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If you have sold or transferred *all your shares in China Aoyuan Property Group Limited, you should at once hand this circular, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

中國奧園地產集團股份有限公司
China Aoyuan Property Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3883)

MAJOR TRANSACTION

14 September 2009

CONTENTS

In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

"Ace Rise"	Ace Rise Profits Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"Acquisition"	the acquisition of the 41.33% issued share capital of Century Profit by the Purchaser pursuant to the SP Agreement
"Advance"	the advance made and to be made under the RMB460m Loan Agreement, RMB110m Loan Agreement and RMB130m Loan Agreement
"Board"	the board of Directors
"Business Day"	a day (not a Saturday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
"Cathay Property"	Cathay Sino Property Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability
"Company"	China Aoyuan Property Group Limited, a company incorporated under the laws of the Cayman Islands, shares of which are listed on the Stock Exchange
"Convertible Notes"	the notes, in registered form comprising a total principal amount of RMB296,000,000, to be issued by the Vendor to the Purchaser upon completion of the Subscription Agreement, which are convertible into the Sale Shares during the period commencing on 27 September 2010 and ending on 30 September 2010
"Century Profit"	Century Profit Zone Investments Limited (世紀協潤投資有限公司), a company incorporated under the laws of Hong Kong and the target company under the SP Agreement
"Directors"	directors of the Company
"EGM"	extraordinary general meeting of the Company to be convened (if necessary) to approve, inter alia, the RMB110m Loan Agreement, RMB130m Loan Agreement, Subscription Agreement, Further Commitment and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the consolidation of the Target Companies

"Financial Assistance"	the financial assistance given by the Group to Century Profit under the RMB460m Loan Agreement, RMB110m Loan Agreement and Further Commitment
"Further Acquisition"	the proposed subscription of the Convertible Notes by the Purchaser under the Subscription Agreement
"Further Commitment"	the guarantee to be given by the Company and Wangfu jointly in favour of the Transferor under the Guarantee Letter and the Purchaser's agreement to provide a shareholder's loan to Century Profit as capital for the development of the Project Land
"Group"	the Company and its subsidiaries
"Guarantee Letter"	the guarantee letter to be executed by the Company and Wangfu jointly in favour of the Transferor
"HK Company"	Join Harbour Limited (仲海有限公司), a company newly incorporated under the laws of Hong Kong and wholly-owned by Mr. Wang Zhi Cai
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
"Latest Practicable Date"	means 11 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreements"	RMB110m Loan Agreement, RMB130m Loan Agreement and RMB460m Loan Agreement
"Major Shareholders"	collectively, Ace Rise and Cathay Property
"MOC Approval"	an approval issued by the Ministry of Commerce in November 2008 in relation to an approval of (a) the 62% Transfer and (b) an increase of the registered capital of the Project Company from RMB50,000,000 to RMB600,000,000

"Notes Instrument"	a notes instrument dated 22 July 2009 in relation to the RMB296,000,000 11% coupon guaranteed convertible notes to be issued by the Vendor
"PRC"	People's Republic of China
"Project Company"	北京耀輝置業有限公司 (for identification purpose only, in English, Beijing Yaohui Real Estate Co. Ltd.), a limited company established under the laws of the PRC and owned by Wangfu and the Transferor respectively
"Project Land"	a piece of land located at South East Section, intersection of Xi Da Wang Road and Jianguo Road, Chaoyang District, Beijing, PRC (中國北京市朝陽區西大望路與建國路交匯東南角) with a total gross floor area of approximately 247,646.3 square meters for a term of 70 years for residential use expiring on 30 August 2074 and 40 years for commercial use expiring on 30 August 2044
"Purchaser"	China Aoyuan International Development Limited (中國奧園國際發展有限公司), a company incorporated under the laws of Hong Kong, a wholly-owned subsidiary of the Company
"RMB110m Loan Agreement"	a loan agreement dated 22 July 2009 entered into between the Purchaser as lender, Century Profit as borrower and Wangs as guarantors in relation to a loan in the principal amount of RMB110,000,000
"RMB130m Loan Agreement"	a loan agreement dated 22 July 2009 entered into between the Purchaser as lender, the Vendor as borrower and Wangs as guarantors in relation to a loan in the principal amount of RMB130,000,000
"RMB460m Loan Agreement"	a loan agreement dated 6 July 2009 entered into between the Purchaser as lender, Century Profit as borrower and Wangs as guarantors in relation to a loan in the principal amount of RMB460,000,000
"Sale Shares"	1,136 issued shares of Century Profit
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholders"	shareholders of the Company
"Shares"	the ordinary shares of the Company of HK$0.01 each

"SP Agreement"	a sale and purchase agreement dated 6 July 2009 made between the Purchaser as purchaser, the Vendor as vendor and Wangs as guarantors in relation to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	a subscription agreement dated 22 July 2009 in relation to the subscription for the Convertible Notes to be issued by the Vendor
"Target Companies"	Century Profit and the Project Company
"Transferor"	Beijing Capital Development Co. Ltd. (北京首都開發股份有限公司), the transferor under the 62% Transfer, a stock company incorporated under the laws of the PRC with limited liability and whose shares are listed on the Shanghai Stock Exchange; the principal business of the Transferor comprises property development and management in the PRC
"Vendor"	Hong Da Development & Investment Holding Co. Limited (泓達投資有限公司), a company incorporated under the laws of Hong Kong
"Wangfu"	北京王府世紀發展有限公司 (for identification purpose only, in English, Beijing Wangfu Century Development Co. Ltd.), a company established under the laws of the PRC with limited liability
"Wangs"	Mr. Wang Qing Fu (王清福) and Mr. Wang Zhi Cai (王志才), the guarantors
"62% Transfer"	the transfer of 62% of equity interest in the Project Company from the Transferor to Century Profit at a consideration of RMB458,700,000
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

The exchange rate adopted for the purpose of the Subscription Agreement, RMB110m Loan Agreement and RMB130m Loan Agreement will be the buy rate for HK$ against RMB quoted by Bank of China Limited on the relevant payment date.

中國奧園地產集團股份有限公司
China Aoyuan Property Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3883)

Executive Directors:
Mr. Guo Zi Wen *(chairman and chief executive officer)*
Mr. Wu Jie Si *(vice chairman)*
Mr. Guo Zi Ning *(executive vice president)*
(Mr. Guo is also the alternate Director of Mr. He Jian Bing)
Mr. Zheng Jian Jun
Mr. Hu Da Wei

Non-Executive Directors:
Mr. Paul Steven Wolansky *(vice chairman)*
Mr. Leung Ping Chung, Hermann
(Mr. Leung is also the alternate Director of Mr. Paul Steven Wolansky)
Mr. He Jian Bing

Independent Non-Executive Directors:
Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai

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Principal Place of Business in Hong Kong:
Room 5105, The Center
99 Queen's Road Central
Hong Kong

14 September 2009

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcements of the Company dated 7 July 2009, 20 July 2009 and 30 July 2009 respectively announcing that (1) on 22 July 2009, the Purchaser entered into the Subscription Agreement, RMB110m Loan Agreement and RMB130m Loan Agreement with the Vendor, Century Profit and Wangs; and (2) the Acquisition, Further Acquisition, Advance and Further

Commitment, when aggregated under Rule 14.22 of the Listing Rules, constitute a major transaction for the Company under the Listing Rules and will be subject to approval of the Shareholders. Such condition was fulfilled by the Major Shareholders having given their written approval for the Acquisition, Further Acquisition, Advance and Further Commitment.

The Board announced that on 27 July 2009, the Purchaser advanced a sum of HK$522,964,984, being the Hong Kong dollars equivalent of RMB460,000,000, to Century Profit pursuant to the provisions of the RMB460m Loan Agreement, and completion of the Acquisition took place on 28 July 2009.

The purpose of this circular is to provide you with, among other things, further information on the above issues as detailed below.

SUBSCRIPTION AGREEMENT

Date	22 July 2009
Parties	Issuer: the Vendor, an Independent Third Party
	Subscriber: the Purchaser

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Convertible Notes in the principal amount of RMB296,000,000 with a coupon rate of 11% are guaranteed and convertible into the Sale Shares in the future, which represent 11.36% of the entire issued share capital of Century Profit.

As at the Latest Practicable Date, Century Profit was held as to 41.33% by the Purchaser and 58.67% by the Vendor. Upon completion of the Subscription Agreement, the Purchaser will hold the Convertible Notes but Century Profit will still be held as to 41.33% by the Purchaser and 58.67% by the Vendor.

Upon conversion of the conversion rights represented by the Convertible Notes in September 2010, the Purchaser will own 52.69% of Century Profit.

Consideration

The consideration for the Convertible Notes is RMB296,000,000 and shall be paid by the Purchaser to the Vendor upon completion of the Subscription Agreement.

The consideration for the Convertible Notes and the Sale Shares was reached after arm's length commercial negotiations between the Purchaser and the Vendor with reference to (1) the consideration for the 41.33% interest in Century Profit; (2) extent of participation of the Group in the management of the Target Companies; (3) the estimated amount of proceeds from the sale and leasing of the properties developed on the Project Land; and (4) the expected costs and expenses for the Further Acquisition.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the conditions of the Convertible Notes are on normal commercial terms and fair and reasonable and in the interests of the Shareholders as a whole.

The consideration for the Convertible Notes will be satisfied in cash.

Refundable prepayment

On 10 August 2009, the Purchaser advanced a prepayment of RMB60,000,000 to the Vendor on the following conditions:

(a) if the Subscription Agreement is not approved by the Shareholders at the EGM or by the written shareholders' approval of the Major Shareholders, the Vendor shall forthwith refund to the Purchaser the said RMB60,000,000 together with interest incurred thereon (at an interest rate of 11% per annum) after the Purchaser has served a written notice to the Vendor requesting for the refund of the prepayment; and

(b) if the Subscription Agreement is approved by the Shareholders at the EGM or by the written shareholders' approval of the Major Shareholders, the said RMB60,000,000 shall be treated as part of the consideration payable by the Purchaser to the Vendor under the Subscription Agreement.

Conditions Precedent

Completion of the Subscription Agreement is subject to the fulfillment of, inter alia, the following conditions precedent:

(a) the Company, having convened an EGM at which resolutions shall have been duly passed by the Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder (including without limitation to the acquisition of the Sale Shares);

(b) the representations and warranties set out in the Subscription Agreement to be repeated on the completion date are true in all material respects and will be true in all material respects immediately after completion;

(c) no default is outstanding or would result from the completion; and

(d) no event has occurred which would trigger a redemption of the Convertible Notes pursuant to provisions of the Notes Instrument.

Completion

Completion shall take place on a date which is the third (3rd) Business Day after the date on which the conditions precedent are satisfied or waived or such other date as the Vendor and the Purchaser may agree in writing.

Principal Terms of the Convertible Notes

The terms of the Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal amount	RMB296,000,000;
Interest	11% per annum;
Maturity	30 September 2010;
Conversion price	RMB296,000,000;
Ranking	The Sale Shares are fully paid up and rank pari passu in all respects with all existing shares of Century Profit in issue at the date of conversion;
Transferability	The Convertible Notes will be transferable if the written consent of the Vendor is obtained;
Conversions rights	1. The Convertible Notes are convertible in whole (but not in part) into the Sale Shares at any time during the exercise period commencing on 27 September 2010 and ending on 30 September 2010. Upon the exercise of the conversion rights under the Convertible Notes, the Vendor will transfer the Sale Shares to the Purchaser; 2. The Purchaser must exercise the conversion rights during the exercise period referred above. If the Purchaser fails to exercise the conversion rights as contemplated, the Vendor shall have the right to request the Purchaser to convert the Convertible Notes; and

	3. The stamp duty payable on the transfer of the Sale Shares shall be borne by the Purchaser and the Vendor in equal shares;
Voting rights	The Convertible Notes do not confer any voting rights at any meetings of Century Profit;
Status of the Convertible Notes	The Convertible Notes constitute a direct, unconditional and guaranteed obligation of the Vendor, rank and will rank:
	(a) senior in right and priority of payment to all other present and future unsecured indebtedness (actual or contingent) of the Vendor (except as otherwise required by law); and
	(b) pari passu without any preference among themselves.

Further Commitment of the Purchaser

1. Upon completion of the share transfer agreements in relation to the 62% Transfer which will take place immediately after the registrations of the 62% Transfer in the relevant PRC authorities have been completed, the Transferor will no longer be a shareholder of the Project Company. The Company and Wangfu have agreed to execute the Guarantee Letter in favour of the Transferor prior to the registrations of the 62% Transfer, pursuant to which the Company and Wangfu will jointly guarantee the Project Company's obligation to repay all the shareholder's loans advanced by the Transferor to the Project Company. The Company's maximum obligation under the Guarantee Letter is equivalent to the total amount of shareholder's loans advanced by the Transferor to the Project Company together with interest accrued thereon. It is expected that the outstanding shareholder's loans and interest will be repaid by the Project Company in full by 31 December 2009. By 31 December 2009, the total outstanding shareholder's loans and interest is expected to be approximately RMB1,310,000,000. There is no guarantee fee or security under the Guarantee Letter.

   The guarantee under the Guarantee Letter will be discharged as soon as the shareholder's loans due to the Transferor together with interest accrued thereon is repaid by the Project Company in full.

   To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Transferor and Wangfu are Independent Third Parties.

2. The Purchaser has agreed that, if requested by the Project Company, the Purchaser will provide a shareholder's loan to Century Profit for a total sum not exceeding RMB320,000,000 at an interest rate of 15% per annum and will procure Century Profit to advance the proceeds of the said shareholders' loan to the Project Company which shall be used solely as capital for the development of the Project Land. The Project Company shall repay the shareholder's loan together with interest incurred thereon (at an interest rate of 15% per annum) to the Purchaser as soon as the Project Company has obtained project financing for the development of the Project

Land. As at the Latest Practicable Date, Century Profit had not made such request and the terms of the shareholder's loan other than the interest rate are yet to be decided. The Company shall issue an announcement, if terms of which have been concluded, in compliance with the relevant Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the Further Commitment are on normal commercial terms and fair and reasonable and in the interests of the Shareholders as a whole.

LOAN AGREEMENTS

RMB110m Loan Agreement

On 22 July 2009, the Purchaser as lender, Century Profit as borrower and Wangs as guarantors entered into the RMB110m Loan Agreement pursuant to which the Purchaser has agreed to grant a loan of the Hong Kong dollars equivalent of RMB110,000,000 to Century Profit with an initial fixed term of 2 years and a rate of interest of 7% per annum. Century Profit shall repay all outstanding amount equivalent to the principal and the accrued interest on the final maturity date or the date on which Century Profit owns less than 62% equity interest in the Project Company (whichever is earlier). The proceeds of the loan shall be solely used by Century Profit towards the contribution to the registered capital of the Project Company.

Conditions precedent of the RMB110m Loan Agreement

The Purchaser is not obliged to advance the loan to Century Profit unless, among other things, the following conditions are satisfied:

(a) the MOC Approval remains valid;

(b) Century Profit having provided to the Purchaser (i) a share mortgage executed by Wangs in relation to all the issued share capital of the Vendor, (ii) a share mortgage executed by the Vendor in relation to the issued share capital of Century Profit owned by the Vendor, and (iii) two deeds of guarantee executed by Wangs respectively, all in favour of the Purchaser;

(c) Mr. Wang Zhi Cai having incorporated HK Company; and

(d) HK Company and Century Profit having executed an equity transfer agreement in respect of the transfer of 90% interest in Wangfu.

The consideration for the RMB110m Loan Agreement will be satisfied in cash. The amount of loan to be advanced by the Purchaser to Century Profit under the RMB110m Loan Agreement was reached after arm's length commercial negotiations between the Purchaser and Century Profit with reference to the amount which Century Profit has agreed to contribute to the registered capital of the Project Company.

RMB130m Loan Agreement

On 22 July 2009, the Purchaser as lender, the Vendor as borrower and Wangs as guarantors entered into the RMB130m Loan Agreement pursuant to which the Purchaser has agreed to grant a loan of the Hong Kong dollars equivalent of RMB130,000,000 to the Vendor with an initial fixed term of 2 years and a rate of interest of 7% per annum. The Vendor shall repay all outstanding amount equivalent to the principal and the accrued interest on the final maturity date or the date on which Century Profit owns less than 62% equity interest in the Project Company (whichever is earlier). The proceeds of the loan shall be solely used by the Vendor towards the repayment of the loan advanced by Merrill Lynch Capital Corporation to the Vendor.

Conditions precedent of the RMB130m Loan Agreement

The Purchaser is not obliged to advance the loan to the Vendor unless, among other things, the following conditions are satisfied:

(a) the MOC Approval remains valid; and

(b) the Vendor having provided to the Purchaser (i) a share mortgage executed by Wangs in relation to all the issued share capital of the Vendor, (ii) a share mortgage executed by the Vendor in relation to the issued share capital of Century Profit owned by the Vendor, and (iii) two deeds of guarantee executed by Wangs respectively, all in favour of the Purchaser.

Refundable advance

On 28 July 2009, the Purchaser advanced a total sum of approximately HK$148,000,000, being the Hong Kong dollars equivalent of RMB130,000,000, to the Vendor on the following conditions:

(i) if the RMB130m Loan Agreement is not approved by the Shareholders at the EGM or by the written shareholders' approval of the Major Shareholders, the Vendor shall forthwith repay to the Purchaser the said Hong Kong dollars equivalent of RMB130,000,000 together with interest incurred thereon (at an interest rate of 7% per annum) after the Purchaser has served a written notice to the Vendor requesting for the refund of the prepayment; and

(ii) if the RMB130m Loan Agreement is approved by the Shareholders at the EGM or by the written shareholders' approval of the Major Shareholders, the said Hong Kong dollars equivalent of RMB130,000,000 shall be treated as the loan advanced by the Purchaser to the Vendor under the RMB130m Loan Agreement.

The amount of loan under the RMB130m Loan Agreement was reached after arm's length commercial negotiations between the Purchaser and the Vendor with reference to the amount due by the Vendor to Merrill Lynch Capital Corporation.

The Directors (including the independent non-executive Directors) consider that the terms of the RMB110m Loan Agreement and the RMB130 Loan Agreement are on normal commercial terms and fair and reasonable and in the interests of the Shareholders as a whole.

COLLATERALS FOR THE ADVANCE UNDER THE LOAN AGREEMENTS

The Vendor and Wangs have executed the following documents in favour of the Purchaser as collaterals for the Advance:

(a) a share mortgage executed by Wangs in relation to the entire issued share capital of the Vendor;

(b) a share mortgage executed by the Vendor in relation to the issued share capital of Century Profit owned by the Vendor; and

(c) two deeds of guarantee executed by Wangs.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES OF THE COMPANY UNDER RULE 13.16

Pursuant to Rule 13.16 of the Listing Rules, a general disclosure obligation arises as the Group's total financial assistance under the Financial Assistance to Century Profit, a company in which the Group is interested in 41.33%, exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

The Group has provided and will provide financial assistance to Century Profit in the aggregate amount of approximately RMB2,200,000,000, which exceeds 8% under the assets ratio. The Financial Assistance was/will be made by the Group from its internal resources as shareholder's loan to Century Profit for the purpose of the development of the Project Land held by the Project Company. Details of the Financial Assistance provided and to be provided by the Group are as follows:

Amount of financial assistance	Term	Interest rate	Method of repayment	Commitment capital injection	Security provided
RMB460,000,000	2 years commencing from 27 July 2009 unless terminated pursuant to the provisions of the RMB460m Loan Agreement.	7% per annum	Cash	—	Please refer to the paragraph headed "Collaterals for the Advance under the Loan Agreements" above.
RMB110,000,000 *(Note 1)*	2 years commencing from the date of drawdown unless terminated pursuant to the provisions of the RMB110m Loan Agreement.	7% per annum	Cash	—	Please refer to the paragraph headed "Collaterals for the Advance under the Loan Agreements" above.

Amount of financial assistance	Term	Interest rate	Method of repayment	Commitment capital injection	Security provided
RMB1,310,000,000 *(Note 2)*	Due on 31 December 2009.	The prevailing lending rate of the People's Bank of China	Cash	—	None
RMB320,000,000 *(Note 3)*	To be agreed	15% per annum	Cash	—	To be agreed

Notes:

1. As at the Latest Practicable Date, Century Profit has not yet requested for the drawdown of the loan under the RMB110m Loan Agreement.

2. The Company and Wangfu will jointly guarantee in favour of the Transferor the Project Company's obligation to repay all the shareholder's loans advanced by the Transferor to the Project Company and the interest accrued thereon.

3. As at the Latest Practicable Date, Century Profit has not yet requested for the drawdown of the loan.

The Company will fulfill the continuing disclosure obligation under Rule 13.22 of the Listing Rules in the event the circumstances giving rise to such disclosure obligation continue to exist at the interim period end or the financial year end of the Company.

ADVANCE TO AN ENTITY UNDER RULE 13.13

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation will arise where any relevant advance to an entity (as defined under Rule 13.11 of the Listing Rules) exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As the total advance to Century Profit under the Financial Assistance exceeds 8% under the assets ratio, the Financial Assistance also constitutes an advance to an entity under Rule 13.13 of the Listing Rules. Accordingly, the Company is under a general obligation to disclose the details of the Financial Assistance, which the Company has disclosed under the paragraph headed "Financial assistance and guarantees to affiliated companies of the Company under Rule 13.16" above.

INFORMATION ON THE TARGET COMPANIES

Century Profit is a single purpose vehicle and was incorporated under the laws of Hong Kong, the business of which as at the Latest Practicable Date was the holding of 90% equity interest in Wangfu which in turn held 38% equity interests in the Project Company.

The Project Company is a project company and its sole business is the acquisition and development of the Project Land and the subsequent sale and leasing of the properties built on the Project Land. The Project Company obtained the Project Land by entering into a《Beijing State Land Use Right Transfer Contract》on 31 August 2004 and a supplemental agreement on 1 February 2007. According to the said agreements, the terms of the Project Land for residential use and commercial use are 70 years and 40 years respectively, commencing from 31 August 2004. The Project Land is free from any charge or mortgage. Under the existing development plan, the Project Land will be developed into a luxurious residential and commercial complex (including an underground car park) having a total gross floor area of approximately 247,646.3 square meters. The Project Land started construction in May 2006 and it is expected that the construction will be completed in 2011. As at the Latest Practicable Date, the construction work on the Project Land was suspended because of the outstanding payments due to the construction companies. Under the SP Agreement, the Vendor guarantees and undertakes that it shall complete all the renewal applications for and obtain all the permits and approvals for the construction work on the Project Land (if necessary) within seven days after an agreement for resumption of construction work having been entered into between the Project Company and the relevant construction companies.

Under the SP Agreement, the Acquisition is conditional upon the Vendor having provided to the Purchaser an agreement in relation to the transfer of 90% equity interest in Wangfu by Century Profit to HK Company. In this respect, Century Profit entered into an equity interest transfer agreement on 17 July 2009 with HK Company, whereby HK Company agreed to purchase and Century Profit agreed to sell 90% of the entire equity interest in Wangfu at a consideration of US$11,940,300. To the best knowledge of the Directors, the application for the registration of the said transfer has been submitted to the relevant PRC authority.

Under the Acquisition, the Purchaser did not provide any contribution for the registered capital of the Project Company.

According to the statements of financial position of the Project Company disclosed in Appendix I, the aggregate costs of the Project Land as at 30 April 2009 was approximately RMB1,585,678,000, which included but not limited to removal costs, land acquisition costs and construction costs of the Project Land. In addition to the market value of the Project Land of approximately RMB1,544,322,000 as at 31 July 2009, the market value and aggregate costs of the Project Land in existing state was approximately RMB3,130,000,000.

Further information on the Target Companies as at the Latest Practicable Date:

(a) **Information on Century Profit**

Name	:	Century Profit Zone Investments Limited (世紀協潤投資有限公司)
Date of incorporation	:	14 October 2006
Place of incorporation	:	Hong Kong
Scope of business	:	Investment holding
Authorized share capital	:	10,000 ordinary shares
Issued share capital	:	10,000 ordinary shares

Shareholder	**Percentage held**
the Vendor	58.67%
the Purchaser	41.33%

(b) **Information on the Project Company**

Name	:	北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.)	
Date of incorporation	:	29 March 2001	
Place of incorporation	:	Beijing, PRC	
Duration of operation	:	From 29 March 2001 to 28 March 2011	
Scope of business	:	Property development of the Project Land (development of land excluded; development and management of luxurious hotel, villa, high-end office and international convention centre; development and management of theme park), sale, leasing and management of the properties built on the Project Land, information consultancy services (agent services excluded) and interior decoration	
Total investment amount	:	RMB1,000,000,000	
Registered capital	:	RMB600,000,000	
Paid up registered capital	:	RMB50,000,000	
Shareholding immediately after Acquisition *(Note)*	:	**Shareholder**	**Percentage held**
		Wangfu	38%
		Transferor	62%
Shareholding immediately after completion of the transactions under the MOC Approval *(Note)*	:	**Shareholder**	**Percentage held**
		Wangfu	3.2%
		Century Profit	96.8%

Note: After the completion of the registrations of the 62% Transfer and increase of registered capital of the Project Company in the relevant PRC authorities, the Transferor will no longer be a shareholder of the Project Company and the Purchaser will hold 41.33% of Century Profit which in turn will hold 96.8% equity interest in the Project Company.

(c) **Combined financial information of the Target Companies**

	For the period from 1.1.2009 to 30.6.2009	**For the year ended 31.12.2008**	**For the year ended 31.12.2007**
	(unaudited)	*(audited)*	*(audited)*
	RMB	*RMB*	*RMB*
Net loss before taxation	35,106,200.82	85,557,449.73	27,815,321.53
Net loss after taxation	35,106,200.82	85,557,449.73	27,815,321.53

	As at 30.6.2009	**As at 31.12.2008**	**As at 31.12.2007**
Net asset value	(67,537,421.42)	(35,552,493.33)	21,902,628.47

The financial information of Wangfu will not be included in this circular because it is not the Company's intention to acquire Wangfu which, apart from its interest in the Project Company, also holds other assets and investments. As at the Latest Practicable Date, the transactions under the MOC Approval and the transfer of Wangfu by Century Profit to HK Company were still on-going. Upon completion of the registrations of the 62% Transfer and the increase of the registered capital of the Project Company and the transfer of Wangfu, Century Profit will no longer hold any interest in Wangfu and Wangfu will only hold 3.2% equity interest in the Project Company. Furthermore, as the Company is not acquiring Wangfu, the Company does not have access to the books and records of Wangfu to prepare the financial information of Wangfu.

The reporting accountants did not express an opinion on the financial statements of Century Profit because Century Profit has not prepared the consolidated financial information of Century Profit and Wangfu and there is insufficient information concerning Wangfu and a related company in the financial statements of Century Profit to give a true and fair view of the sate of affairs of Century Profit and Wangfu. For further details regarding the financial statements of Century Profit, please refer to Appendix II to this circular.

Despite the disclaimer of opinion referred above, the Directors consider that the subject transactions are fair and reasonable and in the interests of the Shareholders as a whole because the Company is not acquiring Wangfu, and the fact that there is insufficient information of Wangfu is not material to the subject transactions. More importantly, the reporting accountants are able to give an unmodified opinion on the financial statements of the Project Company which is the operating vehicle.

REASONS FOR THE FURTHER ACQUISITION, ADVANCE AND FURTHER COMMITMENT

The principal activities of the Group comprise property development and property investment in the PRC. Despite the recent downturn of the global financial conditions, the Board is optimistic about the economy of the PRC, including the prospect of the PRC property market. The Board is of the view that the Project Land has excellent potential for development. The Acquisition and Further Acquisition offer a chance for the Group to make its first step into Beijing.

As disclosed in the Company's announcement dated 7 July 2009, the Group entered into the SP Agreement with the Vendor for the acquisition of 41.33% of Century Profit from the Vendor. Soon after the entering into of the SP Agreement, the Group and the Vendor entered into further discussions and negotiations on the joint venture between the two parties. To this end, the Purchaser has agreed to (1) reserve the right to acquire further shares of Century Profit from the Vendor; (2) nominate its experienced staff to the senior management and boards of the Target Companies and (3) make further loans to Century Profit so that the restructuring of the Target Companies could be completed sooner.

The Further Acquisition is conducted in the ordinary and usual course of business of the Group and will be funded by the Group's internal resources. The Directors believe that the Further Acquisition is in line with the business plan of the Company and the Further Acquisition is in the best interest of the Company and the terms of the Subscription Agreement, the RMB110m Loan Agreement and the RMB130m Loan Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE FURTHER ACQUISITION, RMB110M LOAN AGREEMENT AND RMB130M LOAN AGREEMENT

1. Assets and liabilities

Set out in Appendix III to this circular is an unaudited pro forma statement of the consolidated assets and liabilities of the Enlarged Group. Upon completion of the Subscription Agreement, RMB110m Loan Agreement and RMB130m Loan Agreement, the unaudited pro forma consolidated assets and liabilities of the Enlarged Group have remained unchanged. After the conversion of the Convertible Notes and provision of facilities under the RMB110m Loan Agreement and RMB130m Loan Agreement, the unaudited pro forma total assets of the Enlarged Group would be approximately RMB8,899,215,000; while the unaudited pro forma total liabilities would be approximately RMB3,955,837,000.

2. Earnings

Upon completion of the Further Acquisition and conversion of the Convertible Notes, the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Group. While there is no immediate material impact on earnings of the Group, the Directors believe that the Further Acquisition would enhance the Group's business development.

GENERAL

The principal activities of the Group comprise the property development and property investment in the PRC.

The Vendor is an investment holding company and its holding company and the subsidiaries of the holding company are engaged in investment holding, property development, the provision of project management and related services in the PRC.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approvals for the Acquisition, Further Acquisition, Advance and Further Commitment may be obtained by written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) written Shareholders' approvals have been obtained from a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the transactions. So far as the Directors are aware after making reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition, Further Acquisition, Advance and Further Commitment. The Company has obtained written approvals dated 19 August 2009 for the Acquisition, Further Acquisition, Advance and Further Commitment from the following closely allied group of Shareholders who together hold approximately 55.40% of the issued share capital of the Company as at the Latest Practicable Date:

(1) Ace Rise, holding 1,154,325,000 Shares (representing approximately 44.18% of the issued share capital of the Company), is held by Sturgeon Limited, which is owned as to 50% by

Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. As at the Latest Practicable Date, the beneficiaries of The Golden Jade Trust were Mr. Guo Zi Wen and Ms. Jiang Min Er.

(2) Cathay Property, holding 293,175,000 Shares (representing approximately 11.22% of the issued share capital of the Company), is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee, 45% by Trust Asset Management LLP. and 10% by Nice Wealth Investment Limited.

In June 2006, that is prior to the listing of the Group in October 2007, for the purpose of raising funds for the Group's development, Cathay Property subscribed for certain new shares of the Group and became a minority shareholder of the Group; and Ace Rise was the majority shareholder. Proceeds from the subscription were used to complete a corporate restructuring of the Group and to finance various property development projects. Cathay Property was also granted, among other things, certain minority protection rights and a right to nominate directors to each member of the Group. Such rights, however, were terminated before the listing as a result of which Cathay Property no longer has any special right that is not generally available to other shareholders of the Company. Since then, they have been shareholders of the Group. Other than the above, Ace Rise and Cathay Property do not have other business co-operation and are not related to each other.

Since the listing of the Company, the Company has not held any general meetings apart from two annual general meetings of the Company held in 2008 and 2009 respectively. At the two annual general meetings, Ace Rise and Cathay Property voted for the resolutions separately and independently.

Ace Rise and Cathay Property are not regarded as "acting in concert" for the purposes of the Takeovers Code although they have been Shareholders since the listing of the Company. Ace Rise and Cathay Property have jointly given irrevocably and unconditional approval of the Acquisition, Further Acquisition, Advance and Further Commitment as envisaged by Rule 14.44 of the Listing Rules. Accordingly, the Acquisition, Further Acquisition, Advance and Further Commitment have been duly approved and passed by the Shareholders and the EGM is no longer required.

FURTHER INFORMATION

Your attention is drawn to the information set out in the Appendices to this circular.

By Order of the Board
China Aoyuan Property Group Limited
Guo Zi Wen
Chairman and CEO

(A) SUMMARY OF FINANCIAL STATEMENTS

A summary of the Group for the three years ended 31 December 2006, 2007 and 2008, as extracted from the audited consolidated financial statements and for the six months ended 30 June 2009 unaudited consolidated financial statement is set out below.

Consolidated Income Statement

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Revenue	883,733	2,501,397	619,941	732,630
Cost of sales	(428,954)	(1,176,986)	(597,164)	(594,116)
Gross profit	454,779	1,324,411	22,777	138,514
Other income	116,065	105,243	79,897	9,390
Change in fair value of investment properties	67,563	20,964	(34,558)	(33,584)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	—	55,142	88,437	38,900
Selling and distribution costs	(14,010)	(71,102)	(135,276)	(37,888)
Administrative expenses	(52,530)	(148,794)	(198,283)	(44,496)
Change in fair value of embedded derivatives component of convertible notes	—	64,289	76,145	(11,124)
Other expenses	(41,417)	(29,056)	—	—
Loss on redemption of convertible notes	—	(86,266)	—	—
Finance costs	(2,114)	(30,616)	(5,219)	(3,277)
Gain on disposal of subsidiaries	—	—	16,713	—
Share of results of jointly controlled entities	(1,630)	(232)	45	(162)
Profit (loss) before taxation	526,706	1,203,983	(89,322)	56,273
Income tax (expense) credit	(227,403)	(601,612)	31,857	(3,246)
Profit (loss) for the year/period	299,303	602,371	(57,465)	53,027
Profit (loss) attributable to:				
Equity holders of the Company	299,540	602,401	(57,153)	53,211
Minority interests	(237)	(30)	(312)	(184)
	299,303	602,371	(57,465)	53,027
Dividends	—	—	123,888	—
Earnings (loss) per share (cents)				
Basic	34.00	36.04	(2.54)	2.36
Diluted	34.00	30.40	(6.28)	2.35

Consolidated Balance Sheet

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Non-current assets				
Property, plant and equipment	40,847	63,969	148,646	144,464
Prepaid lease payments	35,053	24,927	18,652	15,549
Investment properties	158,124	353,750	439,890	470,200
Available-for-sale investments	550	—	—	—
Interests in jointly controlled entity	29,731	—	326,804	326,642
Amount due from a jointly controlled entity	—	—	60,850	51,570
Other property interests	—	—	86,952	86,944
Deferred taxation assets	11,772	5,939	8,369	16,193
	276,077	448,585	1,090,163	1,111,562
Current assets				
Inventories	88	12	—	—
Properties for sales	1,036,175	2,593,119	4,530,096	4,872,562
Other property interests	86,934	86,952	—	—
Trade and other receivables	267,380	2,299,322	1,240,283	1,017,450
Prepaid lease payments	6,156	6,275	6,275	6,275
Amount due from related parties	111,544	—	—	—
Amount due from jointly controlled entity	54,325	—	—	—
Restricted bank deposits	41,529	148,246	135,732	316,692
Bank balances and cash	308,872	2,658,201	1,345,861	1,574,674
	1,913,003	7,792,127	7,258,247	7,787,653
Current liabilities				
Trade and other payables	292,401	823,913	975,783	841,234
Sales deposits	147,464	234,890	244,208	716,303
Amount due to related parties	41,042	—	—	—
Taxation payable	221,063	641,367	653,255	605,674
Advance payments of convertible notes	235,100	—	—	—
Amount due to a minority shareholder	—	—	—	27,992
Derivative financial instruments	—	80,051	3,906	15,030
Secured bank loans	216,873	74,912	215,000	319,786
	1,153,943	1,855,133	2,092,152	2,526,019
Net current assets	759,060	5,936,994	5,166,095	5,261,634
Total assets less current liabilities	1,035,137	6,385,579	6,256,258	6,373,196

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Non-current liabilities				
Secured bank loans	114,000	808,900	999,687	1,041,326
Deferred taxation liabilities	92,859	226,173	63,053	76,016
Convertible notes	—	306,400	304,133	312,476
	206,859	1,341,473	1,366,873	1,429,818
Net assets	828,278	5,044,106	4,889,385	4,943,378
Capital and reserves				
Share capital	81	21,838	21,838	21,838
Reserves	827,820	5,022,268	4,857,722	4,911,546
Equity attributable to shareholders of the Company	827,901	5,044,106	4,879,560	4,933,384
Minority interests	377	—	9,825	9,994
Total equity	828,278	5,044,106	4,889,385	4,943,378

Consolidated Cash Flow Statement

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	446,493	1,203,983	(89,322)
Adjustments for:			
Recognition of change in fair value of completed properties upon transfer to investment properties	—	(55,142)	(88,437)
Transaction costs attributable to embedded derivatives component of convertible notes	—	8,068	—
Change in fair value of investment properties	(67,563)	(20,964)	34,558
Change in fair value of embedded derivatives component of convertible notes	—	(64,289)	(76,145)
Loss on redemption of convertible notes	—	86,266	—
Finance costs	2,114	30,616	5,219
Share of results of jointly controlled entities	1,630	232	(45)
Gain on disposal of subsidiaries	(3,146)	—	(16,713)
Share based payments	—	11,533	16,495
Depreciation of property, plant and equipment	10,220	3,967	11,278
Amortisation of prepaid lease payments	236	7,060	6,275
Written off of long outstanding payable	—	—	(25,271)
Interest income	(1,120)	(101,284)	(51,506)
Loss on disposal of property, plant and equipment and prepaid lease payments	(98,766)	235	360
Loss on deferred consideration settlement	1,529	—	—
Impairment of goodwill	7,435	—	—
Net foreign exchange loss	(5,535)	49,207	40,329
Discount on acquisition	(3,233)	(102)	—
Operating cash flows before movements in working capital	290,294	1,159,386	(232,925)
Increase in prepaid lease payments	(32,584)	(2,216)	—
Decrease in inventories	28	76	12
Increase in properties for sales	(17,923)	(689,426)	(2,183,450)
(Increase) decrease in trade and other receivables	(151,436)	(1,735,037)	617,134
Increase in amounts due from related parties	(31,777)	—	—
Increase in trade and other payables	6,926	369,091	183,872
(Decrease) increase in sales deposits	(384,780)	(8,063)	9,318
Increase in amounts due to related parties	2,018	—	—
Cash used in operations	(319,234)	(906,189)	(1,606,039)
Enterprise Income Tax paid	(5,995)	(54,740)	(121,805)
Interest paid	(27,034)	(102,231)	(107,477)
NET CASH USED IN OPERATING ACTIVITIES	(352,263)	(1,063,160)	(1,835,321)

	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Interest received	1,120	101,283	15,843
Purchases of property, plant and equipment	(775)	(8,246)	(107,496)
Additions in other property interests	(1,361)	(18)	—
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(10,226)	(262,751)	—
Payment of amounts owing to vendors of acquisition of subsidiaries	—	(407,601)	—
Deemed distribution upon acquisition of additional interests in subsidiaries	(20,603)	(55,100)	—
Acquisition of additional interest in a subsidiary	—	(245)	—
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	(357)	—	(146)
Proceeds on disposal of available for sale investments	—	550	—
Proceeds on disposal of property, plant and equipment and prepaid lease payments	69,538	149	58,516
Proceeds on disposal of investment properties	120,800	—	80,697
Repayment from (advance to) jointly controlled entities	(17,501)	(73,602)	318,360
(Decrease) increase in restricted bank deposits	(33,478)	(106,717)	12,514
Advance to related parties	667,120	(4,108)	—
Investment in jointly controlled entities	—	—	(13,247)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	774,277	(816,406)	365,041
FINANCING ACTIVITIES			
Issue of shares	389,831	3,793,654	—
Share issue expenses	(11,200)	(143,516)	—
Distributions to shareholders	(314,400)	(81)	—
New bank loans raised	114,000	1,020,689	800,560
Repayment of bank loans	(241,744)	(467,751)	(464,889)
Contributions from minority shareholders	3,600	—	10,137
Advance from a minority Shareholder	—	—	—
Advance payments of convertible notes received	240,635	—	—
Dividends paid to equity holders of the parent	—	—	(123,888)
Advance from jointly controlled entities	—	62	—
Repayment to related parties	(343,379)	(343)	—
Proceeds from issue of convertible notes	—	855,683	—
Transaction costs of convertible notes	—	(25,663)	—
Redemption compensation paid to note holders	—	(116,936)	—
Repayment of convertible notes	—	(604,406)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(162,657)	4,311,392	221,920

	Year ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	259,357	2,431,826	(1,248,360)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	(82,497)	(63,980)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	49,515	308,872	2,658,201
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	308,872	2,658,201	1,345,861

(B) WORKING CAPITAL OF THE ENLARGED GROUP

As of the Latest Practicable Date, the Directors (including the independent non-executive Directors) are of the opinion that in the absence of unforeseeable circumstances, taking into account the Enlarged Group's existing cash balances, the future expected internally generated funds and the present available banking facilities of the Enlarged Group, and on the basis that the above-mentioned transactions set out in this circular are approved by the Shareholders, the working capital available to the Enlarged Group is sufficient.

(C) INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the despatch of this circular,

The Group

(a) ***Borrowings***

The Group had bank borrowings of approximately RMB1,793.1 million. The bank borrowings were secured by (i) certain properties under development and the land use right of the Group; and (ii) certain of the Group's equity interests.

(b) ***Securities***

The Group did not have any outstanding debt securities.

(c) ***Mortgages and charges***

The Group had not pledged any of its assets to any third party.

(d) ***Contingent Liabilities***

The Group had contingent liabilities of approximately RMB1,389.9 million which was secured by the guarantee provided by the Company. The Group acted as guarantor to the mortgage bank loans granted to certain purchasers of the Group's properties.

(e) ***Convertible Notes***

The Group had convertible notes of approximately RMB305.6 million which was secured by the guarantees provided by the Group.

(f) ***Amount due to a minority shareholder***

The Group had advance from a minority shareholder of approximately RMB28 million.

Century Profit

(a) ***Amount due to a related company***

Century Profit had advance from a related company of approximately RMB82 million.

(b) ***Amount due to ultimate holding company***

Century Profit had advance from ultimate holding company of approximately RMB10.7 million.

(c) ***Amount due to the Group***

Century Profit had advance from the Group of a sum of HK$522,964,984, being the Hong Kong dollars equivalent of RMB460 million.

Project Company

(a) ***Borrowings***

Project Company had bank borrowings of RMB250 million. The bank borrowings were secured by the guarantees provided by the Beijing Capital Development Co. Ltd.

(b) ***Loans from shareholders***

Project Company had advances from shareholders of approximately RMB1,282.1 million.

Intra-group liabilities

As at 31 July 2009, there were no intra-group liabilities between the Group, Century Profit and the Project Company save that the Group advanced a sum of HK$522,964,984, being the Hong Kong dollars equivalent of RMB460,000,000 to Century Profit pursuant to the RMB460 million Loan Agreement.

Save as aforesaid, or as otherwise disclosed, and apart from intra-group liabilities, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans debt securities or other similar indebtedness, finance leases or hire purchases commitments, liabilities under acceptance or acceptance credits or any guarantee or other material contingent liabilities outstanding as at the close of business on 31 July 2009.

(D) FINANCIAL PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the property development and property investment in the PRC.

The Enlarged Group will continue the business of property development and property investment in the PRC. The revenue of the Enlarged Group will be primarily generated from the same business segment: property development and property investment. It is expected that the construction work on the Project Land will be completed in 2011 and the sale of the properties under the development of the Project Land will commence thereafter. The revenue and profit of the Project Company will contribute financially to the Group in future.

The Directors consider that the Project Land has excellent potential for development. The Acquisition and Further Acquisition offer a chance for the Group to make its first step into Beijing.

(E) INFORMATION ON THE ACQUISITION

Century Profit is principally engaged in investment holding and the Project Company is principally engaged in property development of the Project Land. Pursuant to the SP Agreement, the Purchaser agreed to acquire and the Vendor agreed to sell 41.33% of the issued share capital of Century Profit at a consideration of the Hong Kong dollars equivalent of RMB370,000,000. Consideration of the Acquisition was satisfied in cash and completion of the Acquisition took place on 28 July 2009. As at the Latest Practicable Date, no directors' emoluments were paid by Century Profit and the Project Company.

(F) MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANIES

Business Review

Century Profit is a single purpose vehicle. The Project Company is a project company and its sole business is the acquisition and development of the Project Land and the subsequent sale and leasing of the properties built on the Project Land. The Project Land is located in a prime location in Beijing. The Project Company has obtained all the relevant approvals from the relevant PRC authorities for the construction and presale of the units to be built on the Project Land. Due to the high market demand for luxurious residential and commercial properties in this prime location, the expected return for this property development will be very substantial.

Financial review

For the year ended 31 December 2006

The development on the Project Land started construction in May 2006 and was expected to be completed in 2011, the Target Companies did not have any revenue generated from property sale. During the year ended 31 December 2006, the Target Companies incurred administrative and promotion expenses and interest on loans from shareholders.

As at 31 December 2006, the Target Companies had property under development amounted approximately RMB978.3 million. The said amount included removal cost, construction cost, interest capitalised and land premium incurred on the Project Land.

Financial resources and liquidity

For the year ended 31 December 2006, the Target Companies derived their sources of fund primarily from shareholders' contribution, which were used to finance the operations and development of properties on the Project Land.

As at 31 December 2006, the Target Companies had cash and bank balances of RMB7.3 million which was substantially denominated in RMB.

Gearing

The gearing ratio was measured by the net borrowings (total borrowings net of cash and cash equivalents) over total capital and reserves. As at 31 December 2006, the Target Companies had net borrowings of approximately RMB926.2 million and negative amount of total capital and reserves.

Borrowings

The development on the Project Land was financed by shareholders' loans. As at 31 December 2006, the shareholders' loans were amounted to approximately RMB933.5 million denominated in RMB. The Target Companies did not expose to any foreign risks.

Commitments and contingent liabilities

The Target Companies had capital commitments amounted to approximately RMB556.3 million for the construction commitment contracted for but did not provide for in the accounts. The Target Companies did not have any significant contingent liabilities.

Charge on assets

As at 31 December 2006, none of assets of the Target Companies was charged or pledged to any third party.

Significant investments

The Target Companies did not have significant investments except the investment in the development on the Project Land, which started construction in May 2006 and was expected to be completed in 2011.

Material acquisitions and disposals

During the year ended 31 December 2006, the Target Companies did not have material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investments

Save as the investment in the development on the Project Land, the Target Companies did not have other future plans for material investments or capital assets. It was expected that the investment in the development on the Project Land were to be financed by shareholders' loans and bank borrowings.

For the year ended 31 December 2007

During the year ended 31 December 2007, the development on the Project Land was still under construction and was expected to be completed in 2011, the Target Companies did not have any revenue generated from property sale. During the year ended 31 December 2007, the Target Companies incurred administrative and promotion expenses and interest on loans from the shareholders.

As at 31 December 2007, the Target Companies had property under development amounted approximately RMB1,334.6 million. The said amount included removal cost, construction cost, interest capitalised and land premium incurred on the Project Land.

Financial resources and liquidity

For the year ended 31 December 2007, the Target Companies derived their sources of fund primarily from shareholders' contribution and bank borrowings, which were used to finance the operations and development of properties on the Project Land.

As at 31 December 2007, the Target Companies had cash and bank balances of RMB6.9 million which was substantially denominated in RMB.

Gearing

The gearing ratio was measured by the net borrowings (total borrowings net of cash and cash equivalents) over total capital and reserves. As at 31 December 2007, the Target Companies had net borrowings of approximately RMB1,231.7 million and negative amount of total capital and reserves.

Borrowings

The development on the Project Land was financed by shareholders' loans and bank borrowings. As at 31 December 2007, the shareholders' loans and bank borrowings were amounted to approximately RMB1,058.7 million and approximately RMB180.0 million respectively. All these loans were denominated in RMB. The Target Companies did not expose any foreign currency risk.

Commitments and contingent liabilities

The Target Companies had capital commitments amounted to approximately RMB461.7 million for the construction commitment contracted for but did not provide for in the accounts. The Target Companies did not have any significant contingent liabilities.

Charge on assets

As at 31 December 2007, none of assets of the Target Companies was charged or pledged to any third party.

Significant investments

The Target Companies did not have significant investments except the investment in the development on the Project Land, which was under construction and was expected to be completed in 2011.

Material acquisitions and disposals

During the year ended 31 December 2007, the Target Companies did not have material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investments

Save as the investment in the development on the Project Land, the Target Companies did not have other future plans for material investments or capital assets. It was expected that the investment in the development on the Project Land was to be financed by shareholders' loans and bank borrowings.

For the year ended 31 December 2008

During the year ended 31 December 2008, the development on the Project Land was still under construction and was expected to be completed in 2011, the Target Companies did not have any revenue generated from property sale. During the year ended 31 December 2008, the Target Companies incurred administrative and promotion expenses and interest on loans from the shareholders.

As at 31 December 2008, the Target Companies had property under development amounted approximately RMB1,563.6 million. The said amount included removal cost, construction cost, interest capitalised and land premium incurred on the Project Land.

Financial resources and liquidity

For the year ended 31 December 2008, the Target Companies derived their sources of fund primarily from shareholders' contribution and bank borrowings, which were used to finance the operations and development of properties.

As at 31 December 2008, the Target Companies had cash and bank balances of approximately RMB0.1 million which was substantially denominated in Hong Kong dollars.

Gearing

The gearing ratio was measured by the net borrowings (total borrowings net of cash and cash equivalents) over total capital and reserves. As at 31 December 2008, the Target Companies had net borrowings of approximately RMB1,460 million and negative amount of total capital and reserves.

Borrowings

The development on the Project Land was financed by shareholders' loans and bank borrowings. As at 31 December 2008, the shareholders' loans and bank borrowings were amounted to approximately RMB1,160.4 million and approximately RMB300.0 million respectively and all these loans are denominated in RMB. The Target Companies did not expose any foreign currency risk.

Commitments and contingent liabilities

The Target Companies had capital commitments amounted to approximately RMB550.7 million for the construction commitment contracted for but did not provide for in the accounts. The Target Companies did not have any significant contingent liabilities.

Charge on assets

As at 31 December 2008, none of assets of the Target Companies was charged or pledged to any third party.

Significant investments

The Target Companies did not have significant investments except the investment in the development on the Project Land, which was under construction and was expected to be completed in 2011.

Material acquisitions and disposals

During the year ended 31 December 2008, the Target Companies did not have material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investments

Save as the investment in the development on the Project Land, the Target Companies did not have other future plans for material investments or capital assets. It was expected that the investment in the development on the Project Land was to be financed by shareholders' loans and bank borrowings.

For the four months ended 30 April 2009

During the four months ended 30 April 2009, the development on the Project Land was still under construction and was expected to be completed in 2011, the Target Companies did not have any revenue generated from property sale. During the four months ended 30 April 2009, the Target Companies incurred administrative and promotion expenses and interest on loans from the shareholders.

As at 30 April 2009, the Project Company had property under development amounted approximately RMB1,585.7 million. The said amount included removal cost, construction cost, interest capitalised and land premium incurred on the Project Land.

Financial resources and liquidity

For the four months ended 30 April 2009, the Target Companies derived their sources of fund primarily from shareholders contribution and bank borrowings, which were used to finance the operations and development of properties on the Project Land.

As at 30 April 2009, the Target Companies had cash and bank balances of approximately RMB6.7 million which was substantially denominated in RMB.

Gearing

The gearing ratio was measured by the net borrowings (total borrowings net of cash and cash equivalents) over total capital and reserves. As at 30 April 2009, the Target Companies had net borrowings of approximately RMB1,510.6 million and negative amount of total capital and reserves.

Borrowings

The development on the Project Land was financed by shareholders' loans and bank borrowings. As at 30 April 2009, the shareholders' loans and bank borrowings were amounted to approximately RMB 1,217.4 million and approximately RMB 300.0 million respectively and all these loans were denominated in RMB. The Target Companies did not expose any foreign currency risk.

Commitments and Contingent liabilities

The Target Companies had capital commitments amounted to approximately RMB 584.4 million for the construction commitment contracted for but did not provide for in the accounts. The Target Companies did not have any significant contingent liabilities.

Charge on assets

As at 30 April 2009, none of assets of the Target Companies was charged or pledged to any third party.

Significant investments

The Target Companies did not have significant investments except the investment in the development on the Project Land, which was under construction and was expected to be completed in 2011.

Material acquisitions and disposals

During the four months ended 30 April 2009, the Target Companies did not have material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investments

Save as the investment in the development on the Project Land, the Target Companies did not have other future plans for material investments or capital assets. It was expected that the investment in the development on the Project Land was to be financed by shareholders' loans and bank borrowings.

2. SUMMARY OF FINANCIAL STATEMENTS

Set out below is the unqualified audit opinion on the Company's consolidated financial statements for the year ended 31 December 2008 as extracted from the Company's 2008 annual report. The page references in the following extract are the same as those in the Company's 2008 annual report.

TO THE SHAREHOLDERS OF CHINA AOYUAN PROPERTY GROUP LIMITED
中國奧園地產集團股份有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Aoyuan Property Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 123, which comprise of the consolidated balance sheet as at December 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation and the true and fair presentation of the consolidated 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 Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2008 and of its loss and cash flows for the year then ended December 31, 2008 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2008

	NOTES	**2008** *RMB'000*	**2007** *RMB'000*
Revenue	5	619,941	2,501,397
Cost of sales		(597,164)	(1,176,986)
Gross profit		22,777	1,324,411
Other income	6	79,897	105,243
Change in fair value of investment properties		(34,558)	20,964
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		88,437	55,142
Selling and distribution costs		(135,276)	(71,102)
Administrative expenses		(198,283)	(148,794)
Change in fair value of embedded derivatives component of convertible notes		76,145	64,289
Other expenses		—	(29,056)
Loss on redemption of convertible notes		—	(86,266)
Finance costs	7	(5,219)	(30,616)
Gain on disposal of subsidiaries	30	16,713	—
Share of result of a jointly controlled entity		45	(232)
(Loss) profit before taxation	8	(89,322)	1,203,983
Income tax credit (expense)	9	31,857	(601,612)
(Loss) profit for the year		(57,465)	602,371
(Loss) profit attributable to:			
Equity holders of the Company		(57,153)	602,401
Minority interests		(312)	(30)
		(57,465)	602,371
Dividend	11	123,888	—
(Loss) earnings per share (cents)			
Basic	12	(2.54)	36.04
Diluted	12	(6.28)	30.40

CONSOLIDATED BALANCE SHEET

At December 31, 2008

	NOTES	**2008** *RMB'000*	**2007** *RMB'000*
Non-current assets			
Property, plant and equipment	13	148,646	63,969
Prepaid lease payments	14	18,652	24,927
Investment properties	15	439,890	353,750
Interest in a jointly controlled entity	17	326,804	—
Amount due from a jointly controlled entity	21	60,850	—
Other property interests	19	86,952	—
Deferred taxation assets	26	8,369	5,939
		1,090,163	448,585
Current assets			
Inventories		—	12
Properties for sales	18	4,530,096	2,593,119
Other property interests	19	—	86,952
Trade and other receivables	20	1,240,283	2,299,322
Prepaid lease payments	14	6,275	6,275
Restricted bank deposits	22	135,732	148,246
Bank balances and cash	22	1,345,861	2,658,201
		7,258,247	7,792,127
Current liabilities			
Trade and other payables	23	975,783	823,913
Sales deposits		244,208	234,890
Taxation payable		653,255	641,367
Derivative financial instruments	24	3,906	80,051
Secured bank loans	25	215,000	74,912
		2,092,152	1,855,133
Net current assets		5,166,095	5,936,994
Total assets less current liabilities		6,256,258	6,385,579

	NOTES	2008 RMB'000	2007 RMB'000
Non-current liabilities			
Secured bank loans	25	999,687	808,900
Deferred taxation liabilities	26	63,053	226,173
Convertible notes	24	304,133	306,400
		1,366,873	1,341,473
Net assets		4,889,385	5,044,106
Capital and reserves			
Share capital	27	21,838	21,838
Reserves		4,857,722	5,022,268
Equity attributable to equity holders of the Company		4,879,560	5,044,106
Minority interests		9,825	—
Total equity		4,889,385	5,044,106

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	PRC statutory reserve	Capital reserve	Special reserve	Other reserves	Property revaluation reserve	Share option reserve	Retained profits	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*					
At January 1, 2007	81	378,551	8,541	10,800	(21,210)	4,500	—	—	446,638	827,901	377	828,278
Profit and total recognised income for the year	—	—	—	—	—	—	—	—	602,401	602,401	(30)	602,371
Elimination of share capital of existing subsidiary upon Group Reorganisation	(81)	(378,551)	—	—	378,551	—	—	—	—	(81)	—	(81)
Deemed distribution on acquisition of additional interest in subsidiaries	—	—	—	(10,800)	—	—	—	—	(44,300)	(55,100)	—	(55,100)
Issue of shares upon Group Reorganisation	97	—	—	—	—	—	—	—	—	97	—	97
Capitalisation issue of shares	14,542	(14,542)	—	—	—	—	—	—	—	—	—	—
Surplus on revaluation of properties	—	—	—	—	—	—	50,313	—	—	50,313	—	50,313
Deferred taxation liability arising from revaluation of properties	—	—	—	—	—	—	(12,578)	—	—	(12,578)	—	(12,578)
Issue of shares by placing and public offering	7,296	3,786,358	—	—	—	—	—	—	—	3,793,654	—	3,793,654
Share issue expenses	—	(173,937)	—	—	—	—	—	—	—	(173,937)	—	(173,937)
Share based payments	—	—	—	—	—	—	—	11,533	—	11,533	—	11,533
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(347)	(347)
At December 31, 2007	21,838	3,597,879	8,541	—	357,341	4,500	37,735	11,533	1,004,739	5,044,106	—	5,044,106
Loss and total recognised expense for the year	—	—	—	—	—	—	—	—	(57,153)	(57,153)	(312)	(57,465)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	10,137	10,137
Share based payments	—	—	—	—	—	—	—	16,495	—	16,495	—	16,495
Transfer of share option reserve upon expiry of share options	—	—	—	—	—	—	—	(8,217)	8,217	—	—	—
Dividend paid	—	—	—	—	—	—	—	—	(123,888)	(123,888)	—	(123,888)
At December 31, 2008	21,838	3,597,879	8,541	—	357,341	4,500	37,735	19,811	831,915	4,879,560	9,825	4,889,385

Notes:

1. The Articles of Association of certain subsidiaries require the appropriation of 5% to 10% of their profit after taxation each year to the PRC statutory reserve as determined by their board of directors. The PRC statutory reserve should only be used for making up losses, capitalisation into capital and expansion of the production and operation.

2. Capital reserve represents the capital contribution by the then minority shareholders of certain subsidiaries which are under the common control of Mr. Guo Zi Wen ("Mr. Guo"), a director of the Company, and his wife, Ms. Jiang Min Er ("Mrs. Guo") as the financial statements have been prepared using principles of merger accounting. The remaining interests of these subsidiaries were acquired during the Group reorganisation. The payment for the acquisition were deemed partially as a return of capital contribution and partially as distribution to the shareholders debited to capital reserve and retained profits, respectively.

3. Special reserve includes (i) revaluation difference arising from the acquisition of additional interests in a subsidiary which debited to special reserve upon the acquisition date and (ii) the amount which represents the difference between the aggregate of the nominal value of share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation and the nominal value of the share capital issued by the Company as consideration for the acquisition.

4. Other reserves represent the discount arising from acquisition of additional interest in subsidiaries from a related company in which Mr. Guo Zi Ning is a director.

5. During the year ended December 31, 2007, revaluation surplus arising from transfer of owner-occupied property to investment properties at the date of change in use amounted to RMB50,313,000.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2008

	2008	2007
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
(Loss) profit before taxation	(89,322)	1,203,983
Adjustments for:		
Recognition of change in fair value of completed properties upon transfer to investment properties	(88,437)	(55,142)
Transaction costs attributable to embedded derivatives component of convertible notes	—	8,068
Change in fair value of investment properties	34,558	(20,964)
Change in fair value of embedded derivatives component of convertible notes	(76,145)	(64,289)
Loss on redemption of convertible notes	—	86,266
Finance costs	5,219	30,616
Share of result of a jointly controlled entity	(45)	232
Gain on disposal of subsidiaries	(16,713)	—
Share based payments	16,495	11,533
Depreciation of property, plant and equipment	11,278	3,967
Amortisation of prepaid lease payments	6,275	7,060
Written off of long outstanding payable	(25,271)	—
Interest income	(51,506)	(101,284)
Loss on disposal of property, plant and equipment and prepaid lease payments	360	235
Net foreign exchange loss	40,329	49,207
Discount on acquisition	—	(102)
Operating cash flows before movements in working capital	(232,925)	1,159,386
Increase in prepaid lease payments	—	(2,216)
Decrease in inventories	12	76
Increase in properties for sales	(2,183,450)	(689,426)
Decrease (increase) in trade and other receivables	617,134	(1,735,037)
Increase in trade and other payables	183,872	369,091
Increase (decrease) in sales deposits	9,318	(8,063)
Cash used in operations	(1,606,039)	(906,189)
Enterprise Income Tax paid	(121,805)	(54,740)
Interest paid	(107,477)	(102,231)
NET CASH USED IN OPERATING ACTIVITIES	(1,835,321)	(1,063,160)

	NOTES	**2008** *RMB'000*	**2007** *RMB'000*
INVESTING ACTIVITIES			
Interest received		15,843	101,283
Purchases of property, plant and equipment		(107,496)	(8,246)
Additions in other property interests		—	(18)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	29	—	(262,751)
Payment of amounts owing to vendors of acquisition of subsidiaries		—	(407,601)
Deemed distribution upon acquisition of additional interests in subsidiaries		—	(55,100)
Acquisition of additional interest in a subsidiary		—	(245)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	30	(146)	—
Proceeds on disposal of available for sale investments		—	550
Settlement of receivable arising on disposal of property, plant and equipment		58,516	149
Settlement of receivable arising on disposal of investment properties		80,697	—
Repayment from (advance to) jointly controlled entities		318,360	(73,602)
Decrease (increase) in restricted bank deposits		12,514	(106,717)
Advance to related parties		—	(4,108)
Investment in a jointly controlled entity		(13,247)	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		365,041	(816,406)
FINANCING ACTIVITIES			
Issue of shares		—	3,793,654
Share issue expenses		—	(143,516)
Distributions to shareholders		—	(81)
New bank loans raised		800,560	1,020,689
Repayment of bank loans		(464,889)	(467,751)
Contributions from minority shareholders		10,137	—
Dividends paid to equity holders of the parent		(123,888)	—
Advance from jointly controlled entities		—	62
Repayment to related parties		—	(343)
Proceeds from issue of convertible notes		—	855,683
Transaction costs of convertible notes		—	(25,663)
Redemption compensation paid to note holders		—	(116,936)
Repayment of convertible notes		—	(604,406)
NET CASH FROM FINANCING ACTIVITIES		221,920	4,311,392

	NOTES	**2008** *RMB'000*	**2007** *RMB'000*
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,248,360)	2,431,826
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(63,980)	(82,497)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,658,201	308,872
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		1,345,861	2,658,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated on March 6, 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since October 9, 2007. The Company's ultimate holding company is Ace Rise Profits Limited, incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-111, Cayman Islands and Nanguo Aoyuan, Hanxi Road, Zhong Cun Town, Panyu, the People's Republic of China (the "PRC"), respectively.

Pursuant to a series of group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the SEHK, the Company issued shares in exchange for the entire issued share capital of Add Hero Holdings Limited and thereby became the holding company of the Group on September 6, 2007. Details of the Group Reorganisation are set out in the prospectus dated September 21, 2007 issued by the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the year ended December 31, 2007 have been prepared as if the Company has always been the holding company of the Group using the principles of merger accounting as set out in Note 3. On this basis, the results of the Group for the year ended December 31, 2007 include the Company and its subsidiaries with effect from January 1, 2007 or since their respective date of incorporation or establishment where this is a shorter period.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 38.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued at the date of this report but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 1 (Revised)	Presentation of Financial Statements[3]
IAS 23 (Revised)	Borrowing Costs[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
IAS 39 (Amendment)	Eligible Hedged Items[4]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
IFRS 3 (Revised)	Business Combinations[4]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
IFRS 8	Operating Segments[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[5]
IFRIC 13	Customer Loyalty Programmes[6]
IFRIC 15	Agreements for the Construction of Real Estate[3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[4]
IFRIC 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after January 1, 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after July 1, 2009

2 Effective for annual periods beginning on or after January 1, 2009, July 1, 2009 and January 1, 2010, as appropriate

3 Effective for annual periods beginning on or after January 1, 2009

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

5 Effective for annual periods ending on or after June 30, 2009

6 Effective for annual periods beginning on or after July 1, 2008

7 Effective for annual periods beginning on or after October 1, 2008

8 Effective for transfers on or after July 1, 2009

Except for the adoption of IFRS 3 (Revised) and IAS 27 (Revised), the directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group. The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments, which are measured at fair value, as explained in the accounting policies adopted set out below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement up to the effective date of acquisition or up to the effective date of disposal.

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

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

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

Merger accounting for business combination involving entities under common control

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Business combinations other than involving entities under common control

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

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

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

Goodwill

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

The capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Acquisition of additional interest in subsidiaries

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

The difference between the cost of the acquisition and the goodwill/discount on acquisition and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to special reserve. On subsequent disposal of the subsidiary, the attributable special reserve is realised in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment, including buildings for administrative purpose, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into accounts of their residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is transferred to an investment property because its use has changed as evidenced by end of owner-occupation. Any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be realised to consolidated income statement.

Investment properties

Investment properties are properties and/or land held to earn rentals and/or for capital appreciation.

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

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

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity. When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Impairment of tangible assets

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

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

Inventories

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

Properties for sales

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Where property for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in consolidated income statement. For property for sale transferred to property, plant and equipment as evidenced by start of owner-occupation, the carrying amount of that item is transferred at the date of transfer.

Other property interests

Other property interests are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Financial instruments

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

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a jointly controlled entity, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Derecognition

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Convertible notes

Conversion option embedded in convertible notes that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. Such convertible notes issued by the Group containing liability component and conversion option, issuer redemption option (collectively the "embedded derivatives component") are classified separately into respective items on initial recognition. At the date of issue, both the liability and embedded derivatives component are recognised at the fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The embedded derivatives component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and embedded derivatives component in proportion to their relative fair values. Transaction costs relating to the embedded derivatives component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables and secured bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

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

Derivative financial instruments

Embedded derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Revenue recognition

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

Sales of properties

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

Sales returns of properties sold are recorded as reduction of revenue in the period in which the properties are returned.

Property rentals

Rentals receivable under operating leases are recognised and credited to the consolidated income statement on a straight-line basis over the relevant lease term.

Consulting income

Consulting income is recognised when services are rendered.

Interest income

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Leasing

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

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

Leasehold land and building

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

Sale and leaseback

A sale and leaseback transaction involves the sale of properties and the leasing back of the same assets.

When a sale and leaseback transaction results in an operating lease and is established at fair value, any profit or loss is recognised immediately. When the sale price of properties is below fair value, any profit or loss is recognised immediately except that, when the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the properties are expected to be leased. When the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the properties is expected to be leased.

Taxation

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

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

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

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

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months or significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

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

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount of RMB4,530,096,000 (2007: RMB2,593,119,000). Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale and completed properties for sale.

Convertible notes

As described in note 24, the Group's convertible notes contain embedded derivatives with carrying amount of RMB3,906,000 (2007: RMB80,051,000) that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these embedded derivatives. Assumptions are made based on market yields of comparable corporate bonds and return volatility of comparable companies adjusted for specific features of the embedded derivatives. Details of the assumptions used are disclosed in note 24.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. REVENUE

During the year, the Group is principally engaged in the property development and property investment in the PRC. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property development - developing and selling of properties in the PRC
Property investment - leasing of investment properties
Others - consulting services

Revenue and results

	Year ended December 31, 2008			
	Property development	**Property investment**	**Others**	**Total**
	RMB'000 *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	609,015	9,525	1,401	619,941
Segment results	(79,916)	(25,758)	219	(105,455)
Other income				44,234
Unallocated corporate expenses				(115,785)
Change in fair value of embedded derivatives component of convertible notes				76,145
Finance costs				(5,219)
Gain on disposal of subsidiaries				16,713
Share of result of a jointly controlled entity	45	—	—	45
Loss before taxation				(89,322)
Income tax expense				31,857
Loss for the year				(57,465)

Note: During the year ended December 31, 2008, two customers settled the outstanding portion of the consideration amounting to approximately RMB338,325,000 for properties they purchased in 2007 by returning to the Group certain properties previously sold to them in 2007.

In addition, the Group purchased certain other properties previously sold to these two customers at a consideration of approximately RMB197,028,000 so as to integrate them with the properties returned by the two customers for further enhancement and selling. The settlement and purchase of properties are recognised as sales returns such that the relevant revenue amounting to approximately RMB597,951,000 (net of business tax) and relevant cost of properties sold amounting to approximately RMB262,346,000 previously recognised in 2007 are now recognised as deductions from revenue and cost of properties sold during the year ended December 31, 2008. Prior to the sales returns, the Group received certain amount of cash from these two customers for settlement of sales consideration. Accordingly, the Group recognised revenue of approximately RMB92,738,000 (net of business tax) to the extent cash is received and retained.

During the year, revenue and segment results amounting to approximately RMB147,572,000 (net of business tax) and RMB86,635,000, respectively, including in the property development segment were derived from corporate bulk sales.

Balance sheet

	As at December 31, 2008			
	Property development	**Property investment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Segment assets	5,768,398	451,034	398	6,219,830
Interest in a jointly controlled entity	326,804	—	—	326,804
Unallocated corporate assets				1,801,776
Total assets				8,348,410
Liabilities				
Segment liabilities	1,190,318	476	2,556	1,193,350
Unallocated corporate liabilities				2,265,675
Total liabilities				3,459,025

Note: At December 31, 2008, segment assets amounting to approximately RMB78,080,000 were related to corporate bulk sales.

Other information

	Year ended December 31, 2008				
	Property development	**Property investment**	**Others**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital additions	7,112	—	—	100,384	107,496
Depreciation of property, plant and equipment	5,735	17	93	5,433	11,278
Amortisation of prepaid lease payments	—	6,275	—	—	6,275
Loss on disposal of property, plant and equipment	360	—	—	—	360
Recognition of increase in fair value of completed properties upon transfer to investment properties	88,437	—	—	—	88,437
Decrease in fair value of investment properties	—	34,558	—	—	34,558
Share based payment	—	—	—	16,495	16,495
Written off of long outstanding payable	—	—	—	25,271	25,271

Revenue and results

	Year ended December 31, 2007			
	Property development	**Property investment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	2,488,270	8,469	4,658	2,501,397
Segment results	1,269,963	21,826	563	1,292,352
Other income				105,243
Unallocated corporate expenses				(140,787)
Change in fair value of embedded derivatives component of convertible notes				64,289
Finance costs				(30,616)
Share of results of jointly controlled entities				(232)
Loss on redemption of convertible notes				(86,266)
Profit before taxation				1,203,983
Income tax expense				(601,612)
Profit for the year				602,371

Note: During the year ended December 31, 2007, revenue and segment results amounting to approximately RMB1,434,950,000 (net of business tax) and RMB807,389,000, respectively, including in the property development segment were derived from corporate bulk sales. As disclosed in the segment result for the year ended December 31, 2008, certain properties previously sold in year 2007 are returned by the customers subsequently in 2008.

Balance sheet

	As at December 31, 2007			
	Property development	**Property investment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Segment assets	4,844,629	381,695	657	5,226,981
Unallocated corporate assets				3,013,731
Total assets				8,240,712
Liabilities				
Segment liabilities	1,039,292	18,664	847	1,058,803
Unallocated corporate liabilities				2,137,803
Total liabilities				3,196,606

Note: At December 31, 2007, segment assets amounting to approximately RMB1,062,292,000 were related to corporate bulk sales.

Other information

	Year ended December 31, 2007				
	Property development	**Property investment**	**Others**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital additions	4,398	54	—	3,794	8,246
Depreciation of property, plant and equipment	3,072	17	380	498	3,967
Amortisation of prepaid lease payments	—	7,060	—	—	7,060
Recognition of increase in fair value of completed properties upon transfer to investment properties	55,142	—	—	—	55,142
Increase in fair value of investment properties	—	20,964	—	—	20,964
Share based payment	—	—	—	11,533	11,533
Loss on disposal of property, plant and equipment	235	—	—	—	235

6. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Other income comprises of:		
Bank interest income from over-subscription monies	—	78,318
Bank interest income	15,843	22,966
Imputed interest income on trade receivables	35,663	—
Discount arising on acquisition of additional interest in a subsidiary	—	102
Write off of other payable	25,271	—
Others	3,120	3,857
	79,897	105,243

7. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	(81,403)	(40,076)
Interest on convertible notes	(42,662)	(108,075)
	(124,065)	(148,151)
Less: Amount capitalised in properties under development for sales	118,846	117,535
	(5,219)	(30,616)

Interest capitalised arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately of 8.4% (2007: 11.3%) to expenditure on the qualifying assets.

8. PROFIT BEFORE TAXATION

	2008	2007
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Staff costs including directors' emoluments	84,950	48,112
Retirement benefit scheme contributions	932	808
Total staff costs	85,882	48,920
Less: Amount capitalised in properties under development for sales	(12,861)	(5,755)
	73,021	43,165
Amortisation of prepaid lease payments	6,275	7,060
Auditor's remuneration	2,700	3,000
Depreciation of property, plant and equipment	11,278	3,967
Loss on disposal of property, plant and equipment	360	235
Net foreign exchange loss	40,329	49,207
Rental expenses in respect of rented premises under operating leases	14,776	6,208
Rental income in respect of investment properties under operating leases, less direct operating expenses from investment properties that generated rental income during the year of RMB725,000 (2007: RMB840,000)	(8,800)	(7,629)

Note: As disclosed in note 5, two customers settled the remaining consideration payable to the Group of approximately RMB338,325,000 during the year ended December 31, 2008.

9. INCOME TAX CREDIT (EXPENSE)

	2008	2007
	RMB'000	*RMB'000*
Income tax credit (expense) recognised comprises of:		
Enterprise Income Tax in the PRC - Current	(181,319)	(130,043)
Deferred taxation (note 26)		
- Current year	165,550	(139,031)
- Attributable to change in tax rate	—	12,461
Land appreciation tax	47,626	(344,999)
Income tax credit (expense) for the year	31,857	(601,612)

The Group's PRC Enterprise Income Tax is calculated at 25% (2007: 33%) of the estimated assessable profit for the year. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

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

According to the New Law, starting from January 1, 2008, withholding income tax will be imposed on dividends relating to profits earned in year ended December 31, 2008 onwards to foreign investors for the companies established in the PRC. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax credit (expense) for the year can be reconciled to the (loss) profit before taxation per consolidated income statement as follows:

	2008	2007
	RMB'000	*RMB'000*
(Loss) profit before taxation	(89,322)	1,203,983
Tax credit (charge) at PRC Enterprise Income Tax rate of 25% (2007: 33%)	22,330	(397,314)
Tax effect of share of result of a jointly controlled entity	11	(77)
Tax effect of expenses not deductible in determining taxable profit (note a)	(52,211)	(87,910)
Tax effect of income that are not taxable in determining taxable profit	27,180	58,979
Tax effect of tax losses not recognised	(582)	(812)
Land appreciation tax	47,626	(344,999)
Tax effect to utilisation of tax losses of previous years	—	2,867
Tax effect of deductible share issue expenses capitalised in share premium	—	650
Decrease in opening deferred taxation liabilities resulting from a decrease in applicable tax rate	—	12,461
Differential tax rate on temporary differences of subsidiaries (note b)	—	40,622
Tax effect of land appreciation tax (note c)	(11,907)	113,850
Others	(590)	71
Tax credit (expenses) for the year	31,857	(601,612)

Notes:

(a) Tax effect of expenses not deductible in determining taxable profit for the year ended December 31, 2008 mainly represents interest expenses on convertible notes, share based payments and exchange loss (2007: interest expenses on convertible notes and legal and professional fees in connection with the public offering and issuance of convertible notes).

(b) The amount represented the effect of the new tax rate applied on the taxable temporary differences arisen during the year ended December 31, 2007.

(c) The tax effect of land appreciation tax for the year represents the land appreciation tax calculated according to the relevant PRC tax law.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' emoluments

	2008	2007
	RMB'000	*RMB'000*
Fees	—	—
Salaries and allowances	11,153	7,681
Share-based payments	13,644	7,539
	24,797	15,220

	Salaries and allowances	Share based payments	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2008			
Executive director:			
Guo Zi Wen ("Mr. Guo") (郭梓文)	2,316	—	2,316
Guo Zi Ning (郭梓寧)	2,110	3,528	5,638
Zheng Jian Jun (鄭健軍)	1,662	452	2,114
Hu Da Wei (胡大為)	1,981	—	1,981
Wu Jie Si (武捷思)	2,420	5,821	8,241
Non-executive director:			
Leung Ping Chung, Hermann (梁秉聰)	53	3,528	3,581
Paul S. Wolansky	53	—	53
He Jian Bin (何建兵)	73	—	73
Independent non-executive director:			
Song Xian Zhong	93	105	198
Ma Kwai Yuen	218	105	323
Tsui King Fai	174	105	279
	11,153	13,644	24,797

	Salaries and allowances *RMB'000*	Share based payments *RMB'000*	Total *RMB'000*
Year ended December 31, 2007			
Executive director:			
Guo Zi Wen ("Mr. Guo") (郭梓文)	2,409	—	2,409
Guo Zi Ning (郭梓寧)	2,304	—	2,304
Zheng Jian Jun (鄭健軍)	2,470	920	3,390
Non-executive director:			
Leung Ping Chung, Hermann (梁秉聰)	42	5,781	5,823
Paul S. Wolansky	42	379	421
Independent non-executive director:			
Song Xian Zhong	126	153	279
Ma Kwai Yuen	162	153	315
Tsui King Fai	126	153	279
	7,681	7,539	15,220

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group included 4 (2007: 3) executive directors whose emoluments are set out above. The emoluments of the remaining 1 (2007: 2) highest paid individual are as follows:

	2008 *RMB'000*	2007 *RMB'000*
Salaries and allowances	2,224	2,012
Retirement benefit scheme contributions	—	20
	2,224	2,032

Their emoluments were within the following bands:

	2008	2007
Nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	—	1
HK$2,000,001 to HK$2,500,000	1	—

During the year ended December 31, 2008 and 2007, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration for the year ended December 31, 2008 and 2007.

11. DIVIDEND

	2008	2007
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Final dividend for 2007: RMB5.5 cent (2007: Nil) per share	123,888	—

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to equity holders of the Company is based on the following data:

(Loss) earnings

	2008	2007
	RMB'000	*RMB'000*
(Loss) earning for the purposes of basic (loss) earnings per share, being (loss) profit for the year attributable to equity holders of the Company	(57,153)	602,401
Effect of dilutive potential ordinary shares:		
Interest on convertible notes charged to consolidated income statement	5,219	16,437
Change in fair value of embedded derivatives component of convertible notes	(76,145)	(66,980)
Exchange difference	(18,855)	(19,455)
(Loss) earnings for the purpose of diluted earnings per share	(146,934)	532,403

Number of shares

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,252,000	1,671,164
Effect of dilutive potential ordinary shares:		
Convertible notes	89,423	80,177
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	2,341,423	1,751,341

Note: The computation of diluted loss per share for the year ended December 31, 2008 i) does not take into account for the effect of certain share options granted because the exercise price of those options was higher than the average market price of the Company's shares and ii) does not take into account for the exercise of the remaining share options, where the exercise price of those options was lower than the average market price of the Company's shares, as their exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2007 does not take into account for i) the effect of share options granted because the exercise price of those options was higher than the average market price of the Company's shares and ii) the conversion of convertible notes with principal amount of US$80 million, which was redeemed in 2007, as the effect is anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At January 1, 2007	39,261	13,191	21,899	8,229	82,580
Acquisition of subsidiaries	10,165	480	1,274	46	11,965
Transfer to investment properties	(34,727)	—	—	—	(34,727)
Transfer from properties for sale	32,714	—	—	—	32,714
Additions	—	4,126	3,444	676	8,246
Disposals	—	—	(1,180)	—	(1,180)
At December 31, 2007	47,413	17,797	25,437	8,951	99,598
Disposal of subsidiaries (note 30)	—	(54)	—	—	(54)
Transfer to investment properties	(12,744)	—	—	—	(12,744)
Additions	91,025	7,285	5,097	4,089	107,496
Disposals	—	(661)	(1,129)	(3,883)	(5,673)
At December 31, 2008	125,694	24,367	29,405	9,157	188,623
DEPRECIATION					
At January 1, 2007	10,200	11,012	16,761	3,760	41,733
Provided for the year	916	717	1,831	503	3,967
Transfer to investment properties	(9,275)	—	—	—	(9,275)
Disposals	—	—	(796)	—	(796)
At December 31, 2007	1,841	11,729	17,796	4,263	35,629
Disposal of subsidiaries (note 30)	—	(3)	—	—	(3)
Transfer to investment properties	(1,614)	—	—	—	(1,614)
Provided for the year	2,935	3,953	3,119	1,271	11,278
Disposals	—	(510)	(920)	(3,883)	(5,313)
At December 31, 2008	3,162	15,169	19,995	1,651	39,977
CARRYING VALUES					
At December 31, 2008	122,532	9,198	9,410	7,506	148,646
At December 31, 2007	45,572	6,068	7,641	4,688	63,969

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

Buildings	20 years
Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	3 to 5 years

During the year ended December 31, 2007, buildings of RMB32,714,000 were transferred from properties for sale as a result of the change in use of property. No such transfer was made during the year ended December 31, 2008.

14. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents land use rights held under medium-term lease in the PRC and prepayment for sale and leaseback transaction, and is analysed as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Current asset	6,275	6,275
Non-current asset	18,652	24,927
	24,927	31,202

During the year ended 31 December 2007, prepaid lease payments of RMB8,625,000 were transferred to investment properties as a result of the change in use of property while prepaid lease payments of RMB3,461,000 were transferred from properties for sales as a result of the change in use of property.

15. INVESTMENT PROPERTIES

	RMB'000
At January 1, 2007	158,124
Transfer from property, plant and equipment and prepaid lease payments	84,390
Transfer from properties for sales	90,272
Net change in fair value recognised in the consolidated income statement	20,964
At December 31, 2007	353,750
Transfer from properties for sales	109,568
Transfer from property, plant and equipment	11,130
Net change in fair value recognised in the consolidated income statement	(34,558)
At December 31, 2008	439,890

The fair values of the Group's investment properties at the date of transfer and at the balance sheet dates have been arrived at on the basis of a valuation carried out by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at on the basis of capitalisation of the net income receivable amounting to approximately RMB245,060,000 and by reference to market evidence of recent transaction prices for similar properties amounting to approximately RMB194,830,000.

At December 31, 2007, investment properties of RMB52,820,000 were pledged to secure certain banking facilities granted to the Group. It was released during the year ended December 31, 2008.

The carrying value of investment properties shown above comprises:

	2008 RMB'000	2007 RMB'000
Properties situated on land with land use rights held under long lease in the PRC	439,890	353,750

16. GOODWILL

	RMB'000
COST	
At January 1, 2007, December 31, 2007 and December 31, 2008	8,237
IMPAIRMENT	
At January 1, 2007, December 31, 2007 and December 31, 2008	8,237
CARRYING VALUES	
At December 31, 2008 and 2007	—

During the year ended December 31, 2006, the Group acquired additional interest from minority shareholders of certain subsidiaries resulting in a goodwill amounting to RMB8,237,000. These companies were inactive and the Group acquired the additional interests solely for the purpose of rationalisation of the organisation structure. The management assessed the future profitability of these companies and a full impairment loss was therefore recognised in the year ended December 31, 2006.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2008	**2007**
	RMB'000	*RMB'000*
Cost of investment, unlisted	344,298	67,050
Share of post-acquisition results	45	(9,070)
Unrealised profits	(17,539)	(28,481)
Elimination upon acquisition	—	(29,499)
	326,804	—

As at December 31, 2008, the Group had interest in the following jointly controlled entity:

Name of entity	**Place of establishment**	**Proportion of registered capital held by the Group**	**Principal activities**
Headwin Limited	BVI	50%	Investment holding of a subsidiary engaged in property development

Headwin limited is a jointly controlled entity set up by the Group and an independent third party. During the year ended December 31, 2008, the Group disposed of its interest in certain wholly-owned subsidiaries to Headwin Limited, except one subsidiary 廣州奧譽房地產開發有限公司 where the Group retains 2% equity interest. 廣州奧譽房地產開發有限公司 is principally engaged in property development. Headwin Limited is accounted for as a jointly controlled entity of the Group as at December 31, 2008 as in accordance with the memorandum and the articles of the companies, the shareholders have contractually agreed to jointly control over these entities.

The directors of the Company have performed impairment assessment on the interest in a jointly controlled entity with reference to the underlying assets held by the jointly controlled entity and determined that no impairment is required.

On June 7, 2007, the Group completed the acquisition of the remaining interest in the jointly controlled entities including 廣州南沙國奧投資有限公司, 廣州南沙國奧房地產開發有限公司 and 廣州國奧物業管理有限公司 which become subsidiaries of the Group, details of the acquisition of additional interests in these companies are set out in note 29.

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

	2008	**2007**
	RMB'000	*RMB'000*
Current assets	11,672	—
Non-current assets	340,832	—
Current liabilities	(32,307)	—
Income	45	—
Expense	—	(232)

18. PROPERTIES FOR SALE

	2008	**2007**
	RMB'000	*RMB'000*
Properties for sale comprise of:		
Completed properties	1,076,943	576,071
Properties under development	3,453,153	2,017,048
	4,530,096	2,593,119

During the year ended December 31, 2008, completed properties with aggregate carrying amount of approximately RMB21,131,000 (2007: RMB35,131,000) were transferred to investment properties. The excess of the fair value of these properties at the date of transfer and their carrying amount, amounting to approximately RMB88,437,000 (2007: RMB55,142,000), is recognised in the consolidated income statement.

During the year ended December 31, 2007, RMB32,714,000 and RMB3,461,000 were transferred to property, plant and equipment and prepaid lease payments, respectively, and no such transfer was made in the year ended December 31,2008.

At December 31, 2008, certain of the Group's properties for sales with carrying value of approximately RMB1,204,316,000 (2007: RMB252,546,000) were pledged to secure certain banking facilities granted to the Group.

19. OTHER PROPERTY INTERESTS

Other property interests relate to leasehold land and related development cost in the PRC which is held under long lease. Pursuant to the written Decision Regarding the Reclamation of the Use Right of State-Owned land (Sui Guo Fang Zi [2007] No.1196) (廣州市國土資源和房屋管理局總國房地[2007]1196號收回國有土地使用權決定書) issued by the Bureau of Land Resources and Housing Management of Guangzhou Municipality ("the Bureau of Land Resources") on December 15, 2006, the subject property will be reverted to the Guangzhou municipal government.

On March 21, 2007, the Group submitted the dispute of this decision to the Guangzhou municipal government. On April 2, 2007, the Guangzhou municipal government issued its determination in Administrative Review Decision (Sui Fu Fu Zi (2008) No.67) (穗府復字 (2008) 67號文 - 行政復議決定書), which upheld the decision of the Bureau of Land Resources to reclaim the subject property on public interest grounds. The Bureau of Land Resources has confirmed that the Group can apply for refund of the land premium and other ancillary expenses the Group paid when the Group first acquired the land use right and the compensation for the expenses the Group incurred during the reclamation process.

During the year ended December 31, 2008, the Bureau of Land Resources issued a notice to the Group (穗府房函(2008) 1751號) requesting the Group to submit a compensation proposal. According to the Group's compensation proposal submitted in November 2008, the Group requested the Bureau of Land Resources to withdraw the reclaim decision, otherwise, grant another piece of land to the Group with same value and in same location and area. The executive directors of the Company are of the opinion that the recoverable amount of these property interests would not be less than the carrying amount which represents the historical cost incurred. The relevant procedures of refund and compensation are still under process up to the date when the consolidated financial statements are authorised for issue.

In addition, the controlling shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

20. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	267,891	1,371,508
Receivable arising from disposal of property, plant and equipment	—	58,516
Receivable arising from disposal of investment properties	—	80,697
Other receivables	291,844	141,824
Advances to suppliers	655,020	381,855
Deposits for purchase of land use rights	20,000	259,773
Prepayments and deposits	5,528	5,149
	1,240,283	2,299,322

The following is aged analysis of trade receivables at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
Age		
0 to 60 days	151,582	1,038,351
61 to 180 days	81,719	263,964
181 to 365 days	7,608	2,442
1 to 2 years	9,579	66,201
2 to 3 years	17,403	550
	267,891	1,371,508

Trade receivables mainly represent receivable from banks for mortgage sale of properties amounting to approximately RMB137,500,000 (2007: RMB220,908,000) and receivable from corporate bulk sale customers amounting to approximately RMB82,625,000 (2007: RMB1,004,465,000). Normally the average credit period on sale of properties is 60 days. For the corporate bulk sale customers, the average credit period extends to 180 days or one year. Of the trade receivables balance at 31 December 2008, approximately RMB15,616,000 and RMB62,464,000 will be received in May 2009 and May 2010 (2007: RMB303,512,000 and RMB758,780,000 will be received in June 2008 and December 2008), respectively, according to the corporate bulk sale agreements. Impairment on trade receivables are provided for based on estimated irrecoverable amounts from the sale of properties, determined by reference to past default experience. Considerations under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date.

Included in other receivables mainly represent temporary receivables paid in advance for reclamation of land for the Group's further property development. The directors of the Company consider that no impairment is required.

As at December 31, 2008, there were approximately RMB9,579,000 (2007: RMB66,201,000) receivable aged 1 to 2 years and RMB17,403,000 (2007: Nil) receivables aged 2 to 3 years that were past due but not impaired. Based on experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these receivables as the debtors have no history of default for balance past due or balance not past due. At the balance sheet date, trade receivables of the Group's top three customers, which are operating in the Guangdong Province and engaged in property, investment or construction businesses, amounted to RMB93,040,000 (2007: RMB1,062,292,000). The Group has reviewed the subsequent settlement, settlement history and financial position of these customers and no impairment on the receivables is required. Nonetheless, two customers were unable to settle the remaining balance payable to the Group during the year ended December 31, 2008 and therefore settled the remaining balance with the properties previously sold to them (see note 5). There are no other customers who represent more than 5% of the total balance of trade receivables. The concentration of credit risk in the remaining trade receivables is limited due to the customer base being large and unrelated.

21. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

Amount due from a jointly controlled entity mainly represents an advance to a jointly controlled entity for settlement of its construction fees is interest free, unsecured and not expected to be settled within twelve months of the balance sheet date.

22. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits

These deposits are restricted for the payment to the construction contractors and carry variable interest rate of 0.36% (2007: 0.72%) per annum. The restricted bank deposits will be released upon the completion of the development of properties.

Bank balances and cash

The bank balances carry variable interest rate with an average interest rate from 0.54% to 1% (2007: from 0.76% to 2.36%) per annum.

23. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	*RMB'000*
Trade payables	802,685	500,588
Other payables	132,982	211,137
Other taxes payable	40,116	112,188
	975,783	823,913

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cash expenses. The average credit period for trade purchases is from 6 months to 1 year. No interest is charged by the suppliers on the trade payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by the Group are set out in note 28.

The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
Age:		
0 to 60 days	310,926	141,419
61 to 180 days	188,271	195,530
181 to 365 days	110,705	48,353
1 to 2 years	121,148	48,535
2 to 3 years	33,274	27,537
Over 3 years	38,361	39,214
	802,685	500,588

At December 31, 2008, the balance of approximately RMB96,302,000 (2007: RMB52,193,000) with age over 1 year mainly represents the retention money of approximately 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest free, and would be paid to constructors after 1-3 year period.

24. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS

On 21 November 2006, Add Hero Holding Limited ("Add Hero", a wholly owned subsidiary of the Company) and Sunrise Partners Limited Partnership ("Sunrise Partners") entered into a note purchase agreement ("Preliminary Note Purchase Agreement"), under which Add Hero agreed to issue convertible notes in aggregate principal amount of US$60,000,000 to Sunrise Partners, subject to negotiation and finalisation of the terms between the parties.

Following the negotiation between the parties, Add Hero and Sunrise Partners entered into a final note purchase agreement on 5 January 2007 ("Original Note Purchase Agreement"), whereby Add Hero issued 7.95% senior secured convertible notes ("Original Notes") in aggregate principal amount of US$60,000,000 (equivalent to approximately RMB469,264,000) due on February 13, 2012 (the "Maturity Date"). Add Hero shall on the Maturity Date pay an amount equal to the aggregate principal amount of the Original Notes outstanding on the Maturity Date, plus accrued and unpaid interest thereon.

Pursuant to another note purchase agreement (the "Note Purchase Agreement") entered by Add Hero on 9 February 2007, Add Hero issued convertible notes in aggregate principal amount of US$140,000,000 (equivalent to approximately RMB1,096,318,000) due in February 13, 2012 ("Convertible Notes") in which (i) the Convertible Notes in aggregate principal amount of US$60,000,000 were issued to Sunrise Partners in exchange for the Original Notes; and (ii) the Convertible Notes in aggregate principal amount of US$80,000,000 were issued to the investors other than Sunrise Partners (Sunrise Partners and investors other than Sunrise Partners, together "Noteholders").

Upon the issuance of the Convertible Notes, the Original Note Purchase Agreement and the Original Notes were terminated and ceased to be effective.

The Convertibles Notes entitle the Noteholders to convert them into the Company's ordinary shares at any time prior to the Maturity Date at a conversion price as set out in the Note Purchase Agreement, subject to certain anti-dilutive adjustments.

During the 18 months following the International Public Offering ("IPO") and prior to the Maturity Date, if the weighted average price of the Company has equaled or exceeded 130% of the conversion price in effect on 20 of the previous 30 trading days, Add Hero shall have the option to redeem all the Convertible Notes at their principal amount plus accrued and unpaid interest up to the date of redemption in cash.

According to the Note Purchase Agreement, the Convertible Notes are interest bearing at Interest of London Inter Bank Offer Rate ("LIBOR") plus 3% per annum as the IPO occured by 15 July 2008.

Convertible Notes contain liability component stated at amortised cost and conversion option and issuer redemption option (collectively the "embedded derivatives component") which are not closely related to the host contract and are stated at fair value. The embedded derivatives component is presented on a net basis as the terms and conditions of options under the embedded derivatives component are inter-related. Issue costs of RMB25,663,000 are apportioned between the liability component and embedded derivatives component based on their relative fair values at the date of issue. An issue cost of RMB17,603,000 relating to the liability component is included in the fair value of liability component at the date of issue. The effective interest rate of the liability component is 14.2% (2007:19.2%).

On 5 September 2007, Noteholders and the Group signed a consent letter and agreed that Add Hero shall, at the IPO, redeem convertible notes with aggregate principal amount of US$80,000,000 held by investors other than Sunrise Partners at a redemption premium rate of 20.625% of the redeemed principal amount minus interests which had been paid by the Group. A loss on redemption amounting to RMB86,266,000 has been charged to the consolidated income statement.

Sunrise Partners remains as a investor after the IPO upon receiving a consent fee equal to US$1,800,000 (equivalent approximately to RMB13,626,000). The consent fee incurred has been adjusted to the carrying amount of the liability component and amortised over the remaining term of the Convertible Notes.

The principal amount of convertible notes outstanding as at December 31, 2008 is US$60,000,000 (2007: US$60,000,000). The movements of the liability and derivative components of the Convertible Notes are set out as below:

	Liability component *RMB'000*	**Derivative components** *RMB'000*
Amount initially recognised	320,407	146,582
Additions	397,122	195,442
Interest charged	108,075	—
Interest paid	(62,156)	—
Redemption	(423,758)	(197,684)
Change in fair value	—	(64,289)
Exchange difference	(33,290)	—
At December 31, 2007	306,400	80,051
Interest charged	42,662	—
Interest paid	(26,074)	—
Change in fair value	—	(76,145)
Exchange difference	(18,855)	—
At December 31, 2008	304,133	3,906
Fair value at December 31, 2008	416,892	3,906

A probability weighted binomial model was used to determine the fair value of the conversion option. The probability for the occurrence of conversion was estimated using a binomial price tree. The main inputs to the valuation of the conversion option included the implied price of the underlying stock, exercise price, life of the option, expected volatility, expected dividend yield and the risk free rate.

The fair value of the embedded derivatives of the Convertible Notes comprise:

(a) The fair value of option held by the Noteholders to convert the Convertible Notes into shares of the Company; and

(b) The fair value of the option held by the Company to early redeem the Convertible Notes.

The Binomial model is used in the valuation of these embedded derivatives. Inputs into the model are as follows:

	2008
Conversion Price	HK$5.2
Risk free rate of interest	3.15%
Time to expiration	3.12 years
Volatility	62%

	2007
Conversion Price	IPO Price of the Company is HK$5.2
Risk free rate of interest	4.36%
Time to expiration	4.12 years
Volatility	49%

Notes:

(a) The risk free rate of interest adopted was the market yield of government bond as of the balance sheet date.

(b) The volatility adopted was based on the share price volatility of comparable companies in the past four years.

(c) The fair value of the Company's redemption option was developed by the difference in fair value of the conversion option with or without the redemption option.

25. SECURED BANK LOANS

	2008	2007
	RMB'000	*RMB'000*
The secured bank loans are repayable as follows:		
Within one year	215,000	74,912
More than one year, but not exceeding two years	625,687	115,000
More than two years, but not exceeding five years	374,000	693,900
	1,214,687	883,812
Less: Amount due within one year shown under current liabilities	(215,000)	(74,912)
	999,687	808,900

All the bank borrowings interest rate are agreed with the banks at inception date and are subject to negotiation on annual basis, thus exposing the Group to cash flow interest rate risk because of the re-pricing. The effective interest rates on bank borrowings for the year are 6.92% (2007: 6.90%) per annum. At December 31, 2007, certain of the Group's investment properties with an aggregate carrying value of approximately RMB52,820,000 were pledged to secure certain banking facilities granted to the Group. Such pledge of asset was released during the year ended December 31, 2008.

26. DEFERRED TAXATION

The deferred taxation liabilities recognised by the Group and movements thereon during the year are as follows:

	Change in fair value of investment properties	Revaluation of properties	Temporary difference on revenue recognition and related cost of sales	Tax losses	Other temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2007	18,897	—	68,258	(13,137)	7,068	81,086
Charge to equity for the year	—	12,578	—	—	—	12,578
Charge to consolidated income statement (note 9)	5,241	13,786	111,857	8,109	38	139,031
Effect of change in tax rate (note 9)	(4,581)	—	(6,167)	—	(1,713)	(12,461)
At December 31, 2007	19,557	26,364	173,948	(5,028)	5,393	220,234
(Credit) charge to consolidated income statement (note 9)	(8,640)	22,109	(165,427)	(3,341)	(10,251)	(165,550)
At December 31, 2008	10,917	48,473	8,521	(8,369)	(4,858)	54,684

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

	2008	2007
	RMB'000	*RMB'000*
Deferred taxation assets	(8,369)	(5,939)
Deferred taxation liabilities	63,053	226,173
	54,684	220,234

As at December 31, 2008, the Group had unused tax losses of RMB49,477,000 (2007: RMB59,992,000) available to offset against future profits. A deferred taxation asset has been recognised in respect of RMB33,475,000 (2007: RMB28,757,000) of such tax losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of RMB16,002,000 (2007: RMB31,235,000) due to the unpredictability of future profits streams. The unrecognised tax losses will expire in the following years:

	2008	2007
	RMB'000	*RMB'000*
2008	—	17,562
2009	3,156	3,156
2010	1,342	1,342
2011	3,457	3,457
2012	5,718	5,718
2013	2,329	—
	16,002	31,235

27. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
On the date of incorporation (note a)	38,000,000	380
Increase during the year (note d)	99,962,000,000	999,620
At December 31, 2007 and 2008	100,000,000,000	1,000,000
Issued and fully paid:		
Allotted and issued on the date of incorporation (note a)	1	—
Issue of shares upon the Group Reorganisation (note c)	9,999	—
Issue of shares by capitalisation (note e)	1,499,990,000	15,000
Issue of shares by placing and public offering (note f)	752,500,000	7,525
At December 31, 2007 and 2008	2,252,500,000	22,525

	Amount
	RMB'000
Shown in the consolidated balance sheet	
At December 31, 2007 and 2008	21,838

Details of the changes in the Company's share capital are as follows:

(a) The Company was incorporated on March 6, 2007 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, one nil-paid share was allotted and issued to the initial subscriber of the Company on March 6, 2007 and was then transferred to Ms. Jiang Min Er.

(b) On June 15, 2007, Ms. Jiang Min Er transferred the one nil-paid Share to Ace Rise Profits Limited.

(c) On September 6, 2007, the Company acquired the entire issued share capital of Add Hero from Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd., in consideration of which the Company allotted and issued 7,790 shares, 159 shares and 2,050 shares to Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd., respectively, and credited as fully paid the allotted 9,999 shares and the one nil-paid share. Prior to the completion of the global offering on 9 October 2007, the Company was owned by Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd. as to 77.91%, 1.59% and 20.50%, respectively.

(d) Pursuant to a written resolution passed on September 13, 2007, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of an additional 99,962,000,000 shares of HK$0.01 each, which rank pari passu in all respects with the then existing shares.

(e) Pursuant to the written resolution passed on September 18, 2007, an aggregate of 1,499,990,000 shares of HK$0.01 each were allotted and issued, credited as fully paid at par, to Ace Rise Profits Limited, Win Power Group Limited and Cathay Sino Property Ltd., by way of capitalisation of share premium ("Capitalisation Issue") for an aggregate amount of HK$14,999,900.

(f) On October 9, 2007, 700,000,000 shares of HK$0.01 each were issued by way of placing to professional and institutional investors and public offer to the public at a price of HK$5.20 per share. On October 18, 2007, overallotment of 52,500,000 shares of HK$0.01 each in the Company at a price of HK$5.20 per share was issued pursuant to the international underwriting agreement.

All the shares which were issued by the Company during the year ended December 31, 2007 rank pari passu with each other in all respects.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks associated with the Group's financial instruments are market risk (interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures.

i) ***Significant accounting policies***

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability, derivative financial instrument and equity instrument are disclosed in note 3.

ii) ***Categories of financial instruments***

	2008	**2007**
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,102,178	4,459,023
Financial liabilities		
Amortised cost	2,454,487	2,014,125
Financial liabilities through profit or loss		
- Derivative financial instruments	3,906	80,051

iii) ***Market risk***

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its convertible notes and bank borrowings which are subject to annual re-pricing in interest rates. The bank loans are for financing development of property projects. The interest rate of the convertible notes is determined by 6 months LIBOR plus 3%. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's fair value interest rate risk relates primarily to its liability component of the convertible notes. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arises.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for secured bank loan and convertible notes at the balance sheet dates. The analysis is prepared assuming the amount of secured bank loan and convertible notes (2007: secured bank loan and convertible notes) at the balance sheet date was outstanding for the whole year. A 200 (2007: 200) basis point fluctuation is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2008 would increase/decrease by approximately RMB28,238,000 (2007: decrease/increase of post-tax profit of RMB9,711,000).

The Group's sensitivity to interest rates has increased over the years mainly due to the increase in debt instruments which are exposed to cash flow interest rate risk.

Price risk

The Group is exposed to price risk in respect of the conversion option and redemption options embedded in the Convertible Notes. The below sensitivity analysis is not representative because of the interdependence of the variable input in the valuation model.

If the volatility to the valuation model had been 5% (2007: 5%) higher/lower while all other variables were held constant, the post-tax loss for the year would increase/decrease by RMB1,176,0000 (2007: decrease/increase of post-tax profit of RMB7,560,000) and RMB805,000 (2007: decrease/increase of post-tax profit of RMB3,674,000), respectively.

If the equity price had been 5% (2007: 5%) higher/lower while all other input variables of the valuation model were held constant, the post-tax loss for the year would increase/decrease by RMB722,000 (2007: decrease/increase of post-tax profit of RMB9,875,000) and RMB89,000 (2007: decrease/increase of post-tax profit of RMB5,215,000), respectively.

Foreign currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables, and majority of borrowings are denominated in RMB. The Group is subject to foreign exchange rate risk arising from recognised assets and liabilities which are denominated in the currency other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Assets		
Hong Kong dollars	47,453	1,167,465
United States dollars	—	289,614
Liabilities		
Hong Kong dollars	20,278	31,282
United States dollars	308,038	386,451

Foreign currency sensitivity

The Group is mainly exposed to fluctuation of United States dollars and Hong Kong dollars against RMB. The following table details the Group's sensitivity to a 10% (2007: 10%) increase and decrease in the RMB against the relevant foreign currencies. The respective percentages are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes convertible notes, bank borrowings as well as bank balances denominated in foreign currencies. A positive number below indicates a decrease (2007: increase) in post-tax loss (2007: post-tax profit) for the year where RMB strengthens 10% (2007: 10%) against the relevant currency. For a 10% (2007: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax loss (2007: post-tax profit) for the year.

	2008	**2007**
	RMB'000	*RMB'000*
United States dollars		
Profit or loss for the year	23,103	6,488
Hong Kong Dollars		
Profit or loss for the year	(2,308)	(76,124)

The Group's sensitivity is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year because of decrease in the exposure to bank balances denominated in Hong Kong dollars.

iv) ***Credit risk***

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the balance sheet; and

- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 32.

The Group has significant concentration of credit risk as 35% (2007: 76%) of the total trade receivables was due from the Group's top three customers as at 31 December 2008.

In order to minimise the credit risk of debts, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group provides guarantees to banks in connection with certain customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property (note 32). If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and repossess the properties for resale. No such forfeiture and repossession of properties occurred during the year ended December 31, 2008 and 2007. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group.

As explained in note 19, the Group can apply for refund of the land premium and other ancillary expenses incurred during the reclamation process of a leasehold land in the PRC from the Bureau of Land Resources. Accordingly, the Group has concentration of credit risk in this regard.

v) ***Capital risk management***

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

The capital structure of the Group consists of debt (which includes the convertible notes and secured bank loans disclosed in notes 24 and 25, respectively), net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's capital risk management strategy remains unchanged over the years.

vi) ***Liquidity risk management***

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

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

	Weighted average interest rate	**0 - 60 days**	**61 - 180 days**	**181 - 365 days**	**1 - 2 years**	**2 - 3 years**	**Over 3 years**	**Total undiscounted cash flow**	**Total carrying amount**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2008									
Financial liabilities									
Non-interest bearing	—	327,483	280,700	233,916	65,497	28,071	—	935,667	935,667
Bank borrowings	7.0%	13,604	128,012	152,652	673,107	191,221	214,801	1,373,397	1,214,687
Convertible notes	4.8%	11,096	—	10,098	20,272	20,468	422,883	484,817	308,039
TOTAL		352,184	408,712	396,666	758,876	239,760	637,684	2,793,882	2,458,393

	Weighted average interest rate	0 - 60 days	61 - 180 days	181 - 365 days	1 - 2 years	2 - 3 years	Over 3 years	Total undiscounted cash flow	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2007									
Financial liabilities									
Non-interest bearing	—	327,635	247,174	177,931	49,821	21,352	—	823,913	823,913
Bank borrowings	6.7%	83,974	18,124	27,186	165,657	584,664	148,820	1,028,425	883,812
Convertible notes	8.3%	9,633	—	18,918	38,044	38,334	496,109	601,038	386,451
TOTAL		421,242	265,298	224,035	253,522	644,350	644,929	2,453,376	2,094,176

Fair value of financial instruments

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

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions; and

The fair value of derivative instruments is calculated based on generally accepted option pricing models.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial information approximate their fair values except the convertible notes liability component as disclosed in note 24.

29. ACQUISITION OF SUBSIDIARIES

On 4 April 2007, the Group completed the acquisition of the entire issued capital of Fogang Tonglisheng Investment and Development Company Limited (佛岡同力盛投資發展有限公司) ("Fogang Tonglisheng") from several independent third parties, at a consideration of RMB85,372,749. Pursuant to the sale and purchase agreement, other than the consideration of RMB85,372,749, the Group is required to settle outstanding other payables, amounts due to the related parties and secured bank loans totalling to RMB20,699,750 at the acquisition date.

In May 2007, the Group entered into a sale and purchase agreement with independent third parties, South China Property International Limited and Top Plan (HK) Limited ("Top Plan"), in connection with the acquisition of the entire interest in Chongqing Chuangguan Real Estate Development Company Limited (重慶創冠房地產開發有限公司) ("Chongqing Chuangguan") through the acquisition of its Hong Kong incorporated parent company, Elite Land Development Limited

(怡利發展有限公司) ("Elite Land") at a total consideration of approximately RMB381,945,000, which includes an amount of approximately RMB184,922,000 which represents the amount owed by Chongqing Chuangguan to the vendors and their related companies which would be repaid as agreed with the vendors.

On 7 June 2007, the Group completed the acquisition of the remaining 45% share in its jointly controlled entities, Nansha Guo Ao Invco and its jointly controlled entities (the "Nansha Group"). The consideration was settled by the properties for sale owned by the Nansha Group at cost of approximately RMB45,030,000.

In March 2007, the Group entered into a sale and purchase agreement with Top Plan, in connection with the acquisition of the entire interest in Chongqing Fashion Technology Company Limited (重慶時尚置業有限公司) ("Chongqing Fashion") at a consideration of RMB210,000,000, which includes an amount of approximately RMB201,979,000 which represents the amount owed by Chongqing Fashion to the vendor and its related companies which would be repaid as agreed with the vendor.

Owing to the delays which prolonged the approval of the application for transfer of legal ownership of Chongqing Fashion, in October 2007, the Group entered into a supplementary agreement with Top Plan, pursuant to which, Top Plan agreed to transfer all the shareholders' rights and benefits derived from the operation of Chongqing Fashion and that Chongqing Fashion shall be managed and controlled by the Group. As the Group has the power to govern the financial and operating policies of Chongqing Fashion so as to obtain benefits from its activities under the agreement, Chongqing Fashion is accounted for as a subsidiary of the Company since October 2007.

The acquisition of Fogang Tonglisheng, Elite Land and Nansha Group are accounted for as acquisition of assets and liabilities as these subsidiaries acquired are not business.

The net assets of Fogang Tonglisheng, Elite Land and Nansha Group acquired are as follows:

	2007
	RMB'000
Net assets	
Property, plant and equipment	11,965
Properties for sale	866,320
Trade and other receivables	181,253
Bank balances and cash	27,666
Trade and other payables	(626,769)
Sales deposits	(95,489)
	364,946
Interest in a joint controlled entity	(29,499)
	335,447
Satisfied by:	
Cash	290,417
Properties held for sale	45,030
	335,447
Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Consideration paid	(290,417)
Bank balances and cash of subsidiaries acquired	27,666
	(262,751)

30. DISPOSAL OF SUBSIDIARIES

During the year ended December 31, 2008, the Group formed a jointly controlled entity namely, Headwin Limited, with an independent third party (note 17). The Group then disposed its interest in certain wholly-owned subsidiaries to Headwin Limited, except one subsidiary 廣州奧譽房地產開發有限公司 where the Group retains 2% equity interest.

The net liabilities of subsidiaries at the date of disposal were as follows:

	RMB'000
Net assets disposed of	
Property, plant and equipment	51
Properties for sale	700,072
Trade and other receivables	10
Bank balances and cash	146
Trade and other payables	(6,731)
Amounts due to group companies	(709,435)
	(15,887)
Gain on disposal of subsidiaries	16,713
Consideration	826
Satisfied by:	
Interest in a jointly controlled entity	826
Net cash outflow arising on disposal	
Bank balances and cash disposed of	(146)

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

31. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions during the year ended December 31, 2008 and 2007, respectively:

(i) During the year ended December 31, 2008, the Group entered into corporate bulk sales and purchase agreements for the sales of properties owned by the Group, total gross consideration of the corporate bulk sales amounted to RMB156,161,000. According to the terms of the agreement, 30% of the contract price was settled upon delivery of the properties and the remaining 20%, 10% and 40% of the contract price should be settled in November 2008, May 2009 and May 2010, respectively.

(ii) During the year ended December 31, 2008, the Group capitalised the amount due from a jointly controlled entity amounting to approximately RMB330,250,000 as additional cost of investment.

(iii) During the year ended December 31, 2007, the Group acquired 45% interest of its jointly controlled entity, Nansha Guo Ao Invco and its jointly controlled entities. The consideration was settled by the properties for sale owned by the Group at cost RMB52,529,000 of which RMB7,499,000 is used to settle amounts due to the former shareholder.

(iv) During the year ended December 31, 2007, the Group entered into corporate bulk sales and purchase agreements for the sales of properties owned by the Group, the fair value of total consideration of the corporate bulk sales amounted to RMB1,517,559,000. According to the terms of the agreements, 30% of the contract price was settled upon delivery of the properties and the remaining 20% and 50% of the contract price should be settled in June 2008 and December 2008, respectively. As disclosed in note 5, in 2008, two customers who entered into the corporate bulk sales in 2007 were unable to settle the remaining balances payable to the Group amounting to approximately RMB338,325,000 and settled by returning the properties previously sold to them.

32. CONTINGENT LIABILITIES

At the respective balance sheet dates, the contingent liabilities of the Group were as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to third parties	646,786	333,476

The Group acted as guarantor to the mortgage bank loans granted to certain purchasers of the Group's properties and agreed to repurchase the properties upon the purchasers default the repayment of bank loans. In the opinion of directors of the Company, the fair value of the financial guarantee contracts is not significant as the default rate is low.

During the year ended December 31, 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then claims the Group for compensation of approximately RMB61,096,000. Both the Group and the Vendor are in the process of collecting documents for submission to the court and the case is therefore in preliminary stage. However, no provision has been provided for this case because, in the opinion of the executive directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

33. OTHER COMMITMENTS

	2008	2007
	RMB'000	*RMB'000*
Construction cost commitment contracted for but not provided	1,787,979	2,783,252
Other commitments (Notes)	207,827	931,198

Notes:

(i) On November 23, 2007 and December 6, 2007, the Group entered into two sales and purchase agreements with Guangzhou Land Bureau (廣州市國土資源局) for the acquisition of two pieces of land located in Guangzhou for a total consideration of RMB1,021,290,000. At December 31, 2007, RMB90,092,000 was paid as deposit for such acquisition and the outstanding balance has been fully paid in the year ended December 31, 2008.

(ii) On December 15, 2008, the Group entered into a sales and purchase agreements with Shenyang Land Bureau (瀋陽市國土資源局) for the acquisition of a piece of land located in Shenyang for a a total consideration of RMB217,827,000. At December 31, 2008, RMB10,000,000 was paid as deposit for such acquisition.

34. OPERATING LEASE COMMITMENTS

As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	RMB'000	*RMB'000*
Within one year	11,176	9,825
In the second to fifth year inclusive	19,293	10,865
After five years	12,096	6,976
	42,565	27,666

The properties are expected to generate rental yields of average 1% to 4% per annum on an ongoing basis. All the properties held have committed tenants from 3 to 10 years.

As lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Within one year	10,506	7,490
In the second to fifth year inclusive	17,219	19,965
After five years	—	1,890
	27,725	29,345

Operating lease payments mainly represent rentals payable by the Group for sign boards subletting to the tenants. Leases are negotiated with range from 1 to 19 years and rentals are fixed for an average term of 1 to 19 years.

During the year ended December 31, 2007, the Group has entered into certain sales and leaseback transactions for the properties for sale. Approximately RMB4,540,000 were recognised as revenue while the relevant operating lease commitment of approximately RMB28,087,000 as at December 31, 2007 and RMB21,535,000 as at December 31, 2008 were included in the above. The lease terms range from 5 to 8 years with an option for renewal by the Group.

35. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on October 23, 2007 for the primary purpose of providing incentives to directors and eligible employees.

At December 31, 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 60,063,200 (2007: 11,929,000), representing 2.67% (2007: 0.53%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable on the grant of an option. Options may be exercised according to the schedule set out below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of specific categories of options are as follows:

Option type	No. of options granted	Date of grant	Vesting period	Exercise period	Exercise Price	Fair values at grant date
					HK$	*HK$*
2007A	1,015,800	October 23, 2007	October 23, 2007 to the day before 2007 result announcement date	2007 result announcement date until December 31, 2008 (Note)	6.55	1.276
2007A	1,523,700	October 23, 2007	October 23, 2007 to the day before 2008 result announcement date	2008 result announcement date until December 31, 2009	6.55	1.731
2007A	2,539,500	October 23, 2007	October 23, 2007 to the day before 2009 result announcement date	2009 result announcement date until December 31, 2010	6.55	2.069
2007B	4,881,000	October 23, 2007	October 23, 2007 to December 31, 2007	January 1, 2008 to December 31, 2008 (Note)	6.55	1.262
2007B	1,969,000	October 23, 2007	October 23, 2007 to March 31, 2008	April 1, 2008 to December 31, 2008 (Note)	6.55	1.278
2008A	10,000,000	July 18, 2008	None	July 18, 2008 to July 14, 2011	5.2	0.16
2008A	10,000,000	July 18, 2008	None	July 18, 2008 to July 14, 2011	1.79	0.51
2008A	20,000,000	July 18, 2008	None	July 18, 2008 to December 31, 2009	1.79	0.39
2008B	10,000,000	September 25, 2008	None	Anytime during the service period	0.90	0.21
2008C	3,000,000	December 1, 2008	None	Anytime during the service period	2.00	0.20
2008C	3,000,000	December 1, 2008	None	Anytime during the service period	0.638	0.04

Note: These share options are expired as at December 31, 2008.

During the year end December 31, 2008, a total of 56,000,000 (2007: 11,929,000) shares options were granted and no option granted is exercised by the grantee.

These fair values were calculated using the binominal model. The inputs into the model were as follows:

	2007A and B
Weighted average share price	HK$6.55
Exercise price	HK$6.55
Expected volatility	45%
Expected life	Whole life of each share option
Risk-free rate	3% - 3.3%
Expected dividend yield	1.5%

	2008A	**2008B**	**2008C**
Weighted average share price	HK$1.73	HK$0.86	HK$0.72
Exercise price	HK$1.79 & HK$5.2	HK$0.9	HK$0.638 & HK$2
Expected volatility	60%	60%	60%
Expected life	Whole life of each share option	3 years	3 years
Risk-free rate	1.9%-2.7%	2.7%	1.2%
Expected dividend yield	1.5%	1.5%	1.5%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of RMB16,495,000 (2007: RMB11,533,000) for the year ended December 31, 2008 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

36. RETIREMENT BENEFIT PLAN

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

37. RELATED PARTY TRANSACTIONS

(1) The Group had material transactions during the year with related parties as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Rental expenses	—	—
Rental income	—	3,632
Construction fee paid	—	16,999
Interest income	—	2,360

The above transactions were entered into with companies in which Mr. Guo has significant influence.

(2) The remuneration of key management (excluding remuneration of directors) during the year is as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Short-term benefits	7,132	4,227
Share-based payments	2,851	1,117
	10,009	5,344

The retirement benefit contributions of the key management during the year ended December 31, 2008 was not material.

(3) As disclosed in note 19, the controlling shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

38. PARTICULARS OF SUBSIDIARIES

Details of the Group's subsidiaries at December 31, 2008 and 2007 as follows:

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Able Run Management Limited	British Virgin Islands ("BVI")	100%	US$100	Investment holding
Able Sharp Limited	BVI	100%	US$100	Investment holding
Ace Crown Limited	Hong Kong	100%	HK$1	Investment holding
Act Fast Investments Limited	BVI	100%	US$100	Investment holding
Act Now International Limited	BVI	100%	US$100	Investment holding
Ace Super International Limited	BVI	100%	US$100	Investment holding
Ace Will Holdings Limited	BVI	100%	US$100	Investment holding
Active Top Group Limited	BVI	100%	US$100	Investment holding
Add Gain Investments Limited	BVI	100%	US$100	Investment holding
Add Hero Holding Limited	BVI	100%	US$10,000	Investment holding
Add Lion Profits Limited	BVI	100%	US$100	Investment holding
Add Move Investments Limited	BVI	100%	US$100	Investment holding
Add Power Investments Limited	BVI	100%	US$100	Investment holding
Add Right Investments Limited	BVI	100%	US$100	Investment holding
Add Union Management Limited	BVI	100%	US$100	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
All Favour Investments Limited	BVI	100%	US$100	Investment holding
All New Profit Limited	BVI	100%	US$100	Investment holding
Alchmede Holdings Limited	BVI	100%	US$100	Investment holding
Allied Channel Limited	Hong Kong	100%	HK$1	Investment holding
Allied Era Investments Limited	BVI	100%	US$100	Investment holding
Alpha Winner Limited	Hong Kong	100%	HK$1	Investment holding
Allywin Limited	BVI	100%	US$100	Investment holding
Ample Mount Holdings Limited	BVI	100%	US$100	Investment holding
Anway Investment Limited	Hong Kong	100%	HK$1	Investment holding
Aoyuan Grand Place Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Aoyuan Cannes Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Asiacity Development Limited	BVI	100%	US$100	Investment holding
Asia Prime Limited	Hong Kong	100%	HK$1	Investment holding
Asia Profit International Limited	Hong Kong	100%	HK$1	Investment holding
Auto High Management Limited	BVI	100%	US$100	Investment holding
Auto Joy Enterprises Limited	BVI	100%	US$100	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Auto Smart Profits Limited	BVI	100%	US$100	Investment holding
Bright Oriental Limited	Hong Kong	100%	HK$1	Investment holding
CAPG Limited (Former known as China Aoyuan Property Group Limited)	Hong Kong	100%	HK$1	Investment holding
Canton Link Investment Limited	Hong Kong	100%	HK$1	Investment holding
Century Earth Limited	Hong Kong	100%	HK$1	Investment holding
Charmtex Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Channel Time International Limited	Hong Kong	100%	HK$1	Investment holding
Cheer King International Limited	Hong Kong	100%	HK$1	Investment holding
Chinaview Holdings Limited	Hong Kong	100%	HK$1	Investment holding
China Planet Limited	Hong Kong	100%	HK$1	Investment holding
Citiasia (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
East Harvest Investment Limited#	Hong Kong	50%	HK$1	Investment holding
Elite Land Development Limited	Hong Kong	100%	HK10,000	Investment holding
Everview (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
Everward Development Limited	Hong Kong	100%	HK$1	Investment holding
Fairbo International Limited	Hong Kong	100%	HK$1	Investment holding
Fullco International Limited	Hong Kong	100%	HK$1	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held (note 1)	Issued and fully paid share capital/ registered share capital	Principal activities
Gaintime (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
Gold Deluxe Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Grand Gold (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
Happy Genius Management Limited	BVI	100%	US$100	Investment holding
Head Hero International Limited	BVI	100%	US$100	Investment holding
Herowell Enterprises Limited*	Hong Kong	100%	HK$1	Investment holding
High Hero Enterprises Limited*	BVI	100%	US$100	Investment holding
High Boom International Limited	BVI	100%	US$100	Investment holding
Joy Power Holdings Limited	BVI	100%	US$100	Investment holding
Landco Development Limited	Hong Kong	100%	HK$1	Investment holding
Mantex International Limited	Hong Kong	100%	HK$1	Investment holding
Meco Development Limited	Hong Kong	100%	HK$1	Investment holding
Merit Access Investments Limited	BVI	100%	US$100	Investment holding
Merit Route Investments Limited	BVI	100%	US$100	Investment holding
New Aoyuan City Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held (note 1)	Issued and fully paid share capital/ registered share capital	Principal activities
New Empire Holdings Limited	Hong Kong	100%	HK$1	Investment holding
New Empire International Limited	Hong Kong	100%	HK$1	Investment holding
Nice More Investments Limited	BVI	100%	US$100	Investment holding
Olympic Village Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Olympic City Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Onwin Enterprises Limited	Hong Kong	100%	HK$1	Investment holding
Orient Time Development Limited	Hong Kong	100%	HK$1	Investment holding
Profits Point Holdings Limited	BVI	100%	US$100	Investment holding
Rising Bright International Limited	BVI	100%	US$100	Investment holding
Rising Fast Management Limited	BVI	100%	US$100	Investment holding
Sanbo Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Sharp Mate International Limited	BVI	100%	US$100	Investment holding
Sino Victory Development Limited	Hong Kong	100%	HK$1	Investment holding
Smart Million Holdings Limited	BVI	100%	US$100	Investment holding
Speed Rich Holdings Limited	BVI	100%	US$100	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Speed Winner Limited	Hong Kong	100%	HK$1	Investment holding
Teleimon International Limited	BVI	100%	US$100	Investment holding
Time Well Investment (Group) Limited	Hong Kong	100%	HK$1	Investment holding
Trump Luck International Limited	BVI	100%	US$100	Investment holding
Top Field Group Limited	BVI	100%	US$100	Investment holding
Topfair International Limited	Hong Kong	100%	HK$1	Investment holding
United Joy Management Limited	BVI	100%	US$100	Investment holding
Vagatori International Limited	BVI	100%	US$100	Investment holding
Warkaville Holdings Limited	BVI	100%	US$100	Investment holding
Warren Group Limited	BVI	100%	US$100	Investment holding
Win Hero Group Limited	BVI	100%	US$100	Investment holding
Win Lucky Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Wisdom First Holdings Limited	BVI	100%	US$100	Investment holding
Yolinga International Limited	BVI	100%	US$100	Investment holding
重慶創冠房地產開發有限公司 (Chongqing Chuangguan Real Estate Development Company Limited)	PRC	100%	US$49,000,000	Property development

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held (note 1)	Issued and fully paid share capital/ registered share capital	Principal activities
佛崗同力盛投資發展有限公司 (Fogang Tong Li Sheng Investment Development Company Limited)	PRC	100%	RMB80,000,000	Property development
奧園集團有限公司 (Aoyuan Group Company Limited)	PRC	100%	RMB400,000,000	Investment holding
廣州奧園海景城房地產開發有限公司 (Guangzhou Aoyuan Hai Jing Cheng Real Estate Development Company Limited)	PRC	100%	RMB380,000,000	Property development
廣州市番禺金業園房地產開發有限公司 (Guangzhou Panyu Jin Ye Yuan Real Estate Development Company Limited)	PRC	100%	RMB170,000,000	Property development
廣州市番禺金業房地產開發有限公司 (Guangzhou Panyu Jin Ye Real Estate Development Company Limited)	PRC	100%	RMB180,000,000	Property development
廣州奧林匹克房地產開發有限公司 (Guangzhou Olympic Real Estate Development Company Limited)	PRC	100%	RMB60,000,000	Property development
廣州奧林匹克物業投資有限公司 (Guangzhou Olympic Properties Investment Company Limited)	PRC	100%	RMB81,000,000	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
廣州番禺奧林匹克房地產開發有限公司 (Guangzhou Panyu Olympic Real Estate Development Company Limited)	PRC	100%	RMB31,000,000	Property development
廣東奧園置業有限公司 (Guangdong Aoyuan Property Company Limited)	PRC	100%	RMB30,000,000	Provision of consultancy Services
廣州奧園複合地產管理有限公司 (Guangzhou Aoyuan Fuhe Real Estate Management Company Limited)	PRC	100%	RMB500,000	Provision of consultancy services
廣州奧林匹克置業投資有限公司 (Guangzhou Olympic Property Investment Company Limited)	PRC	100%	RMB6,000,000	Provision of consultancy services
廣州奧園資產經營管理有限公司 (Guangzhou Aoyuan Assets of Management Company Limited) Company Limited)	PRC	100%	RMB10,000,000	Provision of consultancy services
廣州南沙奧園地產有限公司 (Guangzhou Nansha Aoyuan Real Estate Company Limited)	PRC	100%	RMB10,000,000	Property development

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
廣州南沙國奧房地產開發有限公司 (Guangzhou Nansha Guo Ao Real Estate Development Company Limited)	PRC	100%	RMB120,494,000	Property development
廣州國奧物業管理有限公司 (Guo Ao Properties Management Company Limited)	PRC	100%	RMB5,100,000	Property development
廣州南沙國奧投資有限公司 (Guangzhou Nansha Guo Ao Investment Company Limited)	PRC	100%	RMB100,000,000	Investment holding and project management
廣州奧園建設工程設計有限公司 (Guangzhou Aoyuan Construction Design Company Limited)	PRC	100%	RMB500,000	Property design and consultation
洛陽奧園置業有限公司 (Luoyang Aoyuan Property Company Limited)	PRC	100%	RMB10,000,000	Property development
龍南縣金城房地產開發有限公司 (Longnan Jin Cheng Real Estate Development Company Limited)	PRC	100%	RMB23,000,000	Property development
瀋陽奧園動漫城置業有限公司 (Shenyang Aoyuan Dong Man Cheng Properties Company Limited)	PRC	100%	US$45,000,000	Property development

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
瀋陽奧園動漫城裝飾工程有限公司 (Shenyang Aoyuan Dong Man Cheng Decoration Engineering Limited)	PRC	100%	RMB20,000,000	Decoration
瀋陽南奧海景城置業有限公司 (Shenyang Nan Ao Hai Jing Cheng Properties Company Limited)	PRC	100%	US$25,000,000	Property development
瀋陽金業創意城置業有限公司 (Shenyang Jin Ye Chuang Yi Cheng Properties Company Limited)	PRC	100%	US$45,021,900	Property development
瀋陽都市華庭置業有限公司 (Shenyang Du Shi Hua Ting Properties Company Limited)	PRC	100%	US$45,021,900	Property development
瀋陽南奧動漫有限公司* (Shenyang Nan Ao Dong Man Company Limited)	PRC	100%	RMB500,000	Cartoon design and software development
玉林奧園房地產開發有限公司 (Yulin Aoyuan Real Estate Development Company Limited)	PRC	100%	RMB80,000,000	Property development
玉林奧園康城房地產開發有限公司 (Yulin Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB200,000,000	Property development

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
重慶時尚置業有限公司^ (Chongqing Fasion Technology Company Limited)	PRC	100%	RMB200,000,000	Property development
江門江奧地產開發有限公司* (Jiangmen Jiangao Real Estate Development Company Limited)	PRC	51%	RMB280,000	Property development
清遠市奧園置業有限公司* (Qingyuan Aoyuan Property Company Limited)	PRC	80%	RMB50,000,000	Property development
北京北方奧園置業有限公司* (Beijing Beifang Aoyuan Property Company Limited)	PRC	100%	RMB2,000,000	Property development
玉林新力體育產業有限公司* (Yulin Xinli Sports Company Limited)	PRC	100%	US$ Nil	Sports gymnasium
瀋陽奧海動漫研究開發有限公司* (Shenyang Aohai Dong Man Company Limited)	PRC	100%	US$ Nil	Cartoon design and software development
瀋陽奧華動漫產業開發有限公司* (Shenyang Aohua Dong Man Company Limited)	PRC	100%	US$ Nil	Cartoon design and software development
贛州捷城物流有限公司* (Ganzhou Jiecheng Logistics Company Limited)	PRC	100%	US$14,180,000	Logistics

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
重慶奧園裝飾工程有限公司* (Chongqing Aoyuan Decoration Engineering Company Limited)	PRC	100%	RMB20,000,000	Decoration
重慶美景物流有限公司* (Chongqing Meijing Logistics Company Limited)	PRC	100%	US$ Nil	Logistics
廣州奧園海景城裝飾工程有限公司* (Guangzhou Aoyuan Haijingcheng Decoration Engineering Company Limited)	PRC	100%	RMB Nil	Decoration
佛岡奧園裝飾工程有限公司* (Fogang Aoyuan Decoration Engineering Company Limited)	PRC	100%	RMB Nil	Decoration
廣州昌泰建築裝飾工程有限公司* (Guangzhou Changtai Construction and Decoration Engineering Company Limited)	PRC	100%	RMB Nil	Construction and Decoration
廣州奧園康城房地產開發有限公司* (Guangzhou Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB125,552,000	Property development

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
廣州奧譽房地產開發有限公司# (Guangzhou Aoyu Real Estate Development Company Limited)	PRC	51%	RMB750,000,000	Property development

Notes:

(1) Add Hero is directly held by the Company and the remaining subsidiaries comprising the Group are indirectly held by the Company.

(2) Except for BVI and Hong Kong incorporated companies which are operating in Hong Kong, other subsidiaries are operating in the PRC.

(3) The holders of the convertible notes are not entitled to receive notice of or to attend or vote at any general meeting of Add Hero. The non-voting convertible notes practically carry no rights to dividends or to participate in any distribution on winding up.

* Companies were incorporated in 2008.

East Harvest Investment Limited and Guangzhou Aoyu Real Estate Development Company Limited were wholly-owned subsidiaries of the Company as at December 31, 2007. These companies become jointly controlled entities of the Company during the year ended December 31, 2008.

^ Pursuant to a supplementary agreement entered into by the Group in October 2007, the Group is entitled all the shareholders' rights and benefits derived from the operation of Chongqing Fashion and that Chongqing Fashion shall be managed and controlled by the Group. As the Group has the power to govern the financial and operating policies of Chongqing Fashion so as to obtain benefits from its activities under the agreement, accordingly, Chongqing Fashion is regarded as a subsidiary of the Company since October 2007.

SUMMARY OF FINANCIAL STATEMENT

Set out below is the unaudited condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2009 as extracted form the company's 2009 interim result announcement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30.6.2009	**30.6.2008**
	NOTES	*RMB'000*	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	3	732,630	484,004
Cost of sales		(594,116)	(303,348)
Gross profit		138,514	180,656
Other income		9,390	62,671
Change in fair value of investment properties		(33,584)	—
Fair value gain in respect of investment properties transferred from completed properties for sale		38,900	92,260
Selling and distribution expenses		(37,888)	(70,538)
Administrative expenses		(44,496)	(103,875)
Change in fair value of embedded derivatives component of convertible notes		(11,124)	70,656
Finance costs		(3,277)	(3,485)
Share of losses of a jointly controlled entity		(162)	—
Profit before taxation		56,273	228,345
Income tax expense	4	(3,246)	(60,858)
Profit for the period	5	53,027	167,487
Total comprehensive income for the period		53,027	167,487
Profit and total comprehensive income for the period attributable to:			
Shareholders of the Company		53,211	167,544
Non-controlling interests		(184)	(57)
		53,027	167,487
Earnings per share	7		
— Basic		RMB2.36 cents	RMB7.44 cents
— Diluted		RMB2.35 cents	RMB3.47 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30.6.2009** *RMB'000* *(unaudited)*	**31.12.2008** *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		144,464	148,646
Prepaid lease payments		15,549	18,652
Investment properties		470,200	439,890
Interest in a jointly controlled entity		326,642	326,804
Amount due from a jointly controlled entity		51,570	60,850
Other property interests		86,944	86,952
Deferred taxation assets		16,193	8,369
		1,111,562	1,090,163
CURRENT ASSETS			
Properties for sale		4,872,562	4,530,096
Trade and other receivables	8	1,017,450	1,240,283
Prepaid lease payments		6,275	6,275
Restricted bank deposits		316,692	135,732
Bank balances and cash		1,574,674	1,345,861
		7,787,653	7,258,247
CURRENT LIABILITIES			
Trade and other payables	9	841,234	975,783
Sale deposits		716,303	244,208
Taxation payable		605,674	653,255
Amount due to a minority shareholder		27,992	—
Derivative financial instruments		15,030	3,906
Secured bank loans		319,786	215,000
		2,526,019	2,092,152
NET CURRENT ASSETS		5,261,634	5,166,095
TOTAL ASSETS LESS CURRENT LIABILITIES		6,373,196	6,256,258

	NOTES	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		21,838	21,838
Reserves		4,026,420	4,025,807
Retained earnings		885,126	831,915
Equity attributable to shareholders of the Company		4,933,384	4,879,560
Non-controlling interests		9,994	9,825
Total equity		4,943,378	4,889,385
NON-CURRENT LIABILITIES			
Secured bank loans		1,041,326	999,687
Deferred taxation liabilities		76,016	63,053
Convertible notes		312,476	304,133
		1,429,818	1,366,873
TOTAL EQUITY AND NON-CURRENT LIABILITIES		6,373,196	6,256,258

Notes:

1. BASIS OF PREPARATION

The Company was incorporated on 6 March 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 9 October 2007.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange and with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008.

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard IAS 14, Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new, revised and amended standards or interpretations that have been issued but are not yet effective. The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in the property development and property investment in the People's Republic of China (the "PRC"). These divisions are the bases on which the Group reports its primary segment information.

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief executive officer (the chief operating decision maker) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

Principal activities are as follows:

Property development — developing and selling of properties in the PRC

Property investment — leasing of investment properties in the PRC

Other operations include the provision of consulting services and management operation.

The following is an analysis of the Group's revenue and results by operating segments for the periods under review:

Six months ended 30 June 2009 (unaudited)

	Property Development	Property investment	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	724,818	7,479	333	732,630
Segment result	72,139	8,659	(248)	80,550
Unallocated corporate expenses				(19,104)
Bank interest income				8,745
Other income				645
Share of losses of a jointly controlled entity	(162)	—	—	(162)
Change in fair value of embedded derivative components of convertible note				(11,124)
Finance costs				(3,277)
Profit before taxation				56,273
Income tax expense				(3,246)
Profit for the period				53,027

Six months ended 30 June 2008 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Revenue	477,410	4,792	1,802	484,004
Segment result	72,459	93,503	497	166,459
Unallocated corporate expenses				(67,956)
Bank interest income				30,957
Write off of other payable				25,271
Other income				6,443
Change in fair value of embedded derivative components of convertible note				70,656
Finance costs				(3,485)
Profit before taxation				228,345
Income tax expense				(60,858)
Profit for the period				167,487

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, bank interest income, write off of other payable, other unallocated income, change in fair value of embedded derivative components of convertible note and finance costs. This is the measure reported to the Group's chief executive officer for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by operating segments:

	As at 30 June 2009 (unaudited)			
	Property development	**Property investment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Segment assets	5,927,268	470,200	287	6,397,755
Interest in a jointly controlled entity	326,642	—	—	326,642
Unallocated corporate assets				2,174,818
Total assets				8,899,215

As at 31 December 2008 (audited)

	Property development	**Property investment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Segment assets	5,768,398	451,034	398	6,219,830
Interest in a jointly controlled entity	326,804	—	—	326,804
Unallocated corporate assets				1,801,776
Total assets				8,348,410

4. INCOME TAX EXPENSE

	Six months ended 30.6.2009 *RMB'000* *(unaudited)*	Six months ended 30.6.2008 *RMB'000* *(unaudited)*
The income tax expense comprises:		
Current tax		
— PRC enterprise income tax	710	97,334
— PRC land appreciation tax	(2,603)	28,161
	(1,893)	125,495
Deferred taxation	5,139	(64,637)
	3,246	60,858

The PRC enterprise income tax is calculated at 25% of the estimated assessable profit for the current and prior periods.

5. PROFIT FOR THE PERIOD

	Six months ended 30.6.2009 *RMB'000* *(unaudited)*	Six months ended 30.6.2008 *RMB'000* *(unaudited)*
Profit for the period has been arrived at after charging:		
Interest on convertible note	21,410	27,320
Interest expense on secured bank loans	48,181	33,839
Less: capitalised under properties under development	(66,314)	(57,674)
	3,277	3,485
Amortisation of prepaid lease payments	3,103	2,564
Depreciation of property, plant and equipment	5,520	5,833
Net foreign exchange loss included in administrative expense	—	34,862
and crediting:		
Interest income	(8,745)	(30,957)
Net foreign exchange gain included in administrative expense	(2,327)	—

6. DIVIDENDS

During the period ended 30 June 2008, dividend of RMB5.5 cents per share amounting to RMB123,888,000 was paid to shareholders as final dividend for the year ended 31 December 2007.

The directors of the Company have resolved that no interim dividend to be paid for the six months ended 30 June 2009 (six months ended 30 June 2008 : Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	Six months ended 30.6.2009 *RMB'000* *(unaudited)*	Six months ended 30.6.2008 *RMB'000* *(unaudited)*
Earnings:		
Earnings for the purpose of basic earnings per share being profit for the period attributable to shareholders of the Company	53,211	167,544
Effect of dilutive potential ordinary shares:		
— Interest on convertible notes charged to condensed consolidated statement of comprehensive income	—	3,485
— Change in fair value of embedded derivatives component of convertible notes	—	(70,656)
— Exchange difference	—	(19,108)
Earnings for the purposes of diluted earnings per share	53,211	81,265
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,252,500,000	2,252,500,000
Effect of dilutive potential ordinary shares on		
— Convertible notes	—	89,769,231
— Share options	4,523,243	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,257,023,243	2,342,269,231

During the six months ended 30 June 2009, the computation of diluted earnings per share has not taken into account the effect of certain share options granted because the exercise prices of those options were higher than the average market price of the Company's shares. In addition, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible notes since its exercise would result in an increase in earnings per share during the six months ended 30 June 2009.

During the six months ended 30 June 2008, the computation of diluted earnings per share has not taken into account the outstanding share options because the exercise prices of the Company's options were higher than the average market price of shares for that period.

8. TRADE AND OTHER RECEIVABLES

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	278,756	267,891
Other receivables	248,622	291,844
Deposit for development of a project	134,495	—
Deposit for acquisition of subsidiaries	82,223	—
Advance to suppliers	244,370	655,020
Deposits paid for properties under development	—	20,000
Prepayments and other deposits	28,984	5,528
Trade and other receivables shown under current assets	1,017,450	1,240,283

9. TRADE AND OTHER PAYABLES

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	653,813	802,685
Other payables	167,233	132,982
Other taxes payables	20,188	40,116
	841,234	975,783

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14 September 2009
The Directors
China Aoyuan Property Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Century Profit Zone Investments Limited ("Century Profit") for the period from 14 October 2006 (date of incorporation) to 31 December 2006, each of the two years ended 31 December 2007 and 2008 and the four months ended 30 April 2009 (the "Relevant Periods") for inclusion in the circular issued by China Aoyuan Property Group Limited (the "Company"), a company incorporated in the Cayman Islands with its shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 14 September 2009 in connection with the acquisition of convertible notes to be issued by Hong Da Development & Investment Holding Co., Limited ("Hong Da") that can be converted into ordinary shares of Hong Da's subsidiary, Century Profit, the advance of loans to Century Profit and Hong Da, the guarantee to be given by the Company and Beijing Wangfu Century Development Co. Ltd. to 北京耀輝置業有限公司 Beijing Yaohui Real Estate Co., Ltd* ("Beijing Yaohui") and the commitment to provide a shareholder's loan to Century Profit by China Aoyuan International Development Limited ("Aoyuan International"), a wholly owned subsidiary of the Company pursuant to certain agreements dated 22 July 2009 entered into among Aoyuan International, Century Profit and Hong Da (the "Circular").

Century Profit was incorporated in Hong Kong on 14 October 2006 under the Hong Kong Companies Ordinance. The principal activity of Century Profit is investment holding.

As at the date of this report, Century Profit has the following subsidiary:

Name of subsidiary	Place and date of establishment/ operation	Issued and fully paid registered capital	Equity interest held directly by Century Profit		Principal activities	Legal form
			At 31 December 2007, 2008 and 30 April 2009	At 31 December 2006		
北京王府世紀發展有限公司 Beijing Wangfu Century Development Co. Ltd. * ("Wangfu")	The People's Republic of China (the "PRC") 23 September 2005	US$13,267,000	90%	—	Investment holding and property management	Limited liability company

* *The English name is for identification purpose only.*

The statutory financial statements of Century Profit for the period from 14 October 2006 (date of incorporation) to 31 December 2007 and the year ended 31 December 2008, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance, were audited by Lawrence Cheung C.P.A. Company Limited, a firm of certified public accountants registered in Hong Kong.

For the purpose of this report, the directors of Century Profit have prepared unaudited management accounts for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") except that no consolidated financial information has been prepared in accordance with International Accounting Standard ("IAS") 27 "Consolidated and Separate Financial Statements" (the "Management Accounts"). We have, for the purposes of this report, performed independent audit procedures on the Management Accounts in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Management Accounts in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Management Accounts for the purposes of preparing our report for inclusion in the Circular without making any adjustments. The preparation of the Management Accounts is the responsibility of the directors of Century Profit, who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Management Accounts, to form an independent opinion on the Financial Information and to report our opinion to you.

As explained in notes 3 and 10 to the Financial Information, Century Profit has not prepared consolidated financial information in accordance with IAS 27. In our opinion, there is insufficient information concerning the subsidiary in this Financial Information to give a true and fair view of the state of affairs of Century Profit and its subsidiary (collectively referred to as the "Group") as at 31 December 2007 and 2008 and 30 April 2009 and of the Group's performance and cash flows as a whole for each of the two years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 30 April 2009. It is not practicable for us to quantify the effects of the departure from this requirement on the financial information for the two years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 30 April 2009.

As set out in note 10 to the Financial Information, the investment in a subsidiary of Century Profit has been stated in the statement of financial position at cost of approximately RMB87,211,000 as at 31 December 2007 and 2008 and at cost less any identified impairment losses of approximately RMB81,564,000 as at 30 April 2009. The amount due from a subsidiary has been stated at amortised cost of approximately RMB5,283,000 and RMB5,275,000 as at 31 December 2008 and 30 April 2009, respectively. In addition, the amount due from a related company has been stated at amortised cost of approximately RMB5,291,000 and RMB5,283,000 as at 31 December 2008 and 30 April 2009, respectively. We were unable to obtain sufficient reliable financial information relating to Century Profit's subsidiary and related company to assess whether any impairment loss was required on the investment in a subsidiary and amounts due from a subsidiary and a related company as at the end of the respective reporting periods. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the investment in a subsidiary and amounts due from a subsidiary and a related company as at 31 December 2007 and 2008 and 30 April 2009 and the impairment loss recognised on investment in a subsidiary for the period from 1 January 2009 to 30 April 2009 were free from material misstatement. Any adjustments found to be necessary would affect the net assets/net liabilities of Century Profit as at 31 December 2007 and 2008 and 30 April 2009 and the performance and cash flows of Century Profit for each of the two years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 30 April 2009.

Because of the failure to prepare consolidated financial information for the two years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 30 April 2009 and the significance of the other matters described above, we do not express an opinion on the Financial Information as to whether it gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007, 2008 and 30 April 2009 and of the performance and cash flows of the Group and the Company for the two years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 30 April 2009.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Century Profit as at 31 December 2006, and of the performance and cash flows of Century Profit for the period from 14 October 2006 to 31 December 2006.

The comparative statement of comprehensive income, cash flow statement and statement of changes in equity of the Group for the four months ended 30 April 2008 together with the notes thereon have been extracted from the Group's financial information for the same period (the "30 April 2008 Financial Information") which was prepared by the directors of Century Profit solely for the purpose of this report. We were engaged to review the 30 April 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consisted principally of making enquiries of the management and applying analytical procedures to the 30 April 2008 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on 30 April 2008 Financial Information. However, as explained above, the Financial Information, including the 30 April 2008 Financial Information, has not been prepared on a consolidated basis as required by IAS 27. In addition, we were unable to perform any procedures to assess whether the investment in a subsidiary was free from material misstatement as at 30 April 2008. Because of the significance of this matter, we are unable to and do not express any conclusion as to whether the 30 April 2008 Financial Information has been prepared, in all material respects, in accordance with IFRS.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

	NOTE	14 October 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	2008	Four months ended 30 April 2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Bank interest income		—	4	—	—	—
Net foreign exchange gain		—	1	5,079	3,550	121
Impairment loss on investment in a subsidiary		—	—	—	—	(5,647)
Administrative expenses		—	(50)	(42)	—	—
(Loss) profit for the period/year	7	—	(45)	5,037	3,550	(5,526)
Total comprehensive (loss) income for the period/year		—	(45)	5,037	3,550	(5,526)

STATEMENTS OF FINANCIAL POSITION

					As at
		As at 31 December			30 April
	NOTES	**2006**	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET					
Investment in a subsidiary	10	—	87,211	87,211	81,564
CURRENT ASSETS					
Prepayments		—	2	1	1
Amount due from a subsidiary	11	—	—	5,283	5,275
Amount due from a related company	12	—	—	5,291	5,283
Bank balances and cash	13	112	107	124	124
		112	109	10,699	10,683
CURRENT LIABILITIES					
Accrued expenses		—	26	20	20
Amount due to ultimate holding company	14	102	118	10,753	10,737
Amount due to a related company	15	—	87,211	82,135	82,014
		102	87,355	92,908	92,771
NET CURRENT ASSET (LIABILITIES)		10	(87,246)	(82,209)	(82,088)
		10	(35)	5,002	(524)
CAPITAL AND RESERVE					
Share capital	16	10	10	10	10
Accumulated (loss) profit		—	(45)	4,992	(534)
		10	(35)	5,002	(524)

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated (loss) profit	Total
	RMB'000	*RMB'000*	*RMB'000*
At 14 October 2006 (date of incorporation)	—	—	—
Issue of shares	10	—	10
At 31 December 2006 and 1 January 2007	10	—	10
Loss and total comprehensive loss for the year	—	(45)	(45)
At 31 December 2007 and 1 January 2008	10	(45)	(35)
Profit and total comprehensive income for the year	—	5,037	5,037
At 31 December 2008 and 1 January 2009	10	4,992	5,002
Loss and total comprehensive loss for the year	—	(5,526)	(5,526)
At 30 April 2009	10	(534)	(524)

	Share Capital	Accumulated (loss) profit	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008	10	(45)	(35)
Profit and total comprehensive income for the period	—	3,550	3,550
At 30 April 2008 (unaudited)	10	3,505	3,515

STATEMENTS OF CASH FLOW

	14 October 2006 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
(Loss) profit for the period/year	—	(45)	5,037	3,550	(5,526)
Adjustments for:					
Net foreign exchange gain	—	(1)	(5,079)	(3,550)	(121)
Impairment loss on investment in a subsidiary	—	—	—	—	5,647
Interest income	—	(4)	—	—	—
Operating cash flows before movements in working capital	—	(50)	(42)	—	—
(Increase) decrease in prepayments	—	(2)	1	—	—
Increase (decrease) in accrued expenses	—	26	(6)	—	—
NET CASH USED IN OPERATING ACTIVITIES	—	(26)	(47)	—	—
INVESTING ACTIVITIES					
Investment in a subsidiary	—	(87,211)	—	—	—
Interest received	—	4	—	—	—
Advance to a subsidiary	—	—	(5,283)	—	—
Advance to a related company	—	—	(5,291)	—	—
NET CASH USED IN INVESTING ACTIVITIES	—	(87,207)	(10,574)	—	—
FINANCING ACTIVITIES					
Proceeds from issue of shares	10	—	—	—	—
Advance from a related company	—	87,211	—	—	—
Advance from ultimate holding company	102	19	10,641	—	—

	14 October 2006 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
CASH FROM FINANCING ACTIVITIES	112	87,230	10,641	—	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	112	(3)	20	—	—
Effect of foreign exchange rate changes	—	(2)	(3)	(4)	—
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD/YEAR	—	112	107	107	124
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD/YEAR, represented by bank balances and cash	112	107	124	103	124

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The address of the registered office and the principal place of business of Century Profit is 5705, 57/F., The Center, 99 Queen's Road Central, Hong Kong.

Century Profit acts as an investment holding company.

Hong Da, a company incorporated in Hong Kong with limited liability, is the ultimate holding company of Century Profit.

The Financial Information has been prepared on a going concern basis notwithstanding the fact that Century Profit had net current liabilities of approximately RMB82,088,000 as at 30 April 2009 because the amount due to a related company will be set off against the consideration receivable from the disposal of the investment in a subsidiary as disclosed in section C and Hong Da has agreed not to demand the repayment of the balance due by Century Profit until Century Profit is able to do so.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of Century Profit for the Relevant Periods.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued a number of International Financial Reporting Standards ("IFRS(s)"), amendments and interpretations ("IFRIC - Int") (hereinafter collectively referred to as the "New IKFRSs") which are effective for Century Profit's financial year beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, Century Profit has consistently adopted all these New IFRSs throughout the Relevant Periods.

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

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

IFRS 3 (Revised)	Business Combinations[1]
IFRIC - INT 17	Distributions of Non-cash Assets to Owners [1]
IFRIC - INT 18	Transfer of Assets from Customers[4]

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

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

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

4 Effective for transfers on or after 1 July 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with IFRS issued by IASB except that Century Profit has not prepared consolidated financial information in accordance with IAS 27 "Consolidated and Separate Financial Statements". In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The principal accounting policies adopted are as follows:

Investment in a subsidiary

Investment in a subsidiary is included in the Century Profit's balance sheet at cost less any identified impairment loss.

Financial instruments

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

Financial assets

Century Profit's financial assets are generally classified as loans and receivables.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period, loans and receivables (including amount due from a subsidiary, amount due from a related company, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

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

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

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables.

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by Century Profit are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Century Profit after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Amount due to a related company and amount due to ultimate holding company are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary, except where Century Profit is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit or loss in the statements of comprehensive income.

Impairment losses

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

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following is the key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the year/period.

Estimated impairment on investment in a subsidiary

Determining the impairment loss in respect of investment in a subsidiary requires an estimation of the recoverable amount of the investment in a subsidiary. The recoverable amount requires the directors of Century Profit to estimate the future cash flows expected to arise from the subsidiary and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The investment in a subsidiary of Century Profit was approximately RMB87,211,000 as at 31 December 2007 and 2008 and RMB81,564,000 as at 30 April 2009 (net of accumulated impairment loss of RMB5,647,000 as at 30 April 2009).

5. CAPITAL RISK MANAGEMENT

Century Profit manages its capital to ensure that they will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Century Profit's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Century Profit consists of debts, which includes amount due to ultimate holding company disclosed in note 14, amount due to a related party disclosed in note 15, net of cash and cash equivalents disclosed in note 13 and equity attributable to owners of Century Profit, comprising share capital and reserve.

The directors of Century Profit review the capital structure periodically. As part of this review, the directors of Century Profit consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, Century Profit will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) **Categories of financial instruments**

	At 31 December			30 April
	2006	**2007**	**2008**	**2009**
	RMB	*RMB*	*RMB*	*RMB*
	'000	*'000*	*'000*	*'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	112	107	10,698	10,682
Financial liabilities				
Amortised cost	102	87,329	92,888	92,751

(b) **Financial risk management objectives and policies**

Century Profit's major financial instruments include amounts due from a subsidiary and a related company, bank balances and cash, amount due to ultimate holding company and a related company. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of Century Profit through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) **Foreign currency risk management**

Century Profit has bank balances, amount due to ultimate holding company, amount due to a related company denominated in foreign currencies, which expose Century Profit to foreign currency risk.

The carrying amount of Century Profit's foreign currency denominated monetary assets and monetary liabilities at the respective end of reporting period are as follow:

	At 31 December			30 April
	2006	**2007**	**2008**	**2009**
	RMB	*RMB*	*RMB*	*RMB*
	'000	*'000*	*'000*	*'000*
Assets				
HKD	112	107	10,698	10,682
Liabilities				
HKD	102	87,329	92,888	92,751

Century Profit currently does not enter into any derivative contracts to minimise its currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

Century Profit mainly exposes to foreign currency risk arising from monetary item denominated in HKD.

The following table details Century Profit's sensitivity to a 5% increase and decrease in the RMB against HKD. 5% is the sensitivity rate used in management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding HKD denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive (negative) number indicates a decrease (increase) in loss for the period or increase (decrease) in post tax profit for the period where the RMB strengthens against HKD. For a 5% weakening of the RMB, there would be an equal and opposite impact on the loss for the period.

	14 October 2006 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
HKD					
Decrease in loss for the period/year or increase in profit for the period/year	(1)	4,362	4,110	1,458	1,368

(d) **Credit risk management**

As at the end of each reporting period, Century Profit's maximum exposure to credit risk which will cause a financial loss to Century Profit due to failure to discharge an obligation by the counterparties provided by Century Profit is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, Century Profit reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Century Profit consider that Century Profit's credit risk is significantly reduced.

Century Profit has significant concentration of credit risk on amount due from a subsidiary and a related company.

Century Profit's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation.

(e) **Liquidity risk management**

Century Profit had net current liabilities of approximately RMB82,088,000 as at 30 April 2009. Century Profit is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

To manage the liquidity risk, the directors of Century Profit have considered the arrangements including confirmation from Hong Da not to demand repayment until Century Profit is able to do so and the agreement to dispose of its investment in a subsidiary as described in note 1 which will enable Century Profit to meet its financial obligations as and when they arise. As such, the directors of Century Profit consider the liquidity risk of Century Profit has been mitigated.

The financial liability of Century Profit is repayable on demand. Accordingly, no liquidity risk analysis is presented.

(f) **Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

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

7. (LOSS) PROFIT FOR THE PERIOD/YEAR

	14 October 2006 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss) profit for the period/year has been arrived at after charging (crediting):					
Auditor's remuneration	—	19	12	—	—
Directors' remuneration	—	—	—	—	—
Bank interest income	—	(4)	—	—	—

8. INCOME TAX EXPENSE

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2008 and the four months period ended 30 April 2009 (Period from 14 October 2006 (date of incorporation) to 31 December 2006 and year ended 31 December 2007: 17.5%). No provision for Hong Kong Profits Tax has been made for the period/year as there was no estimated assessable profit.

The income tax expense for the period/year can be reconciled to the (loss) profit for the period/year as follows:

	14 October 2006 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
(Loss) profit for the period/year	—	(45)	5,037	3,550	(5,526)
Tax at Hong Kong Profits Tax rate of 16.5% (17.5% for the year ended 31 December 2007)	—	(8)	831	586	(912)
Tax effect of income not taxable for tax purpose	—	(1)	(838)	(586)	(20)
Tax effect of expenses not deductible for tax purpose	—	9	7	—	932
Income tax expense for the period/year	—	—	—	—	—

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

During the Relevant Periods, no directors' emoluments were paid by Century Profit.

During the Relevant Periods, no directors' emoluments were paid by Century Profit nor any emoluments to any of the directors or the five highest paid individuals as an inducement to join or upon joining Century Profit or as compensation for loss of office.

10. INVESTMENT IN A SUBSIDIARY

	At 31 December			At 30 April
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	—	87,211	87,211	87,211
Less: Impairment recognised	—	—	—	(5,647)
	—	87,211	87,211	81,564

Century Profit acquired 90% equity interest in Wangfu in 2007 at a consideration of approximately RMB87,211,000 and the financial information has not been prepared on a consolidated basis in accordance with IAS 27. As disclosed in the subsequent event section, this investment in a subsidiary will be disposed of at a consideration of approximately RMB81,564,000.

11. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest free and repayable on demand.

12. AMOUNT DUE FROM A RELATED COMPANY

The amount is due from Henalane Enterprise Limited, a company in which the shareholder of Hong Da has controlling interests.

The amount due from a related company is unsecured, interest free and repayable on demand.

13. BANK BALANCES AND CASH

Century Profit's bank balances carry variable interest rates range from 1% to 2.75% per annum during the Relevant Periods.

14. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Amount due to ultimate holding company is interest-free, unsecured and has no fixed terms of repayment.

15. AMOUNT DUE TO A RELATED COMPANY

The amount is due to a company in which the shareholder of Hong Da has beneficial interest.

Amount due to a related company is interest-free, unsecured and has no fixed terms of repayment.

16. SHARE CAPITAL

	Authorised, issued and full paid
	HK$'000
Ordinary shares of HK$1 each	
At the date of incorporation	—
Issue of shares in 2006	10
At 31 December 2006, 2007, 2008 and 30 April 2009	10
Shown in the financial statements as	RMB10,000

Century Profit was incorporated with an authorised share capital of HK$10,000, divided into 10,000 ordinary shares of HK$1 each. During the period from 14 October 2006 (date of incorporation) to 31 December 2006, 10,000 ordinary share of HK$1 was issued at par to a subscriber to provide the initial capital to Century Profit.

17. OTHER COMMITMENTS

	As at 31 December			**As at 30 April**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of a subsidiary (note)	—	—	458,700	458,700

Note:

On 6 July 2008, Century Profit entered into a conditional sale and purchase agreement ("Agreement") with 北京首都開發股份有限公司 for the acquisition of 62% issued share capital of Beijing Yaohui at a consideration of RMB458,700,000.

18. RELATED PARTY DISCLOSURES

1) During the Relevant Periods, in addition to those disclosed in notes 14 and 15, Century Profit had significant transaction with related party as follows:

	14 October 2006 (date of incorporation) to 31 December	Year ended 31 December		Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Purchase a subsidiary from a related company	—	87,211	—	—	—

2) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the Relevant Periods were borne by the holding company.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to Century Profit's directors by Century Profit during the Relevant Periods.

C. SUBSEQUENT EVENTS

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

(a) On 6 July 2009, Century Profit entered into a loan agreement with the Company and the loan amount is guaranteed by shareholders of Hong Da. Pursuant to the loan agreement, Aoyuan International has advanced RMB 460,000,000 to Century Profit for the acquisition of 62% issued share capital of Beijing Yaohui.

(b) On 17 July 2009, Century Profit entered into a sale and purchase agreement with a company owned by a shareholder of Hong Da ("Purchaser") to dispose of the investment in a subsidiary at a consideration of RMB81,564,000 (US$11,940,300). On the same date, Century Profit entered into a settlement agreement with the Purchaser to net off the loan from a related company against the consideration receivable from disposal of the subsidiary.

(c) On 22 July 2009, Century Profit entered into another loan agreement with the Company and the loan amount is guaranteed by shareholders of Hong Da. Pursuant to the loan agreement, Aoyuan International will advance RMB110,000,000 to Century Profit for the further capital injection in Beijing Yaohui as its working capital.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Century Profit have been prepared in respect of any financial period subsequent to 30 April 2009.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

14 September 2009
The Directors
China Aoyuan Property Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 北京耀輝置業有限公司 Beijing Yaohui Real Estate Co., Ltd* ("Beijing Yaohui") for each of the three years ended 31 December 2008 and the four months ended 30 April 2009 (the "Relevant Periods") for inclusion in the circular issued by China Aoyuan Property Group Limited (the "Company"), a company incorporated in the Cayman Islands with its shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 14 September 2009 in connection with the acquisition of convertible notes to be issued by Hong Da Development & Investment Holding Co., Limited ("Hong Da") that can be converted into ordinary shares of Hong Da's subsidiary, Century Profit Zone Investments Limited ("Century Profit"), the advance of loans to Century Profit and Hong Da, the guarantee to be given by the Company and Beijing Wangfu Century Development Co. Ltd ("Wangfu") to Beijing Yaohui and the commitment to provide a shareholder's loan to Century Profit by China Aoyuan International Development Limited ("Aoyuan International"), a wholly owned subsidiary of the Company, pursuant to certain agreements dated 22 July 2009 entered into among Aoyuan International, Century Profit and Hong Da (the "Circular"). As disclosed in note 1 to the Financial Information, Beijing Yaohui will become a subsidiary of Century Profit upon completion of acquisition of 62% equity interest in Beijing Yaohui and additional capital injection in Beijing Yaohui by Century Profit.

Beijing Yaohui was established in the People's Republic of China (the "PRC") on 29 March 2001 as a limited liability company. The principal activity of Beijing Yaohui is property development.

The statutory financial statements of Beijing Yaohui for each of the two years ended 31 December 2007 and 31 December 2008, which were prepared in accordance with relevant accounting principles and regulations applicable to enterprises established in the PRC, were audited by 北京京都會計師事務所有限責任公司 Beijing Jingdu Certified Public Accountants Company Limited, a firm of certified public accountants registered in the PRC. No audit financial statements for Beijing Yaohui in the PRC for the year ended 31 December 2006 have been issued.

For the purpose of this report, the directors of Beijing Yaohui have prepared unaudited management accounts for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Management Accounts"). We have, for the purposes of this report, performed independent audit

* *The English name is for identification purpose only.*

procedures on the Management Accounts in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have examined the Management Accounts in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Management Accounts for the purpose of preparing our report for inclusion in the Circular without making any adjustments. The preparation of the Management Accounts is the responsibility of the directors of Beijing Yaohui, who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Management Accounts, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purposes of this report, a true and fair view of the state of affairs of the Beijing Yaohui as at 31 December 2006, 2007 and 2008 and 30 April 2009, and of the performance and cash flows of Beijing Yaohui for the Relevant Periods.

The comparative statement of comprehensive income, cash flow statement and statement of changes in equity of Beijing Yaohui for the four months ended 30 April 2008 together with the notes thereon have been extracted from Beijing Yaohui's financial information for the same period (the "30 April 2008 Financial Information") which was prepared by the directors of Beijing Yaohui solely for the purposes of this report. We were engaged to review the 30 April 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consisted principally of making enquiries of the management and applying analytical procedures to the 30 April 2008 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on 30 April 2008 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to 30 April 2008 Financial Information.

A. FINANCIAL INFORMATION

Statements of comprehensive income

		Year ended 31 December			Four months ended 30 April	
	NOTES	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Other income	7	723	115	191	140	1
Selling and distribution expenses		(876)	(23,375)	(20,990)	(1,495)	(1,061)
Administrative expenses		(4,111)	(3,137)	(3,765)	(1,914)	(783)
Finance costs	8	—	—	(48,876)	—	(27,552)
Loss before taxation	9	(4,264)	(26,397)	(73,440)	(3,269)	(29,395)
Income tax expense	10	—	—	—	—	—
Loss and total comprehensive expense for the year/period		(4,264)	(26,397)	(73,440)	(3,269)	(29,395)

Statements of financial position

	NOTES	As at 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	As at 30 April 2009 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	2,165	1,740	1,291	1,113
CURRENT ASSETS					
Properties under development	13	979,382	1,334,607	1,563,588	1,585,678
Prepayments and other receivables	14	2,425	5,725	6,194	6,146
Amount due from a shareholder	15	26,754	473	—	—
Amount due from a related company	16	10,293	—	—	—
Bank balances and cash	17	7,175	6,776	5	6,686
		1,026,029	1,347,581	1,569,787	1,598,510
CURRENT LIABILITIES					
Other payables	18	79,242	121,641	195,095	196,040
Loans from shareholders	19	933,525	1,058,650	1,160,393	1,217,388
Tax liablities		63,185	63,185	63,185	63,185
Bank borrowings	20	—	—	150,000	200,000
		1,075,952	1,243,476	1,568,673	1,676,613
NET CURRENT ASSETS (LIABILTIES)		(49,923)	104,105	1,114	(78,103)
TOTAL ASSETS LESS CURRENT LIABILITIES		(47,758)	105,845	2,405	(76,990)
NON-CURRENT LIABILITIES					
Bank borrowings	20	—	180,000	150,000	100,000
		(47,758)	(74,155)	(147,595)	(176,990)
CAPITAL AND RESERVE					
Paid in capital	21	50,000	50,000	50,000	50,000
Accumulated losses		(97,758)	(124,155)	(197,595)	(226,990)
		(47,758)	(74,155)	(147,595)	(176,990)

Statements of changes in equity

	Paid in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2006	50,000	(93,494)	(43,494)
Loss and total comprehensive expense for the year	—	(4,264)	(4,264)
At 31 December 2006 and 1 January 2007	50,000	(97,758)	(47,758)
Loss and total comprehensive expense for the year	—	(26,397)	(26,397)
At 31 December 2007 and 1 January 2008	50,000	(124,155)	(74,155)
Loss and total comprehensive expense for the year	—	(73,440)	(73,440)
At 31 December 2008 and 1 January 2009	50,000	(197,595)	(147,595)
Loss and total comprehensive expense for the period	—	(29,395)	(29,395)
At 30 April 2009	50,000	(226,990)	(176,990)
For the four months ended 30 April 2008 (Unaudited)			
At 1 January 2008	50,000	(124,155)	(74,155)
Loss and total comprehensive expense for the period	—	(3,269)	(3,269)
At 30 April 2008	50,000	(127,424)	(77,424)

Statements of cash flows

	Year ended 31 December			Four months ended 30 April	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
Loss before taxation	(4,264)	(26,397)	(73,440)	(3,269)	(29,395)
Adjustments for:					
Depreciation of property, plant and equipment	579	600	555	200	178
Interest income	(723)	(115)	(191)	(140)	(1)
Finance costs	—	—	48,876	—	27,552
Operating cash flows before movements in working capital	(4,408)	(25,912)	(24,200)	(3,209)	(1,666)
Increase in properties for sales	(157,405)	(292,347)	(184,611)	(88,372)	(22,090)
(Increase) decrease in prepayments and other receivables	(987)	(3,300)	(469)	331	48
Increase in other payables	50,917	42,399	73,454	4,017	459
Cash used in operations	(111,883)	(279,160)	(135,826)	(87,233)	(23,249)
Interest paid	—	(129,427)	(41,499)	(26,182)	(6,306)
NET CASH USED IN OPERATING ACTIVITIES	(111,883)	(408,587)	(177,325)	(113,415)	(29,555)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(48)	(175)	(106)	(28)	—
Interest received	723	115	191	140	1
(Advance to) repayment from shareholders	(12,231)	26,281	473	—	—
Repayment from a related company	—	10,293	—	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(11,556)	36,514	558	112	1

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
FINANCING ACTIVITIES					
New bank borrowings raised	—	180,000	120,000	120,000	—
Advance from (repayment to) shareholders	78,835	191,674	49,996	(1,937)	36,235
NET CASH FROM FINANCING ACTIVITIES	78,835	371,674	169,996	118,063	36,235
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(44,604)	(399)	(6,771)	4,760	6,681
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	51,779	7,175	6,776	6,776	5
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, represented by bank balances and cash	7,175	6,776	5	11,536	6,686

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The address of the registered office and the principal place of business of Beijing Yaohui is No.55, Donganmen Street, Dongcheng District, Beijing, the PRC.

Beijing Yaohui is principally engaged in property development.

北京首都開發股份有限公司 Beijing Capital Development Co., Ltd. ("Beijing Capital"), a company established in the PRC, owns 62% equity interest in Beijing Yaohui and is the holding company of Beijing Yaohui and the remaining 38% equity interest is owned by Wangfu. Wangfu is a non-wholly owned subsidiary of Century Profit, a company incorporated in Hong Kong with limited liability.

Beijing Yaohui incurred loss throughout the Relevant Periods and had net current liabilities and net liabilities of RMB78,103,000 and RMB176,990,000 as at 30 April 2009, respectively. The directors of Beijing Yaohui have prepared the Financial Information on a going concern basis after considering the following agreements or events.

- On 27 April 2008, Beijing Capital and Century Profit entered into a conditional sales and purchase agreement in which Century Profit will acquire 62% interest in Beijing Yaohui from Beijing Capital (the "Interest Transfer"). In addition, pursuant to approval issued by the Ministry of Commerce in November 2008, Century Profit is allowed to inject additional registered capital of RMB550,000,000 to Beijing Yaohui. After the completion of the Interest Transfer and additional capital injection, Century Profit will hold 96.8% interest in Beijing Yaohui.

- On 22 July 2009, Aoyuan International entered into a loan agreement ("Loan Agreement") with Century Profit where Aoyuan International will grant a loan of RMB110,000,000 ("First Loan") to Century Profit which is repayable within two years or the date on which Century Profit holds less than 62% interest in Beijing Yaohui, whichever is earlier, and is interest bearing at 7% per annum. Century Profit must make use of the proceeds from the Loan Agreement to provide additional capital injection in Beijing Yaohui.

- Pursuant to the announcement of the Company on 30 July 2009, upon completion of the share transfer agreements in relation to the Interest Transfer which will take place immediately after the registrations of the Interest Transfer with the relevant PRC authorities have been completed, Beijing Capital will no longer be a shareholder of Beijing Yaohui. The Company and Wangfu have agreed to execute a guarantee letter ("Guarantee Letter"), which is subject to the approval of the Company's shareholders, in favour of Beijing Capital prior to the registration of the Interest Transfer, pursuant to which the Company and

Wangfu will jointly guarantee Beijing Yaohui's obligation to repay all the shareholder's loans advanced by Beijing Capital to Beijing Yaohui. The Company's maximum obligation under the Guarantee Letter is equivalent to the total amount of shareholder's loans advanced by Beijing Capital to Beijing Yaohui together with interest accrued thereon.

- Aoyuan International has also agreed that, if requested by Beijing Yaohui, it will provide a shareholder's loan to Century Profit for a total sum not exceeding RMB320,000,000 ("Second Loan") and will procure Century Profit to advance the proceeds of the said shareholder's loan to Beijing Yaohui which shall be used solely for the development of the properties under development.

In the opinion of the directors of Beijing Yaohui, the Company will obtain approval from the Company's shareholders to provide the guarantee for the repayment of the loan from Beijing Capital to Beijing Yaohui. Wangfu has agreed not to demand the repayment of the balance due by Beijing Yaohui until it is able to do so. Furthermore, in the opinion of directors of Beijing Yaohui, it will have adequate funds to meet in full its financial obligations as they fall due for the foreseeable future with the funding from the First Loan and Second Loan. As such, the Financial Information has been prepared on a going concern basis.

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of Beijing Yaohui for the Relevant Periods.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued a number of International Financial Reporting Standards ("IFRS(s)"), amendments and interpretations ("IFRIC - Int") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Beijing Yaohui's financial year beginning on 1 January 2009. For the purposes of the preparation and presentation of the Financial Information for the Relevant Periods, Beijing Yaohui has consistently adopted all these New IFRSs throughout the Relevant Periods.

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
IAS 39 (Amendment)	Eligible Hedged items [1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRIC - INT 17	Distributions of Non-cash Assets to Owners [1]
IFRIC - INT 18	Transfer of Assets from Customers[4]

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

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

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

[4] Effective for transfers on or after 1 July 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Property, plant and equipment

Property, plant and equipment, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Properties under development

Properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Beijing Yaohui becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Beijing Yaohui's financial assets are generally classified as loans and receivables.

Effective interest method

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

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

Loans and receivables

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

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

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

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

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables.

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by Beijing Yaohui are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Beijing Yaohui after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Other payables, loans from shareholders and bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

Financial liabilities are derecognised when the obligations specified in the relevant contract have been discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss in statements of comprehensive income.

Impairment losses

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Capitalisation of borrowing costs suspends when the qualifying assets suspends active development.

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

Leasing

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

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

Taxation

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

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

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

The carrying amount of deferred taxation assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited in profit or loss.

Retirement benefit costs

Payments to state-managed retirement benefit scheme which is defined contribution scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Beijing Yaohui's accounting policies, which are described in note 3, the management has made various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

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

The following is the key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the year/period.

Income tax

Beijing Yaohui is subject to income taxes in the PRC. The deductibility of certain expenses relating to the sale of a piece of land in the PRC in previous years has not been confirmed by the related local tax bureau. As a result, the directors of Beijing Yaohui, after taking into account the currently enacted tax laws and practices, concluded that it is probable that Beijing Yaohui will be subject to PRC Enterprise Income Tax and Land Appreciation Tax in the PRC and have estimated a tax payable of approximately RMB 63 million. The directors of Beijing Yaohui believe that a tax provision of about RMB 63 million is adequate. Such a tax payable has been recognised in the statements of financial position as at 31 December 2006, 2007 and 2008, and as at 30 April 2009. Where the final tax outcome in relation to the deductibility of certain expenses is different from what the directors of Beijing Yaohui have estimated, a further provision or reversal of the provision may arise, which would be recognised in the profit or loss for the period in which the outcome is finalised.

Determination of net realisable value of properties under development for sale

Properties under development for sale are stated at the lower of the cost and net realisable value with carrying amount of RMB979,382,000, RMB1,334,607,000, RMB1,563,588,000 and RMB1,585,678,000 at 31 December 2006, 2007, 2008 and 30 April 2009, respectively. Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale.

5. CAPITAL RISK MANAGEMENT

Beijing Yaohui manages its capital to ensure that they will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Beijing Yaohui's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Beijing Yaohui consists of debts, that include loans from shareholders disclosed in note 19, bank borrowings disclosed in note 20, bank balances and cash as disclosed in note 17 and equity attributable to owners of Beijing Yaohui, comprising paid in capital and accumulated losses. The directors of Beijing Yaohui review the capital structure periodically.

The directors of Beijing Yaohui review the capital structure periodically. As part of this review, the directors of Beijing Yaohui consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Beijing Yaohui will balance its overall capital structure through new capital injection as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	46,455	9,424	2,148	8,843
Financial liabilities				
Amortised cost	1,004,859	1,352,382	1,647,561	1,685,609

(b) Financial risk management objectives and policies

Beijing Yaohui's major financial instruments include other receivables, amount due from a shareholder, amount due from a related company, bank balances and cash, other payables, loans from shareholders and bank borrowings. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of Beijing Yaohui through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Interest rate risk management

Beijing Yaohui is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on loans from shareholders and bank borrowings which are subject to annual re-pricing in interest rates. The interest rate risk for bank balances is insignificant.

Beijing Yaohui currently does not use any derivative contracts to hedge its interest rate risk associated with the loans from shareholders and bank borrowings. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

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

At the end of each reporting period, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, Beijing Yaohui's post-tax loss would not be affected as all interest expenses were capitalised for the years ended 31 December 2006, 31 December 2007 and four months ended 30 April 2008, while post-tax loss for the year ended 31 December 2008 and the four months ended 30 April 2009 would increase/decrease by approximately RMB3,651,000 and RMB2,529,000, respectively.

(d) **Credit risk management**

As at the end of each reporting period, Beijing Yaohui's maximum exposure to credit risk which will cause a financial loss to Beijing Yaohui due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, Beijing Yaohui reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Beijing Yaohui consider that Beijing Yaohui's credit risk is significantly reduced.

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

(e) **Liquidity risk management**

Beijing Yaohui had net liabilities of approximately RMB176,990,000 as at 30 April 2009 and net current liabilities of approximately RMB78,103,000 as at 30 April 2009. Beijing Yaohui is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

To manage the liquidity risk, the directors of Beijing Yaohui have considered the agreements or events as described in note 1.

The following table details Beijing Yaohui's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Beijing Yaohui is required to pay. The information shown in the table below includes both contractual interest and principal cash flows.

Liquidity table

	Repayable on demand	Less than 2 month	2-6 months	6 months to 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2006								
Financial liabilities								
Other payables	—	27,392	21,305	22,637	—	—	71,334	71,334
Loans from shareholders	933,525	—	—	—	—	—	933,525	933,525
	933,525	27,392	21,305	22,637	—	—	1,004,859	1,004,859
As at 31 December 2007								
Financial liabilities								
Other payables	—	55,291	44,051	14,390	—	—	113,732	113,732
Loans from shareholders	1,058,650	—	—	—	—	—	1,058,650	1,058,650
Bank borrowings	—	1,911	3,985	5,962	99,958	92,560	204,376	180,000
	1,058,650	57,202	48,036	20,352	99,958	92,560	1,376,758	1,352,382
As at 31 December 2008								
Financial liabilities								
Other payables	—	9,433	28,092	149,643	—	—	187,168	187,168
Loans from shareholders	1,160,393	—	—	—	—	—	1,160,393	1,160,393
Bank borrowings	—	3,345	56,700	107,380	154,479	—	321,904	300,000
	1,160,393	12,778	84,792	257,023	154,479	—	1,669,465	1,647,561
As at 30 April 2009								
Financial liabilities								
Other payables	—	16,539	66,514	105,068	—	—	188,121	188,121
Loans from shareholders	1,217,388	—	—	—	—	—	1,217,388	1,217,388
Bank borrowings	—	52,871	54,696	104,403	101,406	—	313,376	300,000
	1,217,388	69,410	121,210	209,471	101,406	—	1,718,885	1,685,609

(g) **Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

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

7. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Bank interest income	119	115	191	140	1
Interest income from a shareholder	604	—	—	—	—
	723	115	191	140	1

8. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on:					
- bank borrowings wholly repayable within five years	—	3,402	20,361	7,800	5,820
- loans from shareholders	47,974	59,476	73,211	22,847	21,732
Less: Amount capitalised in properties under development	(47,974)	(62,878)	(44,696)	(30,647)	—
	—	—	48,876	—	27,552

Borrowing costs capitalised arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.94%, 6.33%, 8.51%, 8.51% and Nil for the years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 2008 and 2009, respectively, to expenditure on properties under development. There has been no further capitalisation of borrowing costs starting from July 2008 as construction has been suspended since then.

9. LOSS BEFORE TAXATION

	Year ended 31 December			Four months ended 30 April	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loss before taxation has been arrived at after charging:					
Staff costs	3,451	3,293	4,556	1,137	1,250
Retirement benefit scheme contributions	15	358	165	33	28
Total staff costs	3,466	3,651	4,721	1,170	1,278
Auditor's remuneration	276	212	32	32	18
Depreciation of property, plant and equipment	579	600	555	200	178

10. INCOME TAX EXPENSE

Beijing Yaohui is subject to the PRC Enterprise Income Tax during the Relevant Periods which is calculated at the prevailing tax rate on the taxable income of Beijing Yaohui in the PRC. No provision for PRC Enterprise Income Tax has been made in the Financial Information as the Beijing Yaohui were loss-making during the Relevant Periods.

Prior to 1 January 2008, according to PRC tax laws and regulations, in general, the PRC companies should be liable to pay Enterprise Income Tax at the rate of 33% on their assessable income except where existing laws, administrative regulations or any other relevant regulations promulgated by the PRC State Council provide for tax exemptions or other relief.

Pursuant to the new PRC Enterprise Income Tax Law promulgated on 16 March 2007, the Enterprise Income Tax for both domestic and foreign-invested enterprises has been be unified at 25% effective from 1 January 2008. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% from 1 January 2008 onwards.

At the end of each reporting period, Beijing Yaohui has the following unused tax losses that can be carried forward to future year. Their respective expiration years are as follows:

	As at 31 December			As at 30 April
Expiry year	**2006**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2007	3,480	N/A	N/A	N/A
2008	5,754	5,754	N/A	N/A
2009	4,562	4,562	4,562	4,562
2010	3,206	3,206	3,206	3,206
2011	3,340	3,340	3,340	3,340
2012	—	2,870	2,870	2,870
2013	—	—	19,831	19,831
2014	—	—	—	9,212
	20,342	19,732	33,809	43,021

No deferred tax asset has been recognised in respect of unused tax losses available for offset against future profits due to unpredictability of future profit streams.

The income tax expense for the Relevant Periods can be reconciled to the loss before taxation as follows:

	Year ended 31 December			Four months ended 30 April	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loss before taxation	(4,264)	(26,397)	(73,440)	(3,269)	(29,395)
Tax at PRC enterprise income tax rate of 25% (33% for the years ended 31 December 2006 and 2007)	(1,407)	(8,711)	(18,360)	(817)	(7,349)
Tax effect of expenses not deductible for tax purposes	305	7,764	13,402	—	5,046
Tax effect of tax losses not recognised	1,102	947	4,958	817	2,303
Income tax expense for the year/period	—	—	—	—	—

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

During the Relevant Periods, no directors' emoluments were paid by Beijing Yaohui.

During the Relevant Periods, no directors' emoluments were paid by Beijing Yaohui nor any emoluments to any of the directors or the five highest paid individuals as an inducement to join or upon joining Beijing Yaohui or as compensation for loss of office.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 1 January 2006	341	3,229	3,570
Additions	48	—	48
At 31 December 2006 and 1 January 2007	389	3,229	3,618
Additions	175	—	175
At 31 December 2007 and 1 January 2008	564	3,229	3,793
Additions	106	—	106
At 31 December 2008 and 30 April 2009	670	3,229	3,899
DEPRECIATION			
At 1 January 2006	65	809	874
Provided for the year	57	522	579
At 31 December 2006 and 1 January 2007	122	1,331	1,453
Provided for the year	77	523	600
At 31 December 2007 and 1 January 2008	199	1,854	2,053
Provided for the year	96	459	555
At 31 December 2008 and 1 January 2009	295	2,313	2,608
Provided for the period	33	145	178
At 30 April 2009	328	2,458	2,786
CARRYING AMOUNTS			
At 31 December 2006	267	1,898	2,165
At 31 December 2007	365	1,375	1,740
At 31 December 2008	375	916	1,291
At 30 April 2009	342	771	1,113

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

Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 10 years

13. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 30 April
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	979,382	1,334,607	1,563,588	1,585,678

Beijing Yaohui owns a piece of land located at East South Section, intersection of Xi DaWang Road and Jianguo Road, Chaoyang District, Beijing, with a total gross floor area of approximately 247,646.3 square meters for a term of 70 years for residential use expiring on 30 August 2074 and 40 years for commercial use expiring on 30 August 2044.

Properties under development will be sold upon completion of the construction. It was under construction during the period from January 2006 to July 2008. Since then, no further construction work has been carried out. As at 31 December 2006, 2007 and 2008, the properties under development are not expected to be recovered within twelve months from respective end of reporting period. As at 30 April, 2009, the properties under development are expected to be recovered within twelve months from respective end of reporting period.

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	2,233	2,175	2,143	2,157
Prepayments and deposits	192	3,550	4,051	3,989
	2,425	5,725	6,194	6,146

15. AMOUNT DUE FROM A SHAREHOLDER

As at 31 December 2007, the amount due from Wangfu was unsecured, interest-free and repayable on demand. As at 31 December 2006, the amount due from Wangfu was unsecured, interest-bearing at one year borrowing interest rate published by People's Bank of China and repayable on demand.

16. AMOUNT DUE FROM A RELATED COMPANY

The amount due from 魔方文化發展有限公司, a subsidiary of Wangfu, was interest free, unsecured and repayable on demand for the year ended 31 December 2006. The amount was fully settled in 2007.

17. BANK BALANCES AND CASH

Beijing Yaohui's bank balances carry prevailing interest rates that range from 0.76% to 0.78% per annum during the Relevant Periods.

18. OTHER PAYABLES

	As at 31 December			As at 30 April
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction cost payables	53,263	110,129	182,614	183,147
Other payables	17,311	3,377	4,252	4,760
Other tax payables	7,908	7,909	7,927	7,919
Payroll payable	760	226	302	214
	79,242	121,641	195,095	196,040

Construction cost payables principally comprise amounts outstanding for construction costs. The average credit period for construction costs is from 6 months to 1 year. No interest is charged by the suppliers on the payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by Beijing Yaohui are set out in note 6.

19. LOANS FROM SHAREHOLDERS

	As at 31 December			As at 30 April
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wangfu	—	—	18,061	8,672
Beijing Capital	933,525	1,058,650	1,142,332	1,208,716
	933,525	1,058,650	1,160,393	1,217,388

The amounts represent unsecured loans from shareholders which are repayable on demand. The interest rate was determined according to the one year borrowing interest rate published by People's Bank of China for the years ended 31 December 2006 and 2007, and 1.3 times of the interest rate published by People's Bank of China for the year ended 31 December 2008 and four months ended 30 April 2009.

The effective interest rates on loans from shareholders were 5.94%, 6.30%, 8.95% and 7.02% at 31 December 2006, 2007, 2008 and 30 April 2009, respectively.

20. BANK BORROWINGS

				As at
		As at 31 December		**30 April**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The amount is repayable as follows:				
Within one year	—	—	150,000	200,000
More than one year, but not exceeding two years	—	90,000	150,000	100,000
More than two years, but not exceeding five years	—	90,000	—	—
	—	180,000	300,000	300,000
Less: Amounts due within one year shown under current liabilities	—	—	(150,000)	(200,000)
	—	180,000	150,000	100,000

Interest rates of all bank borrowings are fixed at inception date and are subject to negotiation on an annual basis, thus exposing Beijing Yaohui to cash flow interest rate risk because of the annual re-pricing. The effective interest rates of bank borrowings were 6.48%, 6.80% and 6.03% for the years ended 31 December 2007, 2008 and the four months period ended 30 April 2009, respectively.

All bank borrowings were guaranteed by Beijing Capital's shareholder 北京首都開發控股(集團)有限公司 without any guarantee charges.

21. PAID IN CAPITAL

	RMB'000
Paid in capital	50,000

Paid in capital of RMB50,000,000 was verified by 華辰會計師事務所有限公司 Hua Chen Certified Public Accountants Company Limited. There was no movement in paid-in capital during the Relevant Periods.

22. OPERATING LEASE COMMITMENTS

As lessee

	Year ended 31 December			Four months ended 30 April	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental expenses in respect of rented premises under operating leases	979	1,549	1,800	600	600

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

	As at 31 December			As at 30 April
	2006	**2007**	**2008**	**2009**
	RMB '000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	850	1,800	1,800	1,200
In the second to the fifth year inclusive	—	1,800	—	—
	850	3,600	1,800	1,200

Operating lease payments represent rentals payable by Beijing Yaohui for offices premises. Leases are negotiated for an average term of 1 to 2 years with fixed rentals.

23. OTHER COMMITMENTS

	As at 31 December			As at 30 April
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction commitments contracted for but not provided for in the Financial Information	556,252	461,720	550,719	584,355

24. RETIREMENT BENEFITS PLANS

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

25. RELATED PARTY DISCLOSURES

1) During the Relevant Periods, in addition to those disclosed in notes 15, 16 and 19, Beijing Yaohui had significant transactions with related parties as follows:

	For the year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest income	604	—	—	—	—
Interest on loans from shareholders	47,974	59,476	73,211	22,847	21,732
Rental expenses	979	349	—	—	—
Construction cost (note)	31,018	—	—	—	—

Note: The construction cost was paid to Wangfu for resident relocation service of the project land and the consulting service of the construction. Since year 2004, Beijing Yaohui paid an accumulated amount of approximately RMB466,558,000 to Wangfu for resident relocation service and this amount is included in properties under development as at 30 April 2009.

2) Bank borrowings of RMB180,000,000, RMB300,000,000 and RMB300,000,000 as at 31 December 2007, 2008 and 30 April 2009, respectively, were guaranteed by Beijing Capital's shareholder 北京首都開發控股(集團)有限公司 without guarantee charges.

3) Compensation of key management personnel

The remuneration key management during the Relevant Periods were as follows:

	For the year ended 31 December			Four months ended 30 April	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Short-term benefit	1,121	1,137	1,156	382	389
Post-employment benefit	—	—	—	—	—
	1,121	1,137	1,156	382	389

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to Beijing Yaohui's directors by Beijing Yaohui during the Relevant Periods.

C. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 April 2009.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Beijing Yaohui have been prepared in respect of any financial period subsequent to 30 April 2009.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (referred to as the "Unaudited Pro Forma Financial Information") has been prepared on the basis set out below for the purpose of illustrating the effect of the acquisition of convertible notes to be issued by Hong Da Development & Investment Holding Co., Limited ("Hong Da") that can be converted into ordinary shares of Hong Da's subsidiary, Century Profit Zone Investments Limited ("Century Profit"), and the advance of loans to Century Profit and Hong Da, the guarantee to be given by the Company and Beijing Wangfu Century Development Co., Ltd ("Wangfu") to Beijing Yaohui Real Estate Co., Ltd ("Beijing Yaohui") and the commitment to provide a shareholder's loan to Century Profit by China Aoyuan International Development Limited, a wholly owned subsidiary of the Company (the "Acquisition") as if these transactions took place on 30 June 2009.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITES OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2009 as extracted from the interim report of the Group, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable, as if the Acquisition had been completed on 30 June 2009.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to provide the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 30 June 2009. As it is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2009 or at any future date.

	The Group at 30 June 2009	Unaudited pro forma adjustments	Notes	Pro forma Enlarged Group Total
	RMB'000	*RMB'000*		*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	144,464	—		144,464
Prepaid lease payments	15,549	—		15,549
Investment properties	470,200	—		470,200
Interests in jointly controlled entities	326,642	—		326,642
Investments in Convertible Notes	—	296,000	(a)	296,000
Amount due from a shareholder of a jointly controlled entity	—	130,000	(b)	130,000
Amounts due from jointly controlled entities	51,570	110,000	(c)	161,570
Deferred taxation assets	16,193	—		16,193
Other property interests	86,944	—		86,944
	1,111,562	536,000		1,647,562
CURRENT ASSETS				
Properties for sales	4,872,562	—		4,872,562
Trade and other receivables	1,017,450	—		1,017,450
Prepaid lease payments	6,275	—		6,275
Restricted bank deposits	316,692	—		316,692
Bank balances and cash	1,574,674	(536,000)	(a) to (c)	1,038,674
	7,787,653	(536,000)		7,251,653
CURRENT LIABILITIES				
Trade and other payables	841,234	—		841,234
Sale deposits	716,303	—		716,303
Tax payable	605,674	—		605,674
Amount due to a minority shareholder	27,992	—		27,992
Derivative financial instruments	15,030	—		15,030
Secured bank loans	319,786	—		319,786
	2,526,019	—		2,526,019
NET CURRENT ASSETS	5,261,634	—		4,725,634
TOTAL ASSETS LESS CURRENT LIABILITES	6,373,196	—		6,373,196

	The Group at 30 June 2009	Unaudited pro forma adjustments	Notes	Pro forma Enlarged Group Total
	RMB'000	*RMB'000*		*RMB'000*
CAPITAL AND RESERVES				
Share capital	21,838	—		21,838
Reserves	4,026,420	—		4,026,420
Retained earnings	885,126	—		885,126
Equity attributable to equity holders of the Company	4,933,384	—		4,933,384
Minority interests	9,994	—		9,994
Total equity	4,943,378	—		4,943,378
NON-CURRENT LIABILITIES				
Secured bank loans	1,041,326	—		1,041,326
Deferred tax liabilities	76,016	—		76,016
Convertible notes	312,476	—		312,476
	1,429,818	—		1,429,818
TOTAL EQUITY AND NON-CURRENT LIABILITIES	6,373,196	—		6,373,196

Notes:

The adjustments represent:

(a) the acquisition of convertible notes ("Convertible Notes") by the Group to be issued by Hong Da with the principal amount of RMB296,000,000 pursuant to an agreement dated 22 July 2009.

According to the relevant agreement, the Convertible Notes are not currently exercisable. However, the Group must exercise the conversion rights of the Convertible Notes in September 2010 to convert them into ordinary shares of Century Profit. If the Group fails to exercise the conversion rights in September 2010, Hong Da shall have the right to request the Group to convert the Convertible Notes into ordinary shares of Century Profit. The Convertible Notes are interest bearing at 11% per annum and are redeemable when Hong Da and the guarantor of the Convertible Notes breach certain events of default. For the purposes of the preparation of the pro forma statement of assets and liabilities of the Enlarged Group, the investment in Convertible Notes are designated as at financial assets at fair value through profit or loss on initial recognition and RMB296,000,000 is considered as the fair value of the investment in Convertible bonds.

In July 2009, the Group acquired 41.33% interest in Century Profit at a consideration of RMB370,000,000 pursuant to an agreement entered into with Hong Da. Based on the relevant agreement entered into between the Group and Hong Da dated 28 July 2009, the Group and Hong Da have joint control over the financial and operating policies of Century Profit. Therefore, for the purposes of the preparation of this pro forma financial information, Century Profit is considered as a jointly controlled entity of the Group. However, this pro forma financial information does not reflect the financial effect of the acquisition of 41.33% equity interest in Century Profit.

(b) the advance of a loan to Hong Da of RMB130,000,000 pursuant to a loan agreement dated 22 July 2009. The loan has an initial fixed term of 2 years and carries interest at a rate of 7% per annum. Hong Da will use the loan to repay of a loan advanced by Merrill Lynch Captial Corporation to Hong Da; and

(c) the advance of a loan to Century Profit of RMB110,000,000 pursuant to a loan agreement dated 22 July 2009. The loan has an initial fixed term of 2 years and carries interest at a rate of interest of 7% per annum. Century Profit has agreed to use the loan to make contribution to the registered capital of Beijing Yaohui.

The above adjustments have not taken into account the financial effect of the guarantee to be given by the Company and Wangfu to Beijing Yaohui and the RMB320,000,000 advance (“Advance”) to be made to Beijing Yaohui through Century Profit as this advance will only be made if requested by Beijing Yaohui. The Advance will carry interest at 15%. Other terms including whether pledge of assets is required will be subject to further negotiation. For the purposes of this pro forma information, the directors of the Company consider that interest rate of 15% is the market interest rate for loans advanced to Beijing Yaohui and hence the fair value of this loan commitment made by the Group to Beijing Yaohui is considered nil. For the purposes of this pro forma information, the directors of the Company also consider that the fair value of the guarantee to be given to Beijing Yaohui is nil.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA AOYUAN PROPERTY GROUP LIMITED

We report on the unaudited pro forma financial information of China Aoyuan Property Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of convertible notes to be issued by Hong Da Development & Investment Holding Co., Limited ("Hong Da") that can be converted into ordinary shares of Hong Da's subsidiary, Century Profit Zone Investments Limited ("Century Profit"), the advance of loans to Century Profit and Hong Da, the guarantee to be given by the Company and Beijing Wangfu Century Development Co., Ltd to Beijing Yaohui Real Estate Co., Ltd and the commitment to provide a shareholder's loan to Century Profit by China Aoyuan International Development Limited, a wholly owned subsidiary of the Company, might have affected the financial information presented, for inclusion in Appendix III of the circular dated 14 September 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 179 to 182 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29 (7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly complied by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2009.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

14 September 2009

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 31st July 2009 of the property interests to be acquired by China Aoyuan Property Group Limited

RHL International

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RHL Appraisal Limited
Corporate Valuation & Advisory

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Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

14th September 2009

The Directors
China Aoyuan Property Group Limited
Unit 5105,
51/F,
The Center,
99 Queen's Road Central,
Hong Kong

Dear Sirs,

INSTRUCTIONS

We were instructed by **China Aoyuan Property Group Limited** (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") to value the property interests to be acquired by the Group in the People's Republic of China (referred to as the "PRC"), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31st July 2009 (referred to as the "Valuation Date").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents their market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

VALUATION METHODOLOGY

In the valuing property which is to be acquired by the Group in the PRC, we have valued the property on the basis that property will be developed and completed in accordance with the Group's latest development proposals provided to us. The market value of the property interests will be formulated by the direct comparison approach by making reference to comparable sales and/or asking evidence as available in the market and have taken into account the cost expended and to be expended to complete the development.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

We have assumed that the owner of the property interests has a free and uninterrupted right to use the property interests for the whole of the unexpired term. We have assumed that the owner of the property interests has the right to sell, mortgage, charge or otherwise disposes of the property interests to any person at a consideration without payment of any additional premium or substantial fee to government authorities.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TITLE INVESTIGATION

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contract, State-owned Land Use Right Certificate relating to the property interests and have made relevant enquiries. However, we have not examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the information given by the Group and the Company's PRC legal adviser — 競天公誠律師事務所 (Jingtian & Gongcheng), concerning the validity of the title to the property interests.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the property interests. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property interests but have assumed that the site areas shown on the documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, planning approvals, particulars of occupancy, site and floor areas and in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and / or distribute to third parties may be made without written consent.

EXCHANGE RATE

All monetary sums stated in this report are in Renminbi ("RMB").

Our valuation certificate is herewith attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Ian K. F. Ng**
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)	**MBA BSc(EstMan) BSc MHKIS MRICS RPS(GP)**
Managing Director	*Associate Director*

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 18 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 6 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors as well as a chartered surveyor of The Royal Institution of Chartered Surveyors.

VALUATION CERTIFICATE

Property interests to be acquired by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 31st July 2009 RMB
A Development Site located at South East Section, intersection of Xi Da Wang Road and Jianguo Road, Chaoyang District, Beijing, PRC	The property comprises a parcel of land with a site area of approximately 26,811.72 sq. m. on which a commercial, apartment and office complex is under construction. As advised by the Company, the property is scheduled to be completed in 2011. According to the information provided by the Group, the property, known as "北京耀輝國際城 (Beijing Yaohui International City)", will be developed into a 4-storey commercial podium with a four basement levels accommodating a total of 833 car parking spaces, commercial spaces and ancillaries. Built upon the podium, there will be two towers including a 43-storey building (the "North Tower") accommodating a 5-star hotel of 133 hotel rooms, serviced apartment of 188 units and office spaces and a 40-storey building (the "South Tower") accommodating a total of 273 apartment units and other ancillaries. The total planned gross floor area of the property is approximately 247,646.30 sq.m. with the breakdowns are as follows:	As advised by the Group, the construction has been ceased to construction since July of 2008.	3,130,000,000 (Renminbi Three Billion One Hundred and Thirty Million Only)

Building	Gross Floor Area *Approx (sq.m.)*
North Tower	
Below Ground	37,960.70
Above Ground	68,842.80
Sub-total:	**106,803.50**
South Tower	
Below Ground	34,963.10
Apartment (Above Ground)	102,266.70
#1, #2 Apartment	1,813.00
Post office	1,800.00
Sub-total:	**140,842.80**
Grand-total:	**247,646.30**

The land use rights of the property were granted for terms expiring on 30th August 2074 for apartment use, on 30th August 2053 for commercial and below ground commercial uses and on 30th August 2044 for office and below ground carparking uses.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Jing Di Chu He Zi (2004) No. 0868 dated 31st August 2004 together with a supplementary agreement dated 1st February 2007 entered into between Beijing Municipal Land Resources Bureau and 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.), the land use rights of the property were contracted to be granted to 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) at a consideration of RMB229,652,300. The development conditions of the property are set out as follows:-

Gross Site Area	:	35,502.134 sq.m	
Net Site Area	:	26,814.612 sq.m	
Planned Gross Floor Area	:	247,646.30 sq.m. (Above ground: 174,722.50 sq.m. (including 120,408.70 sq.m. for Apartment; below ground: 72,923.80 sq.m.)	
Plot Ratio	:	6.516	
Uses	:	Apartment, Commercial, Office, Below ground commercial and below ground carparking use)	
Terms	:	Apartment	— 70 years
		Office	— 50 years
		Below ground carparking	— 50 years
		Commercial	— 40 years
		Below ground commercial	— 40 years

2. Pursuant to a State-owned Land Use Rights Certificate — Jing Chao Guo Yong (2007 Chu) Di No. 0274 dated 5th July 2007 issued by the People's Government of Beijing Municipal Chaoyang District, the land use rights of the property with a site area of approximately 26,811.72 sq.m. were granted to 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) for terms expiring on 30th August 2074 for apartment use, on 30th August 2053 for commercial and below ground commercial uses and on 30th August 2044 for office and below ground carparking uses.

3. Pursuant to a Construction (Land Use) Planning Permit — 2006 Gui Di Zi No. 0136 dated 12th July 2006 issued by Beijing Municipal Urban Planning Bureau, 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) was permitted to develop a parcel of land with a total site area of approximately 26,814.612 sq.m..

4. Pursuant to two Construction (Project) Planning Permits and supplementary documents issued by the Beijing Municipal Urban Planning Bureau, 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) was approved to construct the property with a total gross floor area of approximately 247,646.30 sq.m.. The details are set out as follows:

Construction Project Planning Permit No.	Date of Issue	Portion	No. of Storey	Levels	Height Restriction *(m)*	Gross Floor Area *(sq.m.)*
2005 Gui Jian Zi No. 0643	28-Dec-2005	South Tower - Apartment	40	1-40	147.55	102,266.70
		South Tower - Post Office	3	1-3	14.7	1,800.00
		South Tower - Nos. 1 and 2 Apartment	3	1-3	10.5	1,813.00
		South Tower - Basement	4	Basement 1-4	—	34,963.10 (including 1,200 sq.m. for Post Office)
					Sub-total:	140,842.80
2006 Gui Jian Zi No. 0400	01-Sep-2006	North Tower	43	1-43	169.2	68,842.80 (including 16,329 sq.m. for service apartment on levels 27-39)
		North Tower - Basement	4	Basement 1-4	—	37,960.70
					Sub-total:	106,803.50
					Grand-total:	247,646.30

5. Pursuant to two Construction Works Commencement Permits issued by Beijing Municipal Construction Committee, 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) was permitted to construct the property with a total gross floor area of approximately 247,645 sq.m. The details are set out as follows:

Construction Work Commencement Permit No.	Date of Issue	Portion	Gross Floor Area *(sq.m.)*	Construction Period
(2006) No. 011	in January 2006	Beijing Yaohui International City — Apartment (South Tower)	140,842	commencing from 20th January 2006 to 25th November 2008
(2006) Shi Jian Zi No. 0208	27-Sep-2006	Beijing Yaohui International City (North Tower)	106,803	commencing from 30th September 2006 to 30th March 2009
		Total:	247,645	

6. Pursuant to two Beijing Commodity House Pre-sale Permits issued by Beijing Municipal Construction Committee, portion of the property with a total gross floor area of 171,686.29 sq.m. were permitted to be pre-sold. The details are set out as follows:

Beijing Commodity House Pre-sale Permit No.	Date of Issue	Portion	Gross Floor Area *(sq.m.)*	Use
Jing Fang Shou Zheng Zi (2008) Di No. 365	08-Oct-2008	Beijing Yaohui International City (South Tower) (Above Ground)	100,905.32	Apartment
Jing Fang Shou Zheng Zi (2008) Di No. 408	16-Nov-2008	Beijing Yaohui International City (North Tower) (Above Ground) (Excluding unit nos. 102,103, 104, 105, 4001, 4101, 4201 and 4301)	70,780.97	Apartment, Hotel, Commercial
		Total:	171,686.29	

7. As advised by the Group, the total cost expended including removal cost, land acquisition cost, construction cost etc., as at the Valuation Date was approximately RMB1,585,678,000 whereas the total cost planned to be expended to complete the development will be RMB2,086,634,000.

8. Pursuant to an agreement (the "Agreement') provided, portions of the property with a total gross floor area of approximately 21,838.14 sq.m. (above ground: 19,479.86 sq.m. and below ground : 2,358.28 sq.m.) and 51 carparking spaces upon completion were agreed to be handed over back to and owned by 北京王府世紀發展有限公司 (Beijing Wangfu Century Development Co. Ltd.) which holds 38% interest of 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.). We have valued the property subject to the Agreement.

9. According to the legal opinion, construction works permits have been expired. In the course of the valuation, we have assumed that there is no legal impediment to obtain relevant permits to continue and complete the construction works.

10. As advised, 9 apartment units with a total gross floor area of approximately 3,021 sq.m. have been pre-sold for a total consideration of RMB 120,840,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. We have taken into account the consideration in the valuation.

11. The capital value of the property when completed as at the Valuation Date was RMB 5,370,000,000.

12. The major certificates and permits of the property are summarized as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction (Land Use) Planning Permit	Yes
(iv)	Construction (Project) Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes (Expired)
(vi)	Commodity House Pre-sale Permit	Yes (Part)

13. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:

(i) 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) owns the land use rights of the property and is entitled to transfer, lease, mortgage the land use rights of the property within the residual term of its land use rights without payment of any additional land use rights grant fee and land premium;

(ii) 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) owns and is entitled to disposed of the construction works of the property.

(iii) 北京耀輝置業有限公司 (Beijing Yaohui Real Estate Co. Ltd.) has obtained all requisite planning approvals for the development of the property;

(iv) Pre-sale Permits were expired as at the Valuation Date and the property cannot be sold during the construction period of the property;

(v) Up to the date of the PRC legal opinion, the property is not subject to any encumbrance; and

(vi) The construction works permits have been expired. To continue the construction of the property, application in accordance with the PRC' laws to the relevant government authorities needs to be submitted.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors or chief executives of the Company in the Shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Beneficial interests and long positions in Shares as at the Latest Practicable Date:

Name of Director/ chief executive	Number of shares			Approximate percentage of the issued share capital
	Ordinary shares interests held by controlled corporations	**Underlying shares (under equity derivatives of the Company)** *(Note 3)*	**Aggregate interest**	
Director				
Mr. Guo Zi Wen	1,154,325,000 *(Note 1)*	—	1,154,325,000	44.18%
Mr. Leung Ping Chung, Hermann	293,175,000 *(Note 2)*	10,000,000	303,175,000	11.61%
Mr. Paul Steven Wolansky	293,175,000 *(Note 2)*	—	293,175,000	11.22%
Mr. Wu Jie Si	—	20,000,000	20,000,000	0.77%
Mr. Guo Zi Ning	—	10,000,000	10,000,000	0.38%
Mr. Zheng Jian Jun	—	855,200	855,200	0.03%
Chief Executive				
Mr. Wu Chen	—	10,000,000	10,000,000	0.38%
Mr. Lam Kam Tong	—	6,000,000	6,000,000	0.23%

Notes:

(1) These 1,154,325,000 Shares are registered in the name of Ace Rise. Ace Rise is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the Latest Practicable Date, the beneficiaries of The Golden Jade Trust were Mr. Guo Zi Wen and Ms. Jiang Min Er.

(2) These 293,175,000 Shares are registered in the name of Cathay Property which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee and 10% by a company wholly-owned by Mr. Leung Ping Chung, Hermann.

(3) Share options granted to the Directors under the employee share option scheme adopted by the Company.

Share Options

	Number of share option	**Date of grant**	**Exercise period**	**Exercise price per share** *HK$*
Director				
Mr. Wu Jie Si	10,000,000	18 Jul 2008	18 Jul 2008 to14 Jul 2011	5.2
	10,000,000	18 Jul 2008	18 Jul 2008 to 14 Jul 2011	1.79
Mr. Guo Zi Ning	10,000,000	18 Jul 2008	18 Jul 2008 to 31 Dec 2009	1.79
Mr. Zheng Jian Jun	855,200	23 Oct 2007	*Note*	6.55
Mr. Leung Ping Chung, Hermann	10,000,000	18 Jul 2008	18 Jul 2008 to 31 Dec 2009	1.79
Chief Executive				
Mr Wu Chen	10,000,000	25 Sep 2008	25 Sep 2008 to end of his service contract with the Company	0.90
Mr. Lam Kam Tong	3,000,000	1 Dec 2008	1 Dec 2008 to 30 Nov 2011	2.00
	3,000,000	1 Dec 2008	1 Dec 2008 to 30 Nov 2011	0.638

Note:

20% of the total number of share options granted to the grantees were exercisable from the date of the 2007 annual results of the Company (i.e. 15 April 2008) to 31 December 2008.

30% of the total number of share options granted to the grantees are exercisable from the date of the 2008 annual results of the Company, on condition that the Board confirms that the Company has met the 2008 profit forecasts as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company, to 31 December 2009.

50% of the total number of share options to the grantees will be exercisable from the date of the 2009 annual results of the Company, on condition that the Board confirms that the Company has met the 2009 profit forecasts as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company, to 31 December 2010.

Apart from the above, as at the Latest Practicable Date, there were no interest of the Directors or chief executives of the Company in the Shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed in the above) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date:

Name	**Capacity**	**Number of shares**	**Voting power (%) (approximate)**
Ace Rise Profits Limited *(Note 1)*	Beneficial owner	1,154,325,000	44.18%
Credit Suisse Trust Limited *(Note 1)*	Trustee	1,154,325,000	44.18%
Mr. Guo Zi Wen *(Note 1)*	Settlor / Beneficiary of The Golden Jade Trust	1,154,325,000	44.18%
Ms. Jiang Min Er *(Note 1)*	Settlor / Beneficiary of The Golden Jade Trust	1,154,325,000	44.18%
Seletar Limited *(Note 1)*	Controlled corporation	1,154,325,000	44.18%
Serangoon Limited *(Note 1)*	Controlled corporation	1,154,325,000	44.18%
Sturgeon Limited *(Note 1)*	Controlled corporation	1,154,325,000	44.18%

Name	Capacity	Number of shares	Voting power (%) (approximate)
Mr. Selwyn Donald Sussman *(Notes 2 & 3)*	Controlled corporation	406,363,462	15.55%
Capital Asset Management, Inc. *(Note 3)*	Controlled corporation	383,043,462	14.66%
Trust Asset Management LLP *(Note 3)*	Controlled corporation	383,043,462	14.66%
Mr. Leung Ping Chung, Hermann *(Note 2)*	Trustee	293,175,000	11.22%
Mr. Paul Steven Wolansky *(Note 2)*	Trustee	293,175,000	11.22%
Cathay Capital Holdings, L.P. *(Note 2)*	Controlled corporation	293,175,000	11.22%
Cathay Master GP, Ltd. *(Note 2)*	Controlled corporation	293,175,000	11.22%
Cathay Sino Property Ltd. *(Note 2)*	Beneficial owner	293,175,000	11.22%

Notes:

1. The 1,154,325,000 shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the Latest Practicable Date, the beneficiaries of The Golden Jade Trust were Mr. Guo Zi Wen and Ms. Jiang Min Er.

2. The 293,175,000 shares are registered in the name of Cathay Sino Property Ltd. which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee and 45% by Trust Asset Management LLP. and 10% by Nice Wealth Investment Limited which is wholly owned by Mr. Leung Ping Chung, Hermann. Cathay Capital Holdings, L.P., Cathay Master GP, Ltd., Mr. Paul Steven Wolansky, Trust Asset Management LLP and Mr. Leung Ping Chung, Hermann are all deemed to be interested in the 293,175,000 shares under the SFO.

3. Capital Asset Management, Inc is the general partner of Trust Asset Management LLP, which has 45% interest in Cathay Master GP, Ltd., the general partner of Cathay Capital Holdings, L.P. As Mr. Selwyn Donald Sussman is holding 100% interest in Capital Asset Management, Inc, Mr. Selwyn Donald Sussman, Capital Asset Management, Inc. and Trust Asset Management LLP are all deemed to be interested in the 293,175,000 shares held by Cathay Sino Property Ltd. The remaining 89,868,462 shares are held in the form of convertible notes issued to Sunrise Partners Limited Partnership. As Trust Asset Management LLP is the general partner of Sunrise Partners Limited Partnership, Capital Asset Management, Inc, Trust Asset Management LLP and Mr. Selwyn Donald Sussman are deemed to be interested in the 89,868,462 shares under the SFO.

Save as disclosed in this circular, so far as was known to the Directors or chief executives of the Company, there is no other person (other than the Directors or chief executives of the Company as disclosed in the above) who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Guo Zi Wen, Mr. Guo Zi Ning and Mr. Zheng Jian Jun has entered into a service contract with the Company for a term of three years commencing from 3 April 2007, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Hu Da Wei has entered into a service contract with the Company for an appointed term from 8 April 2008 to 2 April 2010, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Wu Jie Si has entered into a service contract with the Company for a term of three years with effect from 15 July 2008. Mr. Paul Steven Wolansky and Mr. Leung Ping Chung, Hermann, being the non-executive Directors of the Company have entered into a letter of appointment with the Company and are appointed for a specific term commencing from 3 April 2007 which may be extended for such period as the Company and Mr. Wolansky and Mr. Leung may agree in writing. Mr. He Jian Bing has signed an appointment letter with the Company for a term of one year with effect from 15 July 2008, and which may be extended thereafter for such period as the Company and Mr. He may agree in writing. Each of the independent non-executive Directors of the Company has entered into a letter of appointment with the Company and is appointed for a specific term commencing from 13 September 2007 which may be extended for such period as the Company and the Director may agree in writing.

Save as the aforesaid, as at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contracts with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation). No directors' emoluments were paid by Century Profit and the Project Company.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following agreements, being contracts not entered into in the ordinary course of business, have been entered into by members of the Enlarged Group and is or may be material:

(a) the SP Agreement;

(b) a placing agreement dated 10 July 2009 entered into between Ace Rise, the Company and Morgan Stanley and ABN AMRO, pursuant to which an aggregate of 360,000,000 new Shares were placed on behalf of the Company, at the price of HK$1.73 per placing share with at least six independent investors. The net proceeds of the placing is estimated to be approximately HK$600 million. Please refer to the Company's announcement dated 12 July 2009 for further details;

(c) the Subscription Agreement;

(d) the RMB460m Loan Agreement;

(e) the RMB110m Loan Agreement;

(f) the RMB130m Loan Agreement;

(g) a sale and purchase agreement dated 20 May 2009 entered into between Happy Genius Management Limited (a wholly-owned subsidiary of the Company) and General Fortune Investment Limited (an Independent Third Party) as purchasers, Sky Honest Investment Corp. and Nicco Limited as vendors, and Skyfame Realty (Holdings) Limited as guarantor pursuant to which Happy Genius Management Limited agreed to acquire and Sky Honest Investment Crop. and Nicco Limited agreed to sell an aggregate of 70% of the entire share capital and 70% of the shareholders' loan of Yaubond Limited at a total consideration of HK$352,098,086 and RMB12,000,000;

(h) a termination agreement dated 10 July 2009 entered into between Happy Genius Management Limited (a wholly-owned subsidiary of the Company) and General Fortune Investment Limited (an Independent Third Party) as purchasers, Sky Honest Investment Corp. and Nicco Limited as vendors, and Skyfame Realty (Holdings) Limited pursuant to which the agreement in item (g) shall lapse and parties to the agreement shall be released from all obligations thereunder save and except any antecedent breach;

(i) a sale and purchase agreement dated 18 June 2009 entered into between Landco Development Limited, an indirect wholly-owned subsidiary of the Company as purchaser, Changsheng (Holdings) Company Limited as vendor and Mr. Chau Shek Cheong as guarantor in relation to the sale and purchase of the entire issued share capital and shareholders' loan of Earning Ever Limited at a total consideration of RMB640,000,000 and two subsequent supplemental agreements dated 20 August 2009 and 3 September 2009 respectively; and

(j) a settlement agreement dated 25 March 2009 entered into between the Project Company and Zhejiang Hangxiao Steel Structure Co. Ltd. (浙江杭蕭鋼構股份有限公司), pursuant to which the Project Company shall pay to Zhejiang Hangxiao Steel Structure Co. Ltd. (浙江杭蕭鋼構股份有限公司) RMB40,082,556 being the final settlement sum of the outstanding construction payment.

7. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

In order to eliminate competing business with the Group, on 20 September 2007, Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Min Er, spouse of Mr. Guo Zi Wen, entered into a deed of non-competition with the Company. As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Enlarged Group or have or may have any other conflicts of interest with the Enlarged Group pursuant to the Listing Rules.

8. INTEREST OF DIRECTORS OR PROPOSED DIRECTORS OR EXPERTS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE ENLARGED GROUP

Since the date to which the latest published audited accounts of the Company were made up until the Latest Practicable Date, none of the Directors or proposed Directors or experts (as listed out in paragraph 10 below) had or had proposed to acquire or dispose or lease any interest, direct or indirect, in any assets to any member of the Enlarged Group.

9. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE ENLARGED GROUP

As at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Enlarged Group.

10. EXPERT AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinions or letters contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
RHL Appraisal Limited	Property valuers

As of the Latest Practicable Date, each of Deloitte Touche Tohmatsu and RHL Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As of the Latest Practicable Date, each of Deloitte Touche Tohmatsu and RHL Appraisal did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group.

11. MISCELLANEOUS

(a) The registered office of the Company is situated at Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The company secretary of the Company is Mr. Lam Kam Tong. Mr. Lam is a practicing Certified Public Accountant in Hong Kong.

(c) The head office and principal place of business of the Company in Hong Kong is situated at Room 5105, 51st Floor, The Center, 99 Queen's Road Central, Hong Kong.

(d) The principal share register of the Company is Butterfield Fund Services (Cayman) Limited, Butterfield House, 68 Fort Street, P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands.

(e) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

12. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Enlarged Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

13. DOCUMENTS AVAILBLE FOR INSPECTION

Copies of the following documetns will be available for inspection during normal business hours at the registered office of the Company which is situated at Room 5105, 51st Floor, The Center, 99 Queen's Road Central, Hong Kong, for a period of 14 days from the date of this circular:

(a) this circular;

(b) the memorandum and articles of association of the Company;

(c) the 2007 and 2008 audited annual reports of the Company for the two financial years ended 31 December 2007 and 31 December 2008;

(d) the accountants' report on the financial information of the Target Companies;

(e) the report from Deloitte Touche Tohmatsu on the unaudited pro forma statement of assets and liabilities of the Enlarged Group;

(f) the written consent from Deloitte Touche Tohmatsu referred to in the paragraph headed "Expert and Consent" in this Appendix;

(g) the valuation report from RHL Appraisal Limited on the Project Land and its development referred to in the paragraph headed "Property Valuation Report" in Appendix IV;

(h) the written consent from RHL Appraisal Limited referred to in the paragraph headed "Expert and Consent" in this Appendix;

(i) the written approval given by the Major Shareholders dated 19 August 2009;

(j) the services contracts referred to in the paragraph headed "Directors' Service Contracts" in this Appendix; and

(k) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.

14. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.