000,000(1)	1,641,000,000	57.51
Mr. Chen Yuanlai ("Mr. Chen")	—	120,000,000(2)	120,000,000	4.21
Mr. Cheng Hiu Lok ("Mr. Cheng")	—	120,000,000(3)	120,000,000	4.21
Mr. Fung Ka Pun ("Mr. Fung")	—	12,380,000(4)	12,380,000	0.43

Notes:

(1) These 1,640,000,000 shares are registered in the name of Newup. Mr. Wong holds 100% of the entire issued share capital of Newup and is deemed to be interested in the 1,640,000,000 shares held by Newup pursuant to the SFO.

(2) These 120,000,000 shares are registered in the name of Rising Trade Holdings Limited. Mr. Chen holds 100% of the entire issued share capital of Rising Trade Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Rising Trade Holdings Limited pursuant to the SFO.

(3) These 120,000,000 shares are registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng holds 100% of the entire issued share capital of Wealthy Gate Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

(4) These 12,380,000 shares are registered in the name of Goodwill International (Holdings) Limited of which 2,600,000 shares are held in trust of the K P Fung Family Trust, a discretionary trust set up by Mr. Fung. 19% and 25.44% of the entire issued share capital of Goodwill International (Holdings) Limited is directly and indirectly owned by Mr. Fung, respectively. As such, he is deemed to be interested in all these shares held by Goodwill International (Holdings) Limited, as to 9,780,000 shares as interest of controlled corporation and as to 2,600,000 shares as founder of a discretionary trust.

Save as disclosed above, as at September 30, 2010, none of the directors or chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

We have conditionally adopted a share option scheme on January 6, 2010 ("Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives to our employees including our Executive Directors and Non-Executive Directors and Independent Non-Executive Directors (each a "Participant"). Our board of directors may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme is the highest of:

- the closing price of the shares of the Company on the Hong Kong Stock Exchange on the business day on which an offer is made to a participant;

- the average of the closing prices of the shares on the Hong Kong Stock Exchange for the five business days immediately preceding the date on which such offer is made; and

- the nominal value of the shares of the Company.

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. If shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including both exercised, cancelled and outstanding) to a Participant who is a substantial shareholder or an independent non-executive director of the Company in any 12-month period, (i) represent in aggregate over 0.1% of the total number of shares in issue and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5 million (or such higher amount as may from time to time be specified by the Hong Kong Stock Exchange), the proposed grant of option must be approved by our shareholders in poll in a general meeting.

The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. At the time of grant of the options, our Company may specify any minimum period(s) for which an option must be held before it can be exercised.

As at the date of this document, no share options have been granted under the Share Option Scheme.

PRINCIPAL SHAREHOLDERS

The register of substantial shareholders required to be kept by the Company under Section 336 of Part XV of the SFO shows that as at September 30, 2010, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the directors and chief executive of the Company.

Name of shareholders	Capacity	Long/short position	Number of ordinary shares held	Percentage in the Company's issued share capital
Newup Limited[(1)]	Beneficial owner	Long	1,640,000,000	57.5%

Note:

(1) Newup is wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong is deemed to be interested in the shares held by Newup. Mr. Wong is the sole director of Newup.

Save as disclosed above, as at September 30, 2010, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

RELATED PARTY TRANSACTIONS

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between our members and its related parties during the two years ended December 31, 2008 and 2009 and the nine months ended September 30, 2010.

(a) Material transactions with related parties:

	Year ended December 31,		Nine months ended September 30,
	2008	2009	2010
	RMB '000	RMB '000	RMB '000
Sale of properties to:			
Directors[1]	—	1,171	3,246
Family members of the directors[1]	4,319	3,910	12,337
Rental income from companies controlled by Mr. Wong[2]	1,283	1,633	1,320
Property management fee income from companies controlled by Mr. Wong[2]	220	246	185
Interest expenses on loans from companies controlled by Mr. Wong[3]	16,890	25,021	—
Sales agency fees paid to an associate[4]	—	13,267	4,753

Notes:

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

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

(3) The interest expenses were charged at rates ranging from 2.68% to 5.40% (2008: from 2.36% to 8.22%) per annum.

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

(b) During the year ended December 31, 2009, we provided financial guarantees with an aggregate amount of RMB75 million (2008: RMB135.5 million) to certain banks for securing the loan facilities granted to certain companies controlled by Mr. Wong.

(c) Due from / to related parties

	As of December 31,		As of September 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Due from related parties:			
Directors:			
Mr. Cheng	30,231	—	—
Mr. Chen	2,593	589	—
Companies controlled by:			
Mr. Wong	20,606	2,688	1,519
Mr. Chen	676	—	—
Mr. Cheng	22	—	—
Jointly-controlled entities	11,719	11,728	11,489
An associate	60,222	157,804	191,603
Due from the immediate holding company	—	—	—
	126,069	172,809	204,611
Due to related parties			
Directors:			
Mr. Wong	258,960	196	—
Companies controlled by Mr. Wong	79,480	—	—
Jointly-controlled entities	—	142,975	83,336
An associate	30,000	88,095	15,369
	368,440	231,266	98,705

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.

Further details of the compensation of our key management personnel are set out in note 9 to the financial statements.

To fund our existing real estate projects and to finance our working capital requirements, we have borrowed money from various banks and other third parties. As of September 30, 2010, our total borrowings were RMB2,410.7 million in outstanding principal amount. We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

PRC Bank Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily China Construction Bank and Agricultural Bank of China. These loans are typically secured project or secured working capital loans to finance the construction of our projects and generally have terms ranging from 1 year to 3 years, which, in the case of project loans, generally correspond to the construction periods of the particular projects. As of September 30, 2010, the balance of our PRC bank loans was RMB2,359.6 million.

Interest

The principal amounts outstanding under the loans generally bear interest at floating rates calculated by reference to PBOC's benchmark interest rate per annum. Floating interest rates generally are subject to periodic review by the banks. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these loans, many of our subsidiary borrowers have agreed, among other things, to restrictions on taking the following actions without first obtaining the lenders' prior consent:

- creating encumbrances on their properties or assets;
- granting guarantees to third parties;
- making major changes to their corporate structures, such as entering into joint ventures, mergers or acquisitions and reorganizations or making other changes to the company's status, such as by liquidation or dissolution;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets;
- incurring other indebtedness; and
- paying dividends.

Guarantee and security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the PRC bank loans pursuant to which these subsidiaries and associates have guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over the land use rights for the projects.

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks creating mortgages on our real estate.

2010 Hang Seng Term Loan Facility

On January 18, 2010, our wholly owned subsidiary, Bohai International Investment Limited ("BIIL"), entered into a facility agreement with Hang Seng Bank Limited ("HSB") that provides for a HK$50 million term loan. The proceeds of the facility are to be used for working capital purposes.

Interest

Interest for each interest period accrues at a rate of 2.5% per annum over the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate as selected by BIIL.

Maturity and Prepayment

The term loan is repayable in 5 half-yearly installments with January 21, 2013 as the final maturity date, subject to the bank's right to request repayment on demand. BIIL has the right to prepay all or part of the loans, with a prepayment fee of 0.5% on the amount prepaid on 30 business days' notice.

Guarantee and Security

Certain of our subsidiaries have entered into guarantee agreements with HSB guaranteeing BIIL's performance of its obligations under the facility agreement.

The following share mortgage and share pledge were entered to secure repayment of the term loan:

- our subsidiary, Dragon Tale Investments Limited entered into share mortgage over the entire issued share capital of BIIL in favor of HSB.

- BIIL entered into share pledge over the entire issued share capital of Beijing Jinghui Real Estate Development Co., Ltd. in favor of HSB.

Covenants

Pursuant to the facility agreement, we agreed to the following financial covenants:

- the Company shall maintain consolidated equity with the bank of not less than RMB1,200 million.

- the ratio of "Total Interest Bearing Debt minus Cash" to "Total Equity plus Non-Redeemable Preference Shares and Minority Interest" shall not at any time be more than 1:1.

Events of Default

The share mortgage and share pledge contain certain customary events of default, including non-payment, cross default, insolvency and breaches of the terms of the security documents. Upon the occurrence of an event of default, all amounts (including principal and interest) due or owing to HSB shall, without any demand, become immediately due and payable.

2009 Hang Seng Bank (China) Limited, Beijing Branch Term Loan Facility

On September 28, 2009, our wholly owned subsidiary, Beijing Jinghui Real Estate Development Co. Ltd. entered into a facility agreement with Hang Seng Bank (China) Limited, Beijing Branch that provides for a RMB315 million term loan. The proceeds of the facility are to be used for repayment of another loan.

Interest

The principal amount outstanding under the loan bears interest at floating rates calculated by reference to PBOC's benchmark interest rate for three to five years' loan per annum.

Maturity and Prepayment

The term loan is repayable in 17 quarterly installments with the first installment due the first anniversary of the facility agreement. The borrower has the right to prepay all or part of the loan on 30 days' notice and with a prepayment fee of (a) 0.5% on the amount prepaid if prepayment is made within three years; or (b) 0.3% if prepayment is made within four years, from the date of the facility agreement.

Guarantee, Security and Covenants

We and our subsidiary, Dragon Tale Investments Limited, have entered into guarantee agreements with Hang Seng Bank (China) Limited, Beijing Branch guaranteeing the borrower's performance of its obligations under the facility agreement. The borrower's obligations are further secured by mortgages over our real estates. In addition, the borrower is prohibited from [paying [any] dividends] while the loan is outstanding unless getting written consent from the lender.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of September 30, 2010, the aggregate outstanding amount guaranteed was RMB1,164.1 million.

INDEX TO FINANCIAL INFORMATION

The following is the reproduction of the accountants' report from Ernst & Young, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in the prospectus of the Company dated January 25, 2010, in connection with the initial public offering and listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, which has not been specifically prepared for inclusion in this offering circular.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

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 (unaudited)	RMB'000
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
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
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

	Notes	As at 31 December 2006	2007	2008	As at 30 September 2009
		RMB'000	RMB'000	RMB'000	RMB'000
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		As at 30 September
		2007	2008	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 (note 34)	RMB'000 (note 34)	RMB'000 (note 35(b))	RMB'000 (note 35(c))	RMB'000 (note 35(d))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)
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

	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
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
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)

	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
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)
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

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	
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
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

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 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
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.

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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):

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

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
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 2006	2007	2008	As at 30 September 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 2006	2007	2008	Nine months ended 30 September 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	RMB'000
				(unaudited)	
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

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 following is the reproduction of the Company's audited consolidated financial statements together with the independent auditor's report in the Company's 2009 Annual Report. References to page number refer to the original page number of the 2009 Annual Report.

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of China SCE Property Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of China SCE Property Holdings Limited set out on pages 45 to 122, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

15 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009	2008
		RMB'000	RMB'000
REVENUE	6	586,463	331,179
Cost of sales		(292,804)	(203,335)
Gross profit		293,659	127,844
Other income and gains	6	16,039	6,962
Changes in fair value of investment properties	16	371,613	211,366
Selling and marketing expenses		(38,955)	(27,143)
Administrative expenses		(91,197)	(64,883)
Other expenses		(137)	(247)
Finance costs	7	(5,642)	(3,324)
Share of profits and losses of:			
Jointly-controlled entities		(1,598)	(4,697)
Associates		(3,095)	(4,413)
PROFIT BEFORE TAX	8	540,687	241,465
Income tax expense	11	(178,996)	(75,606)
PROFIT FOR THE YEAR		361,691	165,859
OTHER COMPREHENSIVE INCOME/(LOSS):			
Share of other comprehensive income of jointly-controlled entities		12	649
Exchange differences on translation of foreign operations		(5,793)	34,637
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(5,781)	35,286
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		355,910	201,145
Profit/(loss) attributable to:			
Owners of the parent	12	373,434	168,458
Minority interests		(11,743)	(2,599)
		361,691	165,859
Total comprehensive income/(loss) attributable to:			
Owners of the parent		367,653	199,135
Minority interests		(11,743)	2,010
		355,910	201,145
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
		RMB	RMB
Basic and diluted		17.9 cents	8.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009	2008
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment	15	76,279	71,500
Investment properties	16	1,296,000	882,000
Prepaid land lease payments	17	2,170,371	760,388
Intangible asset	18	4,819	—
Properties under development	19	354,620	308,496
Interests in jointly-controlled entities	21	156,218	123,194
Interests in associates	22	6,128	11,489
Prepayments	25	154,976	508,040
Deferred tax assets	32	82,449	20,808
Total non-current assets		4,301,860	2,685,915
CURRENT ASSETS			
Properties under development	19	2,052,276	1,370,435
Completed properties held for sale	23	1,131,664	803,671
Trade receivables	24	22,144	4,597
Prepayments, deposits and other receivables	25	326,140	142,639
Due from related parties	26	172,809	126,069
Tax recoverable		93,796	90,353
Restricted cash	27	115,325	83,410
Cash and cash equivalents	27	489,480	59,679
Total current assets		4,403,634	2,680,853
CURRENT LIABILITIES			
Trade payables	28	307,534	436,578
Receipts in advance	29	2,994,693	1,898,011
Other payables and accruals	30	487,097	618,142
Interest-bearing bank and other borrowings	31	567,037	1,009,425
Due to related parties	26	231,266	368,440
Tax payable		74,075	29,048
Total current liabilities		4,661,702	4,359,644
NET CURRENT LIABILITIES		(258,068)	(1,678,791)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2009

	Notes	2009	2008
		RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		4,043,792	1,007,124
NON-CURRENT LIABILITIES			
Other payables	30	2,240	2,479
Interest-bearing bank and other borrowings	31	1,539,028	344,493
Deferred tax liabilities	32	186,498	86,225
Provision for major overhauls	33	3,800	—
Total non-current liabilities		1,731,566	433,197
Net assets		2,312,226	573,927
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	11	10
Reserves	35(a)	1,509,364	457,493
		1,509,375	457,503
Minority interests		802,851	116,424
Total equity		2,312,226	573,927

Wong Chiu Yeung
Director

Li Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to owners of the parent										
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Merger reserve	Other reserve	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	RMB'000
	(note 34)	(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 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 year	—	—	—	—	—	12	(5,793)	373,434	367,653	(11,743)	355,910
Issue of shares	1	682,675	—	—	—	—	—	—	682,676	—	682,676
Share issue expenses	—	(687)	—	—	—	—	—	—	(687)	—	(687)
Deregistration of subsidiaries	—	—	—	(10,270)	—	—	—	10,270	—	—	—
Transfer to statutory surplus reserve	—	—	—	28,894	—	—	—	(28,894)	—	—	—
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 31 December 2009	11	681,988*	5,693*	72,759*	30*	3,511*	70,093*	675,290*	1,509,375	802,851	2,312,226

* These reserve accounts comprise the consolidated reserves of RMB1,509,364,000 (2008: RMB457,493,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009	2008
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		540,687	241,465
Adjustments for:			
Finance costs	7	5,642	3,324
Share of profits and losses of:			
Jointly-controlled entities		1,598	4,697
Associates		3,095	4,413
Interest income	6	(2,778)	(2,144)
Write-off of items of property and equipment	8	11	89
Loss on disposal of a subsidiary	8	—	158
Loss on disposal of items of property and equipment, net	8	126	—
Excess over the cost of a business combination	6	—	(4,527)
Depreciation	8	7,157	5,272
Amortisation of prepaid land lease payments	8	22,240	11,423
Changes in fair value of investment properties	16	(371,613)	(211,366)
Amortisation of an intangible asset	8	42	—
		206,207	52,804
Additions to prepaid land lease payments	17	(815,933)	(145,071)
Decrease in properties under development		139,946	198,006
Increase in completed properties held for sale		(299,127)	(593,038)
Increase in trade receivables		(17,547)	(4,295)
Decrease/(increase) in prepayments, deposits and other receivables		690,204	(65,922)
Decrease/(increase) in amounts due from related parties		2,702	(3,103)
Increase/(decrease) in trade payables		(131,387)	72,321
Increase in receipts in advance		1,096,502	210,742
Increase in other payables and accruals		40,935	59,905
Increase in provision for major overhauls	33	880	—
Cash generated from/(used in) operations		913,382	(217,651)
Interest received		2,778	2,144
Interest paid		(104,582)	(84,605)
PRC corporate income tax paid		(44,389)	(43,612)
PRC land appreciation tax paid		(22,254)	(35,493)
Net cash flows from/(used in) operating activities		744,935	(379,217)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2009

	Notes	2009	2008
		RMB'000	RMB'000
Net cash flows from/(used in) operating activities		744,935	(379,217)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(3,879)	(17,962)
Additions to investment properties		(42,387)	(138,634)
Proceeds from disposal of items of property and equipment		535	241
Proceeds from disposal of investment properties		—	400
Proceeds from disposal of jointly-controlled entities		5,752	—
Acquisition of jointly-controlled entities		—	(62,040)
Investments in jointly-controlled entities		(58,800)	—
Dividend received from jointly-controlled entities		25,000	—
Acquisition of subsidiaries	36(b)	—	(584)
Disposal of subsidiaries	36(c)	—	1,850
Acquisition of subsidiaries that are not a business	36(a)	(857,107)	—
Decrease in considerations payable for the acquisition of subsidiaries and associates		(236,745)	(98,000)
Decrease in an amount due to a minority shareholder of certain subsidiaries		(3,356)	—
Increase in amounts due from jointly-controlled entities and associates		(97,591)	(66,344)
Decrease/(increase) in restricted cash		140,244	(46,707)
Net cash flows used in investing activities		(1,128,334)	(427,780)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares		681,989	—
New bank and other borrowings		1,824,219	710,157
Repayment of bank and other borrowings		(1,502,082)	(79,029)
Increase/(decrease) in advances from minority shareholders of certain subsidiaries		(101,692)	5,701
Increase/(decrease) in amounts due from/to related parties, net		(89,231)	151,960
Net cash flows from financing activities		813,203	788,789
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		429,804	(18,208)
Cash and cash equivalents at beginning of year		59,679	81,059
Effect of foreign exchange rate changes, net		(3)	(3,172)
CASH AND CASH EQUIVALENTS AT END OF YEAR		489,480	59,679
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	489,480	59,679

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009	2008
		RMB'000	RMB'000
NON-CURRENT ASSET			
Investment in a subsidiary	20	—	—
CURRENT ASSETS			
Prepayments	25	8,137	21
Due from the immediate holding company	26	—	9
Due from subsidiaries	20	659,840	—
Cash and cash equivalents		18	—
Total current assets		667,995	30
CURRENT LIABILITIES			
Due to a subsidiary	20	—	7,327
Other payables and accruals	30	5,580	176
Total current liabilities		5,580	7,503
NET CURRENT ASSETS/(LIABILITIES)		662,415	(7,473)
Net assets/(liabilities)		662,415	(7,473)
EQUITY			
Issued capital	34	11	10
Reserves	35(e)	662,404	(7,483)
Total equity/(net deficiency of assets)		662,415	(7,473)

Wong Chiu Yeung
Director

Li Wei
Director

1. CORPORATE INFORMATION

China SCE Property Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. 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 referred to as the "Group") were principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") during the year.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 February 2010.

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").

2.1 BASIS OF PREPARATION

These financial statements have 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. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. 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 that 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.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method 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 the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition or a disposal of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired or disposed of is recognised as an equity transaction.

2.2 NET CURRENT LIABILITIES

As at 31 December 2009, the current liabilities of the Group exceeded its current assets by approximately RMB258 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 31 December 2009, the Group had unutilised credit facilities from banks of approximately RMB11,155 million. Moreover, the Group has successfully obtained approximately RMB270 million interest-bearing bank borrowings subsequent to the year end. In addition, on 5 February 2010, the Company completed its global offering of 600 million ordinary shares of HK$0.10 each at an offer price of HK$2.6 per share and raised total net proceeds of approximately RMB1,322 million.

The directors of the Company are of the opinion that, taking into account the presently available banking facilities, the net proceeds from the Company's global offering, 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 statements have been prepared on a going concern basis.

2.3 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 these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*[1]
HK (IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int14 *Prepayments of a Minimum Funding Requirment*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

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 February 2010

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

5 Effective for annual periods beginning on or after 1 January 2011

6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised), HKFRS 9 and HKAS 27 (Revised) may result in changes in accounting policies, these 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

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 statement 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 profit or loss and other comprehensive income of the consolidated statement of comprehensive income, 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 statement 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 statement 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 profit or loss of 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 profit or loss of 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 the end of each reporting period 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 profit or loss of 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 profit or loss of the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure is capitalised in the carrying amount of the asset 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	over the lease terms
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 financial year end.

An item of property and equipment and any significant part initially recognised 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 profit or loss of 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)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The useful life of an intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is subsequently 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 financial year end.

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 profit or loss of 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 end of the reporting period.

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 end of the reporting period 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 profit or loss of 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 profit or loss of 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 profit or loss of 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 profit or loss of 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.

Revenue is only recognised upon completion of the development. Sales deposits/installments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost 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 within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, amounts due from related parties and trade and other receivables and are classified and accounted for as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss of the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss of the statement of comprehensive income.

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss of the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss of the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial guarantee contracts, amounts due to related parties and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss of the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss of the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. 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 end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 profit or loss of the statement of comprehensive income.

Cash and cash equivalents

For the purpose of the consolidated statement 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 statement 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 end of the reporting period 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 profit or loss of the statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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, associates and interests in joint ventures, 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, associates and interests in joint ventures, 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

Other employee benefits

Pension 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 profit or loss of 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 profit or loss of 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollar while RMB is used as the presentation currency of the financial statements 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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. All differences are taken to profit or loss of the statement 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their profit or loss of the statement of comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss of the statement of comprehensive income.

For the purpose of the consolidated statement 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 statements requires 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 end of the reporting period. 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 statements:

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 the end of each reporting period.

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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, 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 year 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 aged 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 period. 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. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

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 end of the reporting period. 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 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 statements.

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 year, 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 year.

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

	2009	2008
	RMB'000	RMB'000
Revenue		
Sale of properties	564,993	325,217
Property management fees	8,737	4,240
Gross rental income	12,733	1,722
	586,463	331,179
Other income and gains		
Bank interest income	2,778	1,741
Interest income on other receivables	—	403
Excess over the cost of a business combination	—	4,527
Foreign exchange gains, net	7,523	—
Others	5,738	291
	16,039	6,962

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2009	2008
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	78,714	66,557
Interest on bank loans repayable beyond five years	847	1,158
Interest on loans from companies controlled by Mr. Wong Chiu Yeung ("Mr. Wong") (note 41(a)(iii))	25,021	16,890
Increase in a discounted amount of provision for major overhauls arising from the passage of time (note 33)	32	—
Total interest expense on financial liabilities not at fair value through profit or loss	104,614	84,605
Less: Interest capitalised	(98,972)	(81,281)
	5,642	3,324

8. PROFIT BEFORE TAX

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

	Notes	2009	2008
		RMB'000	RMB'000
Cost of properties sold		284,081	199,488
Cost of services provided		8,723	3,847
Depreciation	15	7,157	5,272
Amortisation of prepaid land lease payments	17	22,240	11,423
Amortisation of an intangible asset*	18	42	—
Provision for major overhauls	33	3,800	—
Minimum lease payments under operating leases for land and buildings		2,853	2,871
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		217	13
Auditors' remuneration		1,851	666
Employee benefit expense (including directors' remuneration (note 9)):			
Salaries and other staff costs		31,480	23,965
Pension scheme contributions		1,461	700
Less: Amount capitalised		(5,562)	(10,377)
		27,379	14,288
Foreign exchange differences, net**		(7,523)	1,263
Write-off of items of property and equipment***	15	11	89
Loss on disposal of items of property and equipment***		126	—
Loss on disposal of a subsidiary***		—	158

* The amortisation of an intangible asset for the year is included in "Cost of sales" in the consolidated statement of comprehensive income.

** The amount for the year ended 31 December 2009 included RMB6,852,000 foreign exchange gain released from exchange fluctuation reserve upon the deregistration of a subsidiary during the year.

*** These items are included in "Other expenses" on the face of the consolidated statement of comprehensive income of the Group during the year.

9. DIRECTORS' REMUNERATION

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

	2009	2008
	RMB'000	RMB'000
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	1,193	1,397
Discretionary performance related bonuses	2,162	—
Pension scheme contributions	22	18
	3,377	1,415
	3,377	1,415

(a) Independent non-executive directors

No fee and other emoluments were paid to the independent non-executive directors for the years ended 31 December 2009 and 2008 as they were appointed subsequent to 31 December 2009.

(b) Executive directors and a non-executive director

	Fees	Salaries allowances and benefits in kind	Discretionary performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009					
Executive directors:					
Mr. Wong	—	324	705	—	1,029
Mr. Chen Yuanlai ("Mr. Chen")	—	285	485	11	781
Mr. Cheng Hiu Lok ("Mr. Cheng")	—	324	487	—	811
Mr. Li Wei ("Mr. Li")	—	260	485	11	756
	—	1,193	2,162	22	3,377

	Fees	Salaries allowances and benefits in kind	Discretionary performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008					
Executive directors:					
Mr. Wong	—	360	—	—	360
Mr. Chen	—	322	—	11	333
Mr. Cheng	—	423	—	—	423
Mr. Li	—	292	—	7	299
	—	1,397	—	18	1,415

No fee and other emoluments were paid to the non-executive director for the years ended 31 December 2009 and 2008 as he was appointed subsequent to 31 December 2009.

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

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included four (2008: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2008: two) non-director, highest paid individual for the year are as follows:

	2009	2008
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	928	1,434
Discretionary performance related bonuses	258	—
Pension scheme contributions	11	11
	1,197	1,445

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

	2009	2008
	RMB'000	RMB'000
Nil to RMB500,000	—	1
RMB500,001 to RMB1,000,000	—	—
RMB1,000,001 to RMB1,500,000	1	1
	1	2

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2008: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2009	2008
	RMB'000	RMB'000
Group:		
Current charge for the year:		
PRC CIT	49,934	18,952
PRC LAT	55,368	16,653
	105,302	35,605
Deferred (note 32)	73,694	40,001
Total tax charge for the year	178,996	75,606

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.

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

	2009	2008
	RMB'000	RMB'000
Profit before tax	540,687	241,465
At the statutory/applicable income tax rates of different jurisdictions	136,456	61,928
Lower tax rate for specific cities	(648)	(9,793)
Effect of change in tax rates used for the recognition of deferred taxes	(446)	—
Profits and losses attributable to jointly-controlled entities and associates	986	1,902
Income not subject to tax	(533)	(1,589)
Expenses not deductible for tax	7,144	5,339
Tax losses utilised from previous periods	(190)	(166)
Tax losses not recognised	3,195	286
Tax effect on unrealised profits arising from transactions within the Group	(7,892)	4,681
LAT	55,368	16,653
Tax effect of LAT	(14,444)	(2,998)
Others	—	(637)
Tax expense at the Group's effective rate	178,996	75,606

The share of tax charge in 2009 attributable to jointly-controlled entities and associates amounting to RMB10,412,000 (2008: tax credit of RMB11,413,000) and RMB190,000 (2008: tax credit of RMB559,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" in profit or loss of the consolidated statement of comprehensive income.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a loss of RMB12,113,000 (2008: RMB56,000) which has been dealt with in the financial statements of the Company (note 35(e)).

13. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the current year (2008: Nil).

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,087,406,027 (2008: 2,000,000,000) in issue during the year, as adjusted retrospectively to reflect the capitalisation issue after the reporting period (note 44).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

15. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improve-ments	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009						
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 1 January 2009, net of accumulated depreciation	46,917	3,740	4,524	5,784	10,535	71,500
Additions	—	28	1,108	1,330	1,413	3,879
Acquisition of subsidiaries that are not a business (note 36(a))	—	5,677	1,795	1,257	—	8,729
Transfer	11,948	—	—	—	(11,948)	—
Depreciation	(1,468)	(1,505)	(2,033)	(2,151)	—	(7,157)
Write-off	—	—	(11)	—	—	(11)
Disposals	—	—	(48)	(613)	—	(661)
At 31 December 2009, net of accumulated depreciation	57,397	7,940	5,335	5,607	—	76,279
At 31 December 2009:						
Cost	60,466	13,424	10,775	12,371	—	97,036
Accumulated depreciation	(3,069)	(5,484)	(5,440)	(6,764)	—	(20,757)
Net carrying value	57,397	7,940	5,335	5,607	—	76,279

	Buildings	Leasehold improve-ments	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008						
At 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 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(b))	—	—	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, net of accumulated depreciation	46,917	3,740	4,524	5,784	10,535	71,500
At 31 December 2008:						
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 31 December 2009, certain of the Group's buildings with an aggregate carrying amount of RMB52,454,000 (2008: RMB28,310,000) were pledged to banks to secure the bank loans granted to the Group (note 38).

16. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
At 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(c))	(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	42,387	—	42,387
Net gains from fair value adjustment	371,613	—	371,613
At 31 December 2009	1,296,000	—	1,296,000

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

	2009	2008
	RMB'000	RMB'000
Long term leases	94,000	67,015
Medium term leases	1,202,000	814,985
	1,296,000	882,000

The Group's investment properties were revalued on 31 December 2009 by DTZ Debenham Tie Leung, independent professionally qualified valuers, at RMB1,296,000,000 (2008: RMB882,000,000).

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.

At 31 December 2009, the Group's investment properties with an aggregate carrying amount of RMB1,296,000,000 (2008: RMB838,672,000) 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 Mr. Wong under operating leases, further summary details of which are included in note 39(a).

17. PREPAID LAND LEASE PAYMENTS

	2009	2008
	RMB'000	RMB'000
At beginning of year	771,940	1,315,426
Additions	815,933	145,071
Acquisition of subsidiaries that are not a business (note 36(a))	1,153,107	—
Transfer to properties under development	(498,219)	(676,594)
Amortisation recognised during the year	(22,240)	(11,423)
Exchange realignment	—	(540)
At end of year	2,220,521	771,940
Current portion included in prepayments, deposits and other receivables	(50,150)	(11,552)
Non-current portion	2,170,371	760,388

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

	2009	2008
	RMB'000	RMB'000
Long term leases:		
Mainland China	700,234	751,713
Medium term leases:		
Hong Kong	8,313	8,487
Mainland China	1,511,974	11,740
	1,520,287	20,227
	2,220,521	771,940

At 31 December 2009, certain of the Group's leasehold land with an aggregate carrying amount of RMB1,132,399,000 (2008: RMB230,385,000) were pledged to banks to secure the bank loans granted to the Group (note 38).

18. INTANGIBLE ASSET

	Operating concession	
	2009	2008
	RMB'000	RMB'000
At beginning of year	—	—
Acquisition of subsidiaries that are not a business (note 36(a))	4,861	—
Amortisation recognised during the year	(42)	—
At end of year	4,819	—
Cost	4,861	—
Accumulated amortisation	(42)	—
Net carrying amount	4,819	—

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.

19. PROPERTIES UNDER DEVELOPMENT

	2009	2008
	RMB'000	RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	2,052,276	1,370,435
Beyond normal operating cycle included under non-current assets	354,620	308,496
	2,406,896	1,678,931
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	1,190,918	414,276
After one year	861,358	956,159
	2,052,276	1,370,435

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

At 31 December 2009, certain of the Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of RMB1,928,086,000 (2008: RMB674,896,000) were pledged to banks to secure the bank loans granted to the Group (note 38).

20. INVESTMENT IN SUBSIDIARIES

	Company	
	2009	2008
	RMB	RMB
Unlisted investment, at cost	8	8

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and repayable on demand. The carrying amounts of such balances approximate to their fair values.

Particulars of the principal subsidiaries of the Group are set out below:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
New Bright Construction & Landscape Limited	Hong Kong	HK$100	—	100	Investment holding
South China Property International Limited	Hong Kong	HK$10,000	—	100	Investment holding
Xiamen Zhongjun Industrial Co., Ltd.** (廈門中駿集團有限公司#)	PRC	RMB177,000,000	—	100	Investment holding and trading of construction materials
Xiamen Cippon Tai Wo Property Management Co., Ltd.** (廈門世邦泰和物業管理有限公司#)	PRC	HK$1,500,000	—	100	Property management
Xiamen Rundi Architectural Design Co., Ltd.** (廈門潤地建築設計有限公司#)	PRC	HK$23,000,000	—	100	Construction and interior design
Xiamen Guanjun Aviation Storage Services Co., Ltd.* (廈門冠駿航空倉儲服務有限公司#)	PRC	RMB40,000,000	—	95	Property investment
Xiamen Lucky Star Decoration Engineering Co., Ltd.*** (廈門福斯達裝修工程有限公司#)	PRC	RMB5,000,000	—	100	Interior design and decoration
Xiamen Jinmen Seaview Manor Real Estate Co., Ltd.** (廈門金門海景山莊房地產開發有限公司#)	PRC	HK$20,000,000	—	100	Property development
Tianxia Estate (Xiamen) Develop Co., Ltd.** (天下房地產(厦門)開發有限公司#)	PRC	US$7,000,000	—	100	Property development

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing World City Property Management Co., Ltd.** (北京世界城物業管理有限公司#)	PRC	RMB50,000,000	—	100	Property management
Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd.** (漳州龍文華房地產開發有限公司#)	PRC	RMB30,000,000	—	80	Property development
Beijing Jinghui Real Estate Development Co., Ltd.*** (北京京匯房地產開發有限公司#)	PRC	RMB100,000,000	—	100	Property development
Quanzhou Junjing Real Estate Development Co., Ltd.* (泉州駿景房地產開發有限公司#)	PRC	RMB100,000,000	—	100	Property development
Nanan Junxin Real Estate Development Co., Ltd.* (南安駿信房地產開發有限公司#)	PRC	RMB50,000,000	—	51	Property development
Zhongjun (Quanzhou) Real Estate Development Co., Ltd.* (中駿(泉州)房地產開發有限公司#)	PRC	RMB315,000,000	—	100	Property development
Nanan Huajing Real Estate Development Co., Ltd.* (南安華景房地產開發有限公司#)	PRC	RMB70,000,000	—	100	Property development
Shenzhen Fanya Real Estate Development Co., Ltd.** (深圳泛亞房地產開發有限公司#)	PRC	HK$160,000,000	—	63.2	Property development
Shanxi Yuanhong Real Estate Co., Ltd.* (山西源宏房地產開發有限公司#)	PRC	RMB100,000,000	—	60	Property development
Xiamen Zhongjun Tianfeng Real Estate Co., Ltd.* (廈門中駿天峰房地產有限公司#)	PRC	RMB144,000,000	—	100	Property development
Fujian Straits West-Coast Investment Co., Ltd.* (福建省海峽西岸投資發展有限公司#)	PRC	RMB730,000,000	—	58	Property development

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Quanzhou Straits Sports Center Co., Ltd* (泉州市海峽體育中心有限公司#)	PRC	RMB300,000,000	—	58	Operation and management of sports and recreation facilities

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* 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 no official English names have been registered.

Details of the subsidiaries acquired during the year are set out in note 36(a) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year 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.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	2009	2008
	RMB'000	RMB'000
Share of net assets	169,160	136,136
Due to a jointly-controlled entity	(12,942)	(12,942)
	156,218	123,194

The amount due to a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Well China International Investment Holdings Limited	Ordinary shares of HK$140,000,000	Hong Kong	49(1)	Investment holding
Quanzhou Yuanhang Real Estate Development Co., Ltd.* (泉州遠航房地產開發有限公司#)	Registered capital of RMB90,000,000	PRC	49(1)	Property development and investment
Poly-Wuyi (Hong Kong) Development Limited	Ordinary shares of US$10,000	Hong Kong	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	Property development

* Registered as a limited liability company under the PRC law.

** Registered as a 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 no official English names have been registered.

(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:

	2009	2008
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	120,132	122,618
Current assets	632,194	277,322
Current liabilities	(560,066)	(166,783)
Non-current liabilities	(23,100)	(97,021)
Net assets	169,160	136,136

	2009	2008
	RMB'000	RMB'000
Share of the jointly-controlled entities' results:		
Revenue	63,602	75,470
Other income	738	111
	64,340	75,581
Total expenses	(55,526)	(91,691)
Tax	(10,412)	11,413
Loss after tax	(1,598)	(4,697)

22. INTERESTS IN ASSOCIATES

	2009	2008
	RMB'000	RMB'000
Share of net assets	6,128	11,489

Particulars of the associates are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	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	30	Property development
China Bright Investments Limited	Ordinary shares of HK$100	Hong Kong	20	Investment holding
Grand Richy Investments Limited	Ordinary shares of US$100	BVI	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	Property development

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Xiamen Dayoufu Property Consulting Ltd.** (廈門大友富置業顧問有限公司#)	Registered capital of HK$1,050,000	PRC	20	Property agency

* Registered as a limited liability company under the PRC law.

** Registered as a 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 no official English names have been registered.

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 statements 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:

	2009	2008
	RMB'000	RMB'000
Assets	971,555	636,857
Liabilities	(944,374)	(606,764)
Revenue	17,562	2,425
Loss	(3,743)	(12,360)

23. 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.

At 31 December 2009, certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB3,488,000 (2008: RMB607,862,000) were pledged to banks to secure the bank loans granted to the Group (note 38).

24. TRADE RECEIVABLES

The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

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:

	Group	
	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	17,281	—
1 to 6 months past due	2,319	220
7 to 12 months past due	—	3,949
Over 1 year past due	2,544	428
	22,144	4,597

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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments (note)	383,994	620,322	8,137	21
Deposits	39,635	9,123	—	—
Proceeds receivable from the disposal of jointly-controlled entities	—	5,752	—	—
Other receivables	57,487	15,482	—	—
	481,116	650,679	8,137	21
Non-current portion	(154,976)	(508,040)	—	—
Current portion	326,140	142,639	8,137	21

Note: The balances included prepayments for the acquisition of land use rights in Mainland China amounting to RMB154,976,000 (2008: RMB508,040,000) as at 31 December 2009.

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.

26. DUE FROM/TO RELATED PARTIES

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

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties:				
Directors:				
Mr. Cheng	—	30,231	—	—
Mr. Chen	589	2,593	—	—
Companies controlled by:				
Mr. Wong	2,688	20,606	—	—
Mr. Chen	—	676	—	—
Mr. Cheng	—	22	—	—
Jointly-controlled entities	11,728	11,719	—	—
An associate	157,804	60,222	—	—
Due from the immediate holding company	—	—	—	9
	172,809	126,069	—	9
Due to related parties:				
Director:				
Mr. Wong	196	258,960	—	—
Companies controlled by Mr. Wong	—	79,480	—	—
Jointly-controlled entities	142,975	—	—	—
An associate	88,095	30,000	—	—
	231,266	368,440	—	—

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.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
Cash and bank balances	604,805	143,089
Less: Restricted cash (notes)	(115,325)	(83,410)
Cash and cash equivalents	489,480	59,679

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 2009, such guarantee deposits amounted to RMB1,196,000 (2008: RMB1,459,000).

(b) According to a loan facility agreement signed by a subsidiary of the Group with its bank, the relevant subsidiary was required to place the pre-sale proceeds of its properties in specific bank accounts. The deposits could only be used for the payment of property development costs incurred by that subsidiary and the repayment of the respective loan. The relevant loan was repaid during the year and such deposits amounted to RMB6,837,000 as at 31 December 2008.

(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 2009, such deposits amounted to RMB7,706,000 (2008: RMB9,829,000).

(d) Pursuant to a management agreement entered into between the Sports Bureau and Straits Sports Centre, 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 31 December 2009, such deposit amounted to RMB5,830,000 (2008: Nil).

(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 2009, the aggregate amount of such deposits was RMB100,593,000 (2008: RMB65,285,000).

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB482,982,000 (2008: RMB138,161,000). 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 the end of the reporting period is as follows:

	Group	
	2009	**2008**
	RMB'000	**RMB'000**
Within 1 year	299,075	351,960
Over 1 year	8,459	84,618
	307,534	436,578

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 year.

30. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Notes	2009	2008	2009	2008
		RMB'000	RMB'000	RMB'000	RMB'000
Deposits received		130,737	163,499	—	—
Accruals		13,553	2,636	3,116	176
Due to a minority shareholder of certain subsidiaries	(a)	2,960	6,316	—	—
Advances from minority shareholders of certain subsidiaries	(b)	152,361	127,230	—	—
Considerations payable for the acquisition of subsidiaries and associates		—	236,745	—	—
Other payables		189,726	84,195	2,464	—
		489,337	620,621	5,580	176
Non-current portion		(2,240)	(2,479)	—	—
Current portion		487,097	618,142	5,580	176

Notes:

(a) The balances are secured by certain equity interests of the Group's subsidiaries. The balances are interest-free, except for an amount of RMB2,960,000 at 31 December 2009 (2008: RMB3,440,000) which bore interest at 5.31% per annum, 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

	2009			2008		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans - secured	5.04-6.05	2010	555,000	6.62-10.00	2009	793,500
Current portion of long term bank loans - secured	2.50-6.53	2010	12,037	2.50-8.32	2009	15,318
Loans from companies controlled by Mr. Wong - unsecured			—	2.95-8.22	2009	200,607
			567,037			1,009,425
Non-current						
Bank loans - secured	2.50-6.53	2011-2028	1,539,028	2.50-8.75	2010-2028	344,493
			1,539,028			344,493
			2,106,065			1,353,918

	2009	2008
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	567,037	808,818
In the second year	360,330	14,123
In the third to fifth years, inclusive	1,171,059	318,132
In the sixth to tenth years, inclusive	7,639	12,238
	2,106,065	1,153,311
Loans from companies controlled by Mr. Wong repayable within one year	—	200,607

Notes:

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

(b) At 31 December 2009, Mr. Wong, a family member of Mr. Wong and a company controlled by Mr. Chen provided guarantees aggregating to RMB17,804,000 (2008: RMB226,304,000) in respect of the Group's bank loans.

(c) Except for certain secured bank loans of RMB8,378,000 (2008: RMB8,683,000) as at 31 December 2009 and certain 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 certain short term bank loans of RMB545,000,000 (2008: RMB180,000,000) as at 31 December 2009 and certain 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 year are as follows:

Deferred tax liabilities

Group

	Revaluation on investment properties
	RMB'000
At 1 January 2008	51,545
Disposal of a subsidiary (note 36(c))	(42)
Deferred tax charged to profit or loss of the consolidated statement of comprehensive income during the year	52,841
At 31 December 2008 and 1 January 2009	104,344
Deferred tax charged to profit or loss of the consolidated statement of comprehensive income during the year	92,903
At 31 December 2009	197,247

Deferred tax assets

Group

	Unrealised profits arising from intra-group transactions	Provision of LAT	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	—	3,180	22,907	26,087
Credited/(charged) to profit or loss of the consolidated statement of comprehensive income during the year	6,928	(3,115)	9,027	12,840
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(a))	—	—	35,062	35,062
Credited/(charged) to profit or loss of the consolidated statement of comprehensive income during the year	13,374	10,684	(4,849)	19,209
At 31 December 2009	20,302	10,749	62,147	93,198

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

	2009	2008
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	82,449	20,808
Net deferred tax liabilities recognised in the consolidated statement of financial position	186,498	86,225

At 31 December 2009, the Group has unutilised tax losses arising in the PRC of RMB274,755,000 (2008: RMB149,492,000) 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. At 31 December 2009, the Group did not recognise deferred tax assets arising in the PRC in respect of unutilised tax losses of RMB35,837,000 (2008: RMB17,294,000) 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 Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 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, jointly-controlled entities and associates established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries, jointly-controlled entities and associates will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates in the PRC for which deferred tax liabilities have not been recognised totalled RMB62,379,000 at 31 December 2009 (2008: RMB11,778,000).

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 year are as follows:

	2009	2008
	RMB'000	RMB'000
At beginning of year	—	—
Acquisition of subsidiaries that are not a business (note 36(a))	2,888	—
Additional provisions	880	—
Increase in a discounted amount arising from the passage of time (note 7)	32	—
At end of year	3,800	—

34. SHARE CAPITAL

Shares

	2009	2008
	HK$	HK$
Authorised:		
3,000,000 (2008: 3,000,000) ordinary shares of HK$0.10 each	300,000	300,000
Issued and fully paid:		
112,660 (2008: 100,000) ordinary shares of HK$0.10 each	11,266	10,000
Equivalent to RMB'000	11	10

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 RMB683 million). The Subscription Agreement was completed on 28 August 2009.

A summary of the transactions during the year with reference to the above movement in the Company's issued share capital is as follows:

					RMB Equivalent		
	Number of shares in issue	Issued capital	Share premium account	Total	Issued capital	Share premium account	Total
		HK$'000	HK$'000	HK$'000	RMB'000	RMB'000	RMB'000
At 1 January 2008, 31 December 2008, 1 January 2009	100,000	10	—	10	10	—	10
Issue of shares	12,660	1	775,382	775,383	1	682,675	682,676
	112,660	11	775,382	775,393	11	682,675	682,686
Share issue expenses	—	—	(780)	(780)	—	(687)	(687)
At 31 December 2009	112,660	11	774,602	774,613	11	681,988	681,999

Share options

At the special general meeting held on 6 January 2010, the Company adopted a share option scheme (the "Scheme"). Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 285,320,000 shares will be available for issue under the Scheme, which represented 10% of the aggregate of the shares in issue on the date the shares of the Company commence trading on the Stock Exchange. Each participant cannot be entitled to more than 1% of the total number of shares in issue in any 12-month period. The option shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 5 January 2020. No option has been granted under the Scheme since the adoption of the Scheme.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 48 of the financial statements.

(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 excess of 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 group reorganisation completed in December 2007.

(e) Company

	Note	Share premium account	Exchange fluctuation reserve	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008		—	329	(8,222)	(7,893)
Total comprehensive income/(loss) for the year		—	466	(56)	410
At 31 December 2008		—	795	(8,278)	(7,483)
Total comprehensive income/(loss) for the year		—	12	(12,113)	(12,101)
Issue of shares	34	682,675	—	—	682,675
Share issue expenses	34	(687)	—	—	(687)
At 31 December 2009		681,988	807	(20,391)	662,404

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries that are not a business

Year ended 31 December 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 property 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 transaction, are as follows:

	RMB'000
Net assets acquired:	
Property and equipment (note 15)	8,729
Prepaid land lease payments (note 17)	1,153,107
Properties under development	299,784
Intangible asset (note 18)	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	859,400
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	2,293
Cash consideration paid	(859,400)
	(857,107)

(b) Business combination

Year ended 31 December 2008

(i) On 21 August 2008, the Group acquired the entire share capital of Sourceup International Limited ("Sourceup") from Mr. Huang Jiaxi 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, the Group 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 the 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 15)	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 profit or loss of the consolidated 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.

(c) Disposal of a subsidiary

Year ended 31 December 2008

On 9 July 2008, the Group 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 16)	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

37. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Notes	2009	2008
		RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	(a)	879,213	504,211
Guarantees given to banks in connection with facilities granted to companies controlled by Mr. Wong	(b)	—	255,500

Notes:

(a) As at 31 December 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 of the Company 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 statements 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 statements.

(c) At the end of the reporting period, 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:

	2009	2008
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	339,245	59,614
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	27,867	—

38. PLEDGE OF ASSETS

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

	2009	2008
	RMB'000	RMB'000
Property and equipment (note 15)	52,454	28,310
Investment properties (note 16)	1,296,000	838,672
Prepaid land lease payments (note 17)	1,132,399	230,385
Properties under development (note 19)	1,928,086	674,896
Completed properties held for sale (note 23)	3,488	607,862
	4,412,427	2,380,125

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) 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 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	8,980	1,458
In the second to fifth years, inclusive	134	134
After five years	101	118
	9,215	1,710

(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 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	1,115	695
In the second to fifth years, inclusive	3,119	—
After five years	1,430	—
	5,664	695

40. COMMITMENTS

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

	2009	2008
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, completed properties held for sale and construction of investment and owner-occupied properties in Mainland China	1,332,476	1,110,644

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

	2009	2008
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development	9,564	52,205

At the end of the reporting period, the Company did not have any significant commitments.

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in notes 26, 30 and 31 to the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2009	2008
		RMB'000	RMB'000
Sale of properties to:			
Directors	(i)	1,171	—
Family members of the directors	(i)	3,910	4,319
Rental income from companies controlled by Mr. Wong	(ii)	1,633	1,283
Property management fee income from companies controlled by Mr. Wong	(ii)	246	220
Interest expenses on loans from companies controlled by Mr. Wong	(iii)	25,021	16,890
Sales agency fees paid to an associate	(iv)	13,267	—

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 interest expenses were charged at rates ranging from 2.68% to 5.40% (2008: from 2.36% to 8.22%) per annum.

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

(b) During the year, the Group provided financial guarantees with an aggregate amount of RMB75,000,000 (2008: RMB135,500,000) to certain banks for securing the loan facilities granted to certain companies controlled by Mr. Wong. Further details of the financial guarantees provided to related parties at the end of the reporting period are disclosed in note 37 to the financial statements.

(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 statements.

Except for items (a)(iv) and (c), the above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Company and the Group as at 31 December 2009 and 2008 are loans and receivables and financial liabilities stated at amortised cost, respectively.

43. 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 year 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 board of directors reviews and agrees 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 year. 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 at the end of the reporting period 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
2009		
RMB	150	(23,263)
HK$	150	(126)
RMB	(150)	23,263
HK$	(150)	126
2008		
RMB	150	(12,986)
HK$	150	(260)
RMB	(150)	12,986
HK$	(150)	260

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 the 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 at the end of the reporting period 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
2009		
If US$ weakens against RMB	10%	(7,790)
If US$ strengthens against RMB	(10%)	7,790
2008		
If US$ weakens against RMB	10%	(36)
If US$ strengthens against RMB	(10%)	36

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. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. Customers are required to pay for any remaining balance within a three-month-period after the effective date of the sales and purchase agreement. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 37.

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 the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	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	673,533	439,638	1,230,863	12,936	2,356,970
Trade payables	307,319	215	—	—	307,534
Financial liabilities included in other payables and accruals	342,807	2,240	—	—	345,047
Due to related parties	231,266	—	—	—	231,266
	1,554,925	442,093	1,230,863	12,936	3,240,817
Financial guarantees issued:					
Maximum amount guaranteed	879,213	—	—	—	879,213

	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
Financial guarantees issued:					
Maximum amount guaranteed	759,711	—	—	—	759,711

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to provide support to its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

The Group monitors capital using a net gearing ratio, which is net debt divided by the total equity. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the consolidated statement of financial position) less cash and cash equivalents (including restricted cash). Capital comprises all components of equity (i.e., share capital, minority interests and reserves). The Group aims to maintain a healthy and stable net gearing ratio.

The gearing ratios as at 31 December 2009 and 2008 were as follows:

	2009	2008
	RMB'000	RMB'000
Interest-bearing bank and other borrowings (note 31)	2,106,065	1,353,918
Less: Cash and bank balances (note 27)	(604,805)	(143,089)
Net debt	1,501,260	1,210,829
Total equity	2,312,226	573,927
Gearing ratio	64.9%	211.0%

44. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to a written resolution of shareholders of the Company passed on 6 January 2010, the authorised share capital of the Company was increased from HK$300,000 to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of 9,997,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company and the directors were conditionally authorised to issue and allot 2,253,087,340 shares at par as fully paid to the shareholders whose names appeared on the register of the members of the Company on 1 January 2010 by way of capitalisation of a sum of HK$225,308,734 which was then standing to the credit of the share premium account of the Company.

(b) On 5 February 2010, the Company's shares were listed on the Stock Exchange and the Company issued 600,000,000 new ordinary shares of HK$0.10 each at HK$2.60 per share, raising gross proceeds of HK$1,560,000,000.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue of by the board of directors on 15 April 2010.

ERNST & YOUNG
安 永

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
To the board of directors of China SCE Property Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information of China SCE Property Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages F-127 to F-142, which comprises the condensed consolidated statement of financial position as at 30 September 2010 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended and explanatory notes.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Base on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

[Date]

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2010

	Notes	For the nine months ended 30 September 2010	2009
		(Unaudited) RMB'000	(Audited) RMB'000
REVENUE	4	2,102,663	550,102
Cost of sales		(1,084,626)	(284,642)
Gross profit		1,018,037	265,460
Other income and gains	4	15,172	13,739
Changes in fair value of investment properties		15,000	222,836
Selling and marketing expenses		(58,771)	(22,846)
Administrative expenses		(132,884)	(53,891)
Finance costs	5	(4,026)	(2,368)
Share of profits and losses of:			
Jointly-controlled entities		87,791	2,002
Associates		34,465	(3,317)
PROFIT BEFORE TAX	6	974,784	421,615
Income tax expense	7	(402,032)	(147,883)
PROFIT FOR THE PERIOD		572,752	273,732
OTHER COMPREHENSIVE INCOME/(LOSS):			
Share of other comprehensive income of jointly-controlled entities		123	5
Share of other comprehensive income of associates		2,304	—
Exchange differences on translation of foreign operations		(3,722)	(6,975)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(1,295)	(6,970)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		571,457	266,762
Profit/(loss) attributable to:			
Owners of the parent		603,923	276,994
Non-controlling interests		(31,171)	(3,262)
		572,752	273,732
Total comprehensive income/(loss) attributable to:			
Owners of the parent		599,802	270,055
Non-controlling interests		(28,345)	(3,293)
		571,457	266,762
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
		RMB	RMB
Basic and diluted		21.8 cents	15.8 cents

Details of the dividend declared and paid for the period are disclosed in note 8 to the unaudited interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2010

	Notes	30 September 2010	31 December 2009
		(Unaudited) RMB'000	(Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	10	106,220	76,279
Investment properties		1,311,000	1,296,000
Prepaid land lease payments		2,199,259	2,170,371
Intangible asset		4,694	4,819
Properties under development	10	350,114	354,620
Contract in progress		24,025	—
Interests in jointly-controlled entities		133,898	156,218
Interests in associates		42,898	6,128
Prepayments and deposit		923,068	154,976
Deferred tax assets		92,506	82,449
Total non-current assets		5,187,682	4,301,860
CURRENT ASSETS			
Properties under development	10	4,017,453	2,052,276
Completed properties held for sale		59,786	1,131,664
Trade receivables	11	25,052	22,144
Prepayments, deposits and other receivables		302,810	326,140
Due from related parties		204,611	172,809
Tax recoverable		107,187	93,796
Restricted cash		118,332	115,325
Cash and cash equivalents		1,067,294	489,480
Total current assets		5,902,525	4,403,634
CURRENT LIABILITIES			
Trade payables	12	457,816	307,534
Receipts in advance		2,720,500	2,994,693
Other payables and accruals		486,444	487,097
Interest-bearing bank and other borrowings	13	639,249	567,037
Due to related parties		98,705	231,266
Tax payable		419,854	74,075
Total current liabilities		4,822,568	4,661,702
NET CURRENT ASSETS/(LIABILITIES)		1,079,957	(258,068)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,267,639	4,043,792
NON-CURRENT LIABILITIES			
Other payables		4,998	2,240
Interest-bearing bank and other borrowings	13	1,771,477	1,539,028
Deferred tax liabilities		151,264	186,498
Provision for major overhauls		6,686	3,800
Total non-current liabilities		1,934,425	1,731,566
Net assets		4,333,214	2,312,226
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	250,683	11
Reserves		3,061,216	1,509,364
		3,311,899	1,509,375
Non-controlling interests		1,021,315	802,851
Total equity		4,333,214	2,312,226

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2010

	Attributable to owners of the parent										
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Merger reserve	Other reserves	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	11	681,988*	5,693*	72,759*	30*	3,511*	70,093*	675,290*	1,509,375	802,851	2,312,226
Total comprehensive income for the period	—	—	—	—	—	2,427	(6,548)	603,923	599,802	(28,345)	571,457
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	—	285,832	285,832
Capitalisation of share premium	197,956	(197,956)	—	—	—	—	—	—	—	—	—
Issue of shares	52,716	1,317,900	—	—	—	—	—	—	1,370,616	—	1,370,616
Share issue expenses	—	(52,233)	—	—	—	—	—	—	(52,233)	—	(52,233)
Interim 2010 dividend (Note 8)	—	—	—	—	—	—	—	(99,814)	(99,814)	—	(99,814)
Acquisition of non-controlling interests	—	—	(15,847)	—	—	—	—	—	(15,847)	(39,023)	(54,870)
At 30 September 2010	250,683	1,749,699*	(10,154)*	72,759*	30*	5,938*	63,545*	1,179,399*	3,311,899	1,021,315	4,333,214

* These reserve accounts comprise the consolidated reserves of RMB3,061,216,000 (31 December 2009: RMB1,509,364,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2009

	Attributable to owners of the parent										
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Merger reserve	Other reserves	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000
At 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2010

	For the nine months ended 30 September	
	2010	2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(980,750)	459,038
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(242,837)	(765,830)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,803,813	652,696
NET INCREASE IN CASH AND CASH EQUIVALENTS	580,226	345,904
Cash and cash equivalents at beginning of period	489,480	59,679
Effect of foreign exchange rate changes, net	(2,412)	(3)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,067,294	405,580

1. CORPORATE INFORMATION

China SCE Property Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Company and its subsidiaries (collectively the "Group") are described in note 3 to the unaudited interim condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009 and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by the HKICPA, except that the Group has in the current period applied, for the first time, the following new and revised HKFRSs:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

Apart from the above, the Group has also adopted *Improvements to HKFRSs** issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* *Improvements to HKFRSs* contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The adoption of these new interpretations and amendments has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements, except for the following:

HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

The Group applies the revised standards from 1 January 2010. HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKFRS 3 (Revised) and HKAS 27 (Revised) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3. SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management and construction operations. For management purposes, the property development, property investment businesses and construction operations 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 and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 4 to the unaudited interim condensed consolidated financial statements.

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

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

4. REVENUE, OTHER INCOME AND GAINS

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

	For the nine months ended 30 September	
	2010	**2009**
	(Unaudited) RMB'000	**(Audited) RMB'000**
Revenue		
Sale of properties	2,063,949	535,778
Gross rental income	21,668	8,222
Property management fees	17,046	6,102
	2,102,663	550,102
Other income and gains		
Bank interest income	5,515	1,881
Gain on disposal of items of property and equipment	—	5
Foreign exchange gains, net	1,745	7,738
Others	7,912	4,115
	15,172	13,739

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended 30 September	
	2010	2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	94,110	55,666
Interest on bank loans repayable beyond five years	707	533
Interest on loans from companies controlled by Mr. Wong Chiu Yeung ("Mr. Wong")	—	9,134
Increase in a discounted amount of provision for major overhauls arising from the passage of time	128	—
Total interest expense on financial liabilities not at fair value through profit or loss	94,945	65,333
Less: Interest capitalised	(90,919)	(62,965)
	4,026	2,368

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the nine months ended 30 September	
	2010	2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cost of properties sold	1,069,392	280,345
Cost of services provided	15,234	4,297
Depreciation*	7,013	5,725
Amortisation of prepaid land lease payments*	38,445	12,571
Amortisation of an intangible asset*	125	—
Employee benefit expense (including directors' remuneration):		
Salaries and other staff costs	39,655	15,728
Pension scheme contributions	2,104	663
Less: Amount capitalised	(6,786)	(3,766)
	34,973	12,625
Write-off of items of property and equipment	402	—

* These expenses are included in "Administrative expenses" in profit or loss of the condensed consolidated statement of comprehensive income.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (nine months ended 30 September 2009: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	For the nine months ended 30 September	
	2010	**2009**
	(Unaudited)	**(Audited)**
	RMB'000	**RMB'000**
Group:		
Current charge for the period:		
PRC corporate income tax	215,067	36,565
PRC land appreciation tax	232,256	51,919
	447,323	88,484
Deferred	(45,291)	59,399
Total tax charge for the period	402,032	147,883

The share of tax charge during the period attributable to jointly-controlled entities and associates amounting to RMB[95,411,000] (nine months ended 30 September 2009: RMB9,912,000) and RMB30,282,000 (nine months ended 30 September 2009: tax credit of RMB299,000), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" in profit or loss of the condensed consolidated statement of comprehensive income.

8. DIVIDEND

	For the nine months ended 30 September	
	2010	**2009**
	(Unaudited)	**(Audited)**
	RMB'000	**RMB'000**
Interim dividend, declared and paid of — HK4 cents (nine months ended 30 September 2009: Nil) per ordinary share	99,814	—

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,776,276,923 in issue during the period after taking into consideration of the capitalisation issue upon listing on the Stock Exchange. The weighted average number of ordinary shares in issue for the nine months ended 30 September 2009 has been retrospectively adjusted to 2,031,534,066 for comparison.

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. ADDITIONS TO PROPERTY AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

During the nine months ended 30 September 2010, the Group incurred approximately RMB30,479,000 (nine months ended 30 September 2009: RMB2,079,000) on the acquisition of items of property and equipment.

During the nine months ended 30 September 2010, the Group incurred approximately RMB1,910,733,000 (nine months ended 30 September 2009: RMB222,159,000) on the additions to properties under development.

11. TRADE RECEIVABLES

The Group's trade receivables arise from the sale of properties, the leasing of investment properties and the provision of property management services.

Considerations in respect of properties are payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make monthly/quarterly payments in advance in relation to the leasing of investment properties and the provision of property management services. The Group generally grants a rent-free period of three months to the lessees of the Group's investment properties, extending up to nine months for major customers.

Since the Group's trade receivables relate 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 as at the end of the reporting period is as follows:

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Neither past due nor impaired	15,664	17,281
1 to 6 months past due	8,714	2,319
7 to 12 months past due	674	—
Over 1 year past due	—	2,544
	25,052	22,144

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	444,821	299,075
Over 1 year	12,995	8,459
	457,816	307,534

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2010 (Unaudited)			31 December 2009 (Audited)		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans - secured	2.50-5.84	2010-2011	610,101	5.04-6.05	2010	555,000
Current portion of long term bank loans - secured	2.50-6.05	2010-2011	29,148	2.50-6.53	2010	12,037
			639,249			567,037
Non-current						
Bank loans - secured	2.50-6.05	2011-2014	1,727,077	2.50-6.53	2011-2028	1,539,028
Other loans - secured	10.00	2012	44,400			—
			1,771,477			1,539,028
			2,410,726			2,106,065

	30 September 2010	31 December 2009
	(Unaudited) RMB'000	(Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	639,249	567,037
In the second year	806,000	360,330
In the third to fifth years, inclusive	921,000	1,171,059
Beyond five years	77	7,639
	2,366,326	2,106,065
Other borrowings repayable:		
In the second year	44,400	—
	2,410,726	2,106,065

Notes:

(a) Certain of the Group's bank and other borrowings are secured by the Group's buildings, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 17.

(b) Certain of the Group's bank loans were secured by share charges in respect of the equity interests in subsidiaries of the Group.

(c) At 31 December 2009, Mr. Wong and a family member of Mr. Wong provided guarantees totaling to RMB17,804,000 in respect of certain of the Group's bank loans. At 30 September 2010, all the guarantees were released.

14. SHARE CAPITAL

Shares

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
	HK$	HK$
Authorised:		
10,000,000,000 (2009: 3,000,000) ordinary shares of HK$0.10 each........	1,000,000,000	300,000
Issued and fully paid:		
2,853,200,000 (2009: 112,660) ordinary shares of HK$0.10 each............	285,320,000	11,266
Equivalent to RMB'000	250,683	11

Pursuant to a written resolution of shareholders of the Company passed on 6 January 2010, the authorised share capital of the Company was increased from HK$300,000 to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of 9,997,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company and the directors were conditionally authorised to issue and allot 2,253,087,340 shares at par as fully paid to the shareholders whose names appeared on the register of the members of the Company on 1 January 2010 by way of capitalisation of a sum of HK$225,308,734 which was then standing to the credit of the share premium account of the Company.

On 5 February 2010, the Company's shares were listed on the Stock Exchange and the Company issued 600,000,000 new ordinary shares of HK$0.10 each at HK$2.60 per share, raising gross proceeds of HK$1,560,000,000.

A summary of the transactions during the period with reference to the above movements in the Company's issued capital is as follows:

					RMB equivalent		
	Number of shares in issue	Issued capital	Share premium account	Total	Issued capital	Share premium account	Total
		HK$'000	HK$'000	HK$'000	RMB'000	RMB'000	RMB'000
At 1 January 2010....	112,660	11	774,602	774,613	11	681,988	681,999
Capitalisation of share premium (unaudited)...........	2,253,087,340	225,309	(225,309)	—	197,956	(197,956)	—
Issue of shares (unaudited)...........	600,000,000	60,000	1,500,000	1,560,000	52,716	1,317,900	1,370,616
Share issue expenses (unaudited)...........	—	—	(59,468)	(59,468)	—	(52,233)	(52,233)
At 30 September 2010 (unaudited) ..	2,853,200,000	285,320	1,989,825	2,275,145	250,683	1,749,699	2,000,382

15. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Note	30 September 2010	31 December 2009
		(Unaudited)	(Audited)
		RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	(a)	1,164,062	879,213

Notes:

(a) As at 30 September 2010, 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 of the Company 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 statements.

(b) At the end of the reporting period, 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:

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	341,701	339,245
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	26,260	27,867

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, completed properties held for sale, land use rights and construction of owner-occupied properties in Mainland China	1,139,865	1,332,476

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

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development	76,136	9,564

At the end of the reporting period, the Company did not have any significant commitments.

17. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to certain banks and financial institutions for securing the loans granted to the Group:

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Property and equipment	55,705	52,454
Investment properties	1,311,000	1,296,000
Prepaid land lease payments	916,334	1,132,399
Properties under development	3,528,931	1,928,086
Completed properties held for sale	—	3,488
	5,811,970	4,412,427

18. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into transactions with related parties as follows:

	Notes	For the nine months ended 30 September 2010	2009
		(Unaudited) RMB'000	(Audited) RMB'000
Sale of properties to:			
Directors	(i)	3,246	1,171
Family members of the directors	(i)	12,337	1,998
Rental income from companies controlled by Mr. Wong	(ii)	1,320	1,255
Property management fee income from companies controlled by Mr. Wong	(ii)	185	173
Interest expenses on loans from companies controlled by Mr. Wong	(iii)	—	9,134
Sales agency fees paid to an associate	(iv)	4,753	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 interest expenses were charged at rates ranging from 2.86% to 5.40% per annum for the nine months ended 30 September 2009.

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

(b) Compensation of key management personnel of the Group

	For the nine months ended 30 September 2010	2009
	(Unaudited) RMB'000	(Audited) RMB'000
Short term employee benefits	3,980	864
Post-employment benefits	33	13
Total compensation paid to key management personnel	4,013	877

In the opinion of the directors, the directors of the Company represent the key management personnel of the Group.

19. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

On 7 June 2010, the Group entered into a share transfer agreement with Beijing Dupeng Real Estate Development Co. Ltd., a state-owned enterprise, for the acquisition of the entire equity interest in Beijing Dushishengjing Real Estate Development Co. Ltd. ("BJ Shengjing") and its shareholder's loan at a cash consideration of approximately RMB126,680,000. The acquisition was completed on 13 July 2010 and BJ Shengjing became a wholly-owned subsidiary of the Group.

Up to the date of the acquisition, BJ Shengjing has not carried out any significant business activities except for holding one parcel of land in Beijing, the PRC, and no property development and pre-sale activities have been carried out by BJ Shengjing. Therefore, this acquisition has been accounted for by the Group as an acquisition of assets as BJ Shengjing does not operate a business.

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

	RMB'000
Net assets acquired:	
Prepaid land lease payments	126,636
Cash and bank balances	44
	126,680
Total consideration satisfied by:	
Cash	126,680
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	44
Cash consideration paid	(126,680)
	(126,636)

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on [date].