YANLORD LAND GROUP RELEASES
CERTAIN FINANCIAL AND OPERATING INFORMATION

Singapore, January 24, 2007 —Yanlord Land Group Limited (SGX-ST: Yanlord) today released certain of its financial and operating information. This information is set forth in the appendix attached to this press release.

This press release, including its appendix, is not an offer of securities for sale in the United States. Yanlord's securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933. Yanlord does not intend to register its securities for sale in the United States or to conduct a public offering of securities in the United States.

About Yanlord Land Group Limited:

Yanlord (www.yanlordland.com) is a real estate developer based in the PRC that focuses on developing high-end residential property projects in prime locations within strategically selected key and high-growth cities in the four major economic regions of the PRC. Since 2003, Yanlord also began developing high-grade commercial properties, such as office buildings, retail space and serviced apartments, for sale and lease. Yanlord also provides high-quality property management services, currently for the projects it developed. **The initial public offering for the shares of Yanlord was joint lead managed by HL Bank and CLSA Merchant Bankers Limited (the "Managers"). The Managers assume no responsibility for the contents of this announcement.**

Forward-Looking Statements:

Certain statements contained in this press release, including its appendix, may be viewed as "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of Yanlord to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.

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APPENDIX TO PRESS RELEASE DATED JANUARY 24, 2007

In this appendix, references to “China” or the “PRC” are to the People’s Republic of China, excluding Hong Kong, Macua and Taiwan; references to “S$” or “Singapore dollars” are to the lawful currency of Singapore; references to “US$” or “U.S. dollars” are to the lawful currency of the United States; and references to “RMB” or “Renminbi” are to the lawful currency of China. Solely for your convenience, certain Singapore dollar amounts in this appendix have been converted into U.S. dollars and certain U.S. dollar amounts have been converted into Singapore dollars, based on the exchange rate of S$1.5859 = US$1.00, which was the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York for cable transfers for Singapore dollars, respectively, on September 29, 2006, the last business day of September 2006. No representation is made that the Singapore dollar amounts could have been, or could be converted into U.S. dollars at that rate or at any other rate on September 29, 2006 or any other date.

In this appendix, the terms “we,” “us,” “our” and “Yanlord Land Group” refer to Yanlord Land Group Limited and its subsidiaries, unless the context requires otherwise.

Unless the context otherwise requires, each phase of a property development project referred to in this appendix is considered as a separate property development.

Any discrepancies in the tables between the listed amounts and their totals are due to rounding.

Neither this appendix nor the accompanying press release is an offer of securities for sale in the United States is an offer of securities for sale in the United States. Our securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933. We do not intend to register our securities for sale in the United States or to conduct a public offering of securities in the United States.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated profit and loss statement data for the years ended December 31, 2003, 2004, 2005 and selected consolidated balance sheet data as of December 31, 2003, 2004, 2005 have been derived from our audited consolidated financial statements included elsewhere in this appendix. The following selected consolidated profit and loss statement data for the nine months ended September 30, 2005 and 2006 and selected consolidated balance sheet data as of September 30, 2006 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this appendix. The unaudited summary data as of and for the nine-month periods ended September 30, 2005 and 2006 contains all adjustments that our management believes are necessary for the fair presentation of such information. Results for interim periods are not indicative of results for the full year. You should read the selected consolidated financial data in conjunction with those financial statements and related notes, "Selected Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition And Results of Operations" included elsewhere in this appendix. We have prepared our consolidated financial statements in accordance with Singapore Financial Reporting Standards.

In preparation for our initial public offering in June 2006, we underwent a restructuring exercise under which, among other things, we spun off businesses that are not property-related and created Yanlord Land Group as the listing vehicle and holding company of our group. For the purposes of this appendix, our financial statements for the years ended and as of December 31, 2003, 2004, 2005 and the nine months ended September 30, 2005 and 2006 have been prepared using the pooling of interest method to reflect our current group structure as if it had been in place as of January 1, 2003 under the common control of the then existing shareholders.

Deloitte & Touche, Singapore, have reviewed our unaudited condensed consolidated financial statements for the nine months ended September 30, 2006 in accordance with Singapore Standards on Review Engagement 2400, *Engagement to Review Financial Statement*. Solely because of the uncertainty regarding whether we will be subject to retrospective Land Appreciation Tax on our Shanghai Pudong New District developments, Deloitte & Touche, Singapore, are not in a position to conclude whether any material modifications should be made to these unaudited condensed financial statements. For a more detailed discussion on this uncertainty and the related risk that these unaudited condensed financial statements may be subject to revision, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Land Appreciation Tax."

	Year Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005	2005	2005	2006	2006
	S$	S$	S$	US$	S$	S$	US$
					(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands, except share, per share and percentage data)						
Consolidated profit and loss statement data:							
Revenue	601,099	361,015	778,358	490,799	467,814	607,021	382,761
Cost of sales	(320,397)	(240,608)	(513,503)	(323,793)	(331,153)	(344,952)	(217,512)
Gross profit	280,702	120,407	264,855	167,006	136,661	262,069	165,249
Other operating income	15,582	18,656	12,256	7,728	5,622	29,460	18,576
Administrative expenses	(21,742)	(29,654)	(29,359)	(18,513)	(20,350)	(29,352)	(18,508)
Selling expenses	(3,128)	(4,869)	(8,630)	(5,442)	(5,059)	(8,703)	(5,488)
Other operating expenses	(1,453)	(1,970)	(1,923)	(1,213)	(1,706)	(1,141)	(719)
Finance costs	(1,255)	(1,994)	(3,270)	(2,062)	(627)	(335)	(211)
Share of result of an associate	—	—	—	—	(12)	(21)	(13)
Profit before income tax	268,706	100,576	233,929	147,506	114,529	251,977	158,886
Income tax	(42,744)	(20,998)	(48,594)	(30,641)	(38,859)	(61,538)	(38,803)
Profit for the year/period	225,962	79,578	185,335	116,864	75,670	190,439	120,083
Attributable to:							
Equity holders of the company	154,291	54,543	122,160	77,029	46,085	123,143	77,649
Minority interests	71,671	25,035	63,175	39,835	29,585	67,296	42,434
	225,962	79,578	185,335	116,864	75,670	190,439	120,083
Earnings per share (cents)	11.28	3.99	8.93	5.63	3.37	8.43	5.32
Other financial data (unaudited):							
EBITDA(1)	267,196	103,716	236,575	149,174	116,265	227,951	143,735
EBITDA margin(2)	44%	29%	30%	30%	25%	38%	38%

	As of December 31,				As of September 30,	
	2003	2004	2005	2005	2006	2006
	S$	S$	S$	US$	S$	US$
					(Unaudited)	(Unaudited)
			(in thousands)			
Consolidated balance sheet data:						
Non-current assets	373,801	334,363	429,184	270,625	297,440	187,553
Properties for development	340,527	229,697	350,005	220,698	199,212	125,614
Current assets	824,034	1,337,631	1,217,747	767,859	1,882,389	1,186,953
Properties under development for sale	329,868	830,383	889,575	560,928	1,076,335	678,690
Completed properties for sale	153,941	96,799	153,764	96,957	116,057	73,181
Total assets	1,197,835	1,671,994	1,646,931	1,038,484	2,179,829	1,374,506
Non-current liabilities:						
Bank loans	148,250	236,890	136,597	86,132	358,983	226,359
Non trade amounts due to:						
Minority shareholders of subsidiaries	12,681	90,392	—	—	26,385	16,637
Other related parties	22,974	—	—	—	—	—
Deferred tax liabilities	—	—	—	—	7,751	4,888
Total	183,905	327,282	136,597	86,132	393,119	247,884
Current liabilities:						
Trade payables	94,800	51,379	143,683	90,600	154,952	97,706
Other payables	175,075	590,347	415,350	261,902	534,294	336,903
Non trade amounts due to:						
Associates	31	10,482	—	—	36	23
A shareholder	—	—	49,969	31,508	17,856	11,259
Minority shareholders of subsidiaries	14,850	5,098	42,492	26,794	18,963	11,957
Other related parties	58,195	41,263	8,275	5,218	1,084	684
A director	—	—	—	—	8,642	5,449
Income tax payable	22,812	21,541	26,991	17,019	—	—
Bank loans	110,137	91,774	181,953	114,732	72,969	46,011
Total	475,900	811,884	868,713	547,773	808,796	509,992
Equity attributable to equity holders of parent	425,811	460,701	533,319	336,288	873,143	550,566
Minority interests	112,219	72,127	108,302	68,291	104,771	66,064
Total liabilities and equity	1,197,835	1,671,994	1,646,931	1,038,484	2,179,829	1,374,506

(1) EBITDA refers to our profit before interest income/expenses, amortization of intangible assets, non-operating income/expenses, income tax expense and depreciation. EBITDA is not a standard measure under SFRS or US GAAP. As the property development business is capital intensive, capital expenditure and levels of debt and interest expenses may have a significant impact on the profit for the year/period of companies with similar operating results. Therefore, we believe that the investor community commonly uses this type of financial measure to assess the operating performance of companies in our industry. As a measure of our operating performance, we believe that the most directly comparable SFRS and US GAAP measure to EBITDA is profit for the year/period. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year/period because profit for the year/period includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible asset amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with the results of other companies. You should not consider our EBITDA in isolation or construe it as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA presented in this appendix may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to the EBITDA presented by other companies because not all companies use the same definition.

The following table reconciles our profit for the year/period under SFRS to our EBITDA for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005	2005	2005	2006	2006
	S$	S$	S$	US$	S$	S$	US$
					(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands)						
Profit for the year/ period	225,962	79,578	185,335	116,864	75,670	190,439	120,083
Interest income	(3,262)	(944)	(2,596)	(1,637)	(1,384)	(3,285)	(2,071)
Interest expense	1,255	1,994	3,270	2,062	627	335	211
Other income	—	—	—	—	—	(23,761)	(14,983)
Exchange (gains) losses, net	(380)	415	(1,099)	(693)	294	356	224
Income tax expense	42,744	20,998	48,594	30,641	38,859	61,538	38,803
Net depreciation	877	1,622	2,588	1,632	1,717	1,805	1,138
Impairment of goodwill	—	53	483	305	482	524	330
EBITDA	267,196	103,716	236,575	149,174	116,265	227,951	143,735

(2) EBITDA margin refers to EBITDA divided by revenue for the relevant fiscal period, expressed as a percentage.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with "Selected Consolidated Financial Information" and our consolidated financial statements and related notes included elsewhere in this appendix.

Overview

We are a real estate developer based in the PRC that focuses on developing high-end residential properties in strategically selected key and high-growth cities. We commenced business operations and began developing our first residential project in Shanghai in 1993. In 1994, we entered the Nanjing residential property market. To date, we have completed seven property developments in Shanghai and seven property developments in Nanjing. In 2001, we entered into Guiyang, and in 2003 we began implementing our strategy of expanding our operations into other strategic cities in the PRC, currently comprising Tianjin, Chengdu, Zhuhai and Suzhou. In the same year, we also began developing commercial properties for sale and lease. We completed a retail development in Guiyang in 2005 and we completed a wholesale mall in Chengdu in the first half of 2006. We are currently developing our first integrated commercial development of office space, serviced apartments and a shopping mall in Chengdu. We believe that these commercial properties under development will provide us with a source of recurring rental income in the future. We also provide ancillary property-related services, such as property management services, primarily for the residential projects that we have developed.

In preparation for our initial public offering in June 2006, we underwent a group restructuring under which we transferred businesses that are not property-related to our controlling shareholders and created Yanlord Land Group as the listing vehicle and the holding company of our group. For the purposes of this appendix, our financial statements for the years ended and as of December 31, 2003, 2004 and 2005 and the nine-month periods ended September 30, 2005 and 2006 have been prepared using the pooling of interest method to reflect our current group structure as if it had been in place as of January 1, 2003 under the common control of the then existing shareholders.

Factors Affecting Our Results of Operations

Revenue Recognition, Sales Volume and Pricing

In 2003, 2004, 2005 and the nine months ended September 30, 2006, we derived substantially all our revenue from the sale of residential properties. As we recognize revenue from the sale of residential properties only upon their delivery, our revenue primarily depends on the volume of properties we sell, the prices at which we make the sales and the timing of delivery of sold properties to purchasers. The volume of properties we sell and the timing of delivery of sold properties depend on the progress on the construction of our properties and the market response we obtain when we launch our property sales.

The prices of our properties are determined by the market forces of supply and demand rather than by state guidance or state-prescribed pricing. We price our properties by reference to the market prices for similar types of properties at comparable locations and the market response to our property launches. The average price of our projects therefore depends on the location and mix of properties sold and delivered during each fiscal period. In addition, we generally develop and sell our residential projects in phases. For each development, we generally price the subsequent phases higher than the initial launch, partly reflecting the landscapping, amenities and infrastructure that are completed in subsequent phases.

Revenue from sales of properties fluctuates based on the levels of actual completion of construction and delivery of our properties and therefore can vary significantly from period to period. Our revenue may fluctuate because of the mix of our projects, the timing of completion of our projects and the timing of recognition of revenue from pre-sales of units in our property developments. Our delivery of properties is generally more concentrated in the second half of a year, with the lowest number of deliveries in the first quarter because of the spring festival, or Chinese New Year, celebrations in January or February. While we generally are involved in a number of projects at any given time and those projects may be at varying stages of completion, many of our projects are large and thus necessarily require substantial time to complete. Accordingly, even assuming a constant level of market demand for our properties, the number of properties that we have available for sale can vary significantly from period to period.

We recognize revenue from sales of properties when the legal title passes to the buyer or when the equitable interest in the property vests in the buyer upon release on the handover notice of the respective property to the buyer, whichever is earlier. Any payments we receive before we recognize revenue are credited to our balance sheet as advances received on sales of properties.

Land Acquisition and Construction Costs

The predominant components of our cost of sales are land acquisition and construction costs. Property developments require substantial capital outlay for land acquisition and construction and may take many months or years before positive cashflows can be generated.

Land premium is the payment to the land bureau for the right to occupy, use and develop a particular development site. The land bureau determines the actual land premium payable. We understand that the land bureau fixes the amount of land premium payable based on the following principal factors:

- the location of the land and the land premium in respect of comparable sites in the vicinity;
- the national industrial policies and local economic conditions;
- the expected GFA for the proposed development or plot ratio; and
- the intended category of use for the development, with commercial use generally commanding a higher premium compared with residential use.

In addition, the PRC central government introduced regulations in May 2002 that require government departments and agencies to grant state-owned land use rights for residential and commercial property development by public tender, auction or listing-for-sale. To the extent that there are competing bids for a piece of land, the cost of acquisition could also increase.

In some situations, we also pay resettlement costs in connection with our land acquisition, which comprise the actual expenditure we incur in relocating the residents originally occupying the buildings subject to demolition on the relevant site, including resettlement compensation paid to the original residents. The PRC government has laid down some basic principles for determining the appropriate level of resettlement compensation, including:

- the replacement cost or market price of the property subject to demolition;
- the location of the property;
- the purpose and use of the property subject to demolition; and
- the GFA of the property to be demolished.

Construction costs encompass all costs for the design and construction of a project, including payments to independent contractors, costs of raw materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property developments, with the cost of independent contractors remaining relatively stable. Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We try to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by outsourcing the construction work (including procurement of supplies for our Shanghai projects) of most of our property developments at fixed prices. Nonetheless, we are still subject to longer term price movements of construction materials. In addition, in line with industry practice, we and our construction contractors may amend existing construction contracts to take into account significant price movements of construction materials. Furthermore, price movements of other supplies in relation to property developments, including construction equipment and tools, ventilation systems, plant watering systems, elevators and interior decoration materials, may also increase our construction costs. Costs associated with foundation/substructure design and construction are another major component of our construction costs and vary not only according to the area and height of the buildings but also to the geologic conditions of the site. The foundation/substructure designs and construction process for developments in different localities and the respective costs incurred may vary significantly. Therefore, construction costs of a property development may be substantially higher if the conditions of the site require more complex designs and procedures or more expensive materials in order to provide the desired foundation support.

We believe that our experience and reputation in the property development industry and our scale of business operations provide us leverage when negotiating with construction companies, other service providers and suppliers. Nevertheless, in the three years ended December 31, 2005, construction costs increased as a percentage of revenue, reducing our gross profit margins, primarily as a result of increases in the price of steel and cement due to strong demand for these commodities in the PRC. To the extent that the market can absorb these additional costs, we may be able to pass them on to our customers in the form of higher pricing for our properties.

Accrued PRC Enterprise Income Tax and Deferred Tax Liabilities

Accrued PRC enterprise income tax is charged to taxation in our income statements. Taxes payable within one year are recorded on our balance sheet as current liabilities. Certain items of income and expense are recognized for tax purposes in a different accounting period from that in which they are recognized in the financial statements, principally as a result of differences between SFRS and PRC tax law regarding revenue recognition. Deferred tax is recognized 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 tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets, if any, is reviewed by our directors 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. Our effective PRC enterprise income tax rates were 15.91% in 2003, 20.88% in 2004 and 20.77% in 2005 and 24.42% in the nine months ended September 30, 2006.

Land Appreciation Tax

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, which is calculated by deducting from the gross sales proceeds the cost associated with the property development and certain other deductibles. There are certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sale of commercial properties is not eligible for such exemption. Under relevant regulations, real estate developers were also exempted from the payment of LAT on the first transfer of land and buildings made during the five years commencing on January 1, 1994, subject to certain conditions. The period of LAT exemption was subsequently extended to the end of 2000. Since 2003, local tax bureaus in certain cities have required prepayment of LAT on the pre-sales or sales proceeds of property developments. In 2003, 2004 and 2005 and the nine months ended September 30, 2006, we prepaid our LAT at the rate of 1% (on apartments) and 3% (on villas) of our gross sales proceeds in respect of our property developments located outside the Shanghai Pudong New District. For each of these periods, we assessed the difference between the amount we prepaid and our estimated LAT liability. In the nine months ended September 30, 2006, we made a provision in the amount of S$27.9 million for estimated remaining LAT liability in respect of Yanlord Riverside Gardens (Phase 2) in Changning District, Shanghai. We made no other provisions because we determined the remaining amount of LAT to be immaterial. If our assessment is incorrect and the remaining amount of LAT that we are required to pay significantly exceeds the prepaid amount, we cannot assure you that our obligation to pay such amount will not materially and adversely affect our business, our results of operations or financial condition.

Prior to October 1, 2006, we had not paid any LAT or made any provision in respect of our developments in the Shanghai Pudong New District. Prior to October 1, 2006, the local tax authority in the Shanghai Pudong New District did not levy or require the payment of LAT on the gross proceeds from the sale of properties located in this district. On October 1, 2006, the local tax bureau in the Shanghai Pudong New District began requiring pre-payment of LAT at the rate of 1% (on apartments) of the gross sales proceeds for properties pre-sold or sold after such date. On December 28, 2006, the PRC State Administration of Taxation issued a circular, which will take effect on February 1, 2007, requiring real estate developers to settle the final LAT payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Local authorities, including the Shanghai authorities, are required to issue regulations in compliance with the circular in consideration of local conditions. The more rigorous enforcement of LAT collection by the PRC government would reduce the profitability of our development projects, particularly those that are located in the Shanghai Pudong New District, where we had not been previously subject to LAT. As we have several projects in the Shanghai Pudong New District under development or held for future development, including Yanlord Riverside City, Yanlord Town and the San Jia Gang parcel of land, and the amount of LAT could be substantial, the impact of the LAT on our profitability could be material.

We did not make any provision for the possible payment of LAT for the properties located in the Shanghai Pudong New District, as we believed that any possible change in LAT collection policy of the tax bureau in the Shanghai Pudong New District would not be applied retrospectively to properties sold before such change, based on confirmations we received from the relevant local tax authorities and legal advice by our PRC counsel in March 2006. If LAT based on the stipulated progressive rates had been levied on our Shanghai Pudong New District properties, we would have incurred LAT in the aggregate amount of S$112.3 million (US$70.8 million) as adjusted for minority interests and for income tax deductions, and S$197.2 million (US$124.3 million) without such adjustments.

Set forth below is the potential LAT liability for our projects in Shanghai Pudong New District for the periods indicated.

	Period Prior to 2003	Year Ended December 31,				Nine Months Ended September 30,	
		2003	2004	2005		2006	
	S$	S$	S$	S$	US$	S$	US$
				(in millions)			
As adjusted for minority interests and income tax deductions	31.2	39.5	9.5	17.1	10.8	15.0	9.5
Without adjustments	54.8	69.4	16.7	30.0	18.9	26.3	16.6

The scope of the December 28, 2006 circular by the PRC State Administration of Taxation is unclear and the local implementing regulations have yet to be promulgated. We have been advised by our PRC counsel that there is uncertainty whether or not the Shanghai tax authorities will levy retrospective LAT in respect of our Shanghai Pudong New District developments that we have not pre-paid or paid any LAT. Accordingly, we cannot assure you that we will not ultimately conclude under applicable accounting standards that the levy of retrospective LAT will be more likely than not so as to require us to make a provision. Because of the significance of this matter, our independent auditors, Deloitte & Touche, without additional work, are not in a position to conclude whether any material modifications are required to be made to our financial statements for the nine months ended September 30, 2006, or to comment on the financial impact, if any, on such financial statements, arising out of the implementation of LAT settlement as required by the circular. We may be required to make this provision in our financial statements for the fiscal period as early as the nine months ended September 30, 2006, in which event we will be required to revise these financial statements to give effect to the provision and consequential changes. The amount of this provision may potentially be as large as S$112.3 million (US$70.8 million) and reduce our profit attributable to equity holders for the nine months ended September 30, 2006 or any subsequent fiscal period in which the provision is first made by the same amount. The payment of this amount of LAT would also reduce our cash by S$197.2 million (US$124.3 million), before adjustments for minority interests and income tax deductions, or S$112.3 million (US$70.8 million) after such adjustments and will materially and adversely affect our ability to fund our land acquisitions and execute our business plans.

Business Tax

Under PRC law, a business tax of 5.0% is levied on service revenues, including sales of properties, rental income and property management fee income. The revenue we record in our financial statements is net of such business taxes, which include 5.0% business tax payable on our gross income from sales of properties and property management fee income, and also include other miscellaneous surcharges ranging from 0.05% to 0.55% imposed by the PRC government on our property management fee income and other service income.

General Economic Conditions in the PRC and Government Regulation

Our results of operations are subject to general political, economic, fiscal, legal and social developments in Shanghai, Nanjing and other parts of the PRC, including:

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

- the regulatory and fiscal environment of Shanghai, Nanjing and other parts of the PRC, including land grant policies, pre-sale policies, financing policies and tax policies; and
- the political and economic policies of the PRC in general.

Critical Accounting Policies

Our consolidated financial information has been prepared in accordance with SFRS, which requires us to make judgments, estimates and assumptions that affect (1) the reported amounts of our assets and liabilities, (2) the disclosure of our contingent assets and liabilities at the end of each fiscal period and (3) the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of those policies, and (3) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our financial statements.

Taxation

We account for income taxes under the provisions of SFRS12—Income Taxes, with the required disclosures as described in Note 2 to our consolidated financial statements. We did not record any deferred tax assets on tax loss for the year ended December 31, 2003. For the years ended December 31, 2004 and 2005, we recorded deferred tax assets on tax loss of S$1.8 million and S$3.6 million, respectively, as we believed that it is likely that such tax loss can be utilized. In the event we determine that we would not be able to realize such deferred tax assets in the future in excess of their recorded amount, an adjustment to our deferred tax assets would decrease our income in the period such determination is made. Likewise, if we determine that we would be able to realize all or part of our unrecognized deferred tax on tax loss of S$4.0 million, S$4.8 million and S$4.4 million for the years ended December 31, 2003, 2004 and 2005, respectively, which is currently not expected to be utilized in the future, an adjustment to our deferred tax assets would increase our income in the period during which such determination is made. We record deferred tax using the balance sheet liability method at the rates that have been enacted or substantively enacted by the balance sheet date.

Land Appreciation Tax

We estimate and provide for LAT in accordance with PRC tax laws and regulations. We did not make any provision for the possible payment of LAT for the properties located in the Shanghai Pudong New District, as we believed that any possible change in LAT collection policy of the tax bureau in the Shanghai Pudong New District would not be applied retrospectively to properties sold before such change, based on confirmations we received from the relevant local tax authorities and legal advice by our PRC counsel in March 2006. The local tax bureau in the Shanghai Pudong New District began requiring pre-payment of LAT at 1% of the gross proceeds from apartment sales or pre-sales. The scope of the December 28, 2006 circular by the PRC State Administration of Taxation is unclear and the local implementing regulations have yet to be promulgated. We have been advised by our PRC counsel that there is uncertainty whether or not the Shanghai tax authorities will levy retrospective LAT in respect of our Shanghai Pudong New District developments that we have not pre-paid or paid any LAT. Accordingly, we cannot assure you that we will not ultimately conclude under applicable accounting standards that the levy of retrospective LAT will be more likely than not so as to require us to make a provision. We may be required to make this provision in our financial statements for the fiscal period as early as the nine months ended September 30, 2006, in which event we will be required to restate these financial statements. The amount of this provision may potentially be as large as S$112.3 million and reduce our profit attributable to equity holders for the fiscal period in which the provision is first made by the same amount.

Depreciation of Property, Plant and Equipment

We exercise judgment in estimating the useful lives of our depreciable assets. We depreciate our property, plant and equipment over their estimated useful lives on a straight line basis.

Allowance for Receivables

We exercise judgment in estimating the collectibility of our receivables. If we determine that certain receivables are not collectible, we will make special allowances for such receivables. We do not have a policy requiring general provisions for receivables.

Provision for Completed Properties and Properties Under Development for Sale

We use the proportion of project costs incurred to date to the estimated total project costs, to estimate the total project costs. Project revenue is estimated based on prevailing market values. When it is probable that the total cumulative project costs will exceed the total project revenue, *i.e.*, realizable value, the amount in excess of realizable value should be recognized as an expense immediately. These computations are based on the assumption that the outcome of a project can be estimated reliably.

We perform cost studies, taking into account the costs to date and costs to complete each development project. We also review the status of such development projects to ensure that the total project cost and project revenue estimates are realistic and reflect prevailing market conditions.

Share-based Compensation

Singapore Financial Reporting Standards ("SFRS") 102 is effective for fiscal periods beginning January 1, 2006. SFRS 102 Shared-based Payment requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date.

Any options granted under our share option schemes will have a fair value. Where such options are granted at a consideration that is less than their fair value, there will be a cost to us. Such costs may be more significant in the case of options that are granted with exercise prices set at a discount to the prevailing market price of our shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on our estimate of shares that will eventually vest, and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. 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 behavioural considerations.

Valuation of Our Investment Properties

Our investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based this on a method of valuation which involves certain estimates. In relying on the valuation report, our directors have exercised their judgement and are satisfied that the method of valuation is reflective of current market conditions.

Certain Income Statement Items

Revenue

We derive substantially all our revenue from proceeds from sales of our properties. See "—Factors Affecting Our Results of Operations—Revenue Recognition, Sales Volume and Pricing." A small proportion of our revenue is comprised of property management fee income and other service income. In 2003, 2004, 2005 and the nine months ended September 30, 2006, revenue from property management fee income and other service income represented 0.5%, 2.2%, 1.3% and 1.7% of our total revenue, respectively. As we expand our operations into commercial property development, we expect revenue from rental and other recurring income from our commercial properties to increase in the future.

The following table sets out a breakdown of the GFA delivered and the average realized selling price per sq. m. (calculated by dividing the revenue from the property developments by the GFA sold) for the years ended December 31, 2003, 2004 and 2005 and the nine months ended September 30, 2006:

	Year Ended December 31,			Nine Months Ended September 30,
	2003	2004	2005	2006
		(sq. m.)		
GFA delivered:				
Hengye International Plaza (Phase 1)	—	—	—	—
Xintian Centre	—	—	3,711	2,121
Yanlord Villas	—	—	—	7,676
Yanlord Town	—	—	—	—
Yanlord International Apartments	—	—	—	—
Yunjie Riverside Garden	—	—	—	—
Yanlord Plaza	215	2,543	—	—
Yanlord Apartments	—	—	—	—
Yanlord Gardens	135,972	24,114	4,245	5,715
Yanlord Riverside City (Phase 1)	—	—	162,882	98,613
Yanlord Riverside Gardens	—	65,697	111,900	52,426
Plum Mansions, including Lakeside Mansions	35,235	1,159	1,563	94
Bamboo Gardens	33,374	55,000	40,189	97,757
Orchid Mansions	12,127	31,801	17,803	3,519
Total	216,923	180,314	342,293	267,921
		(RMB)		
Average realized selling price:				
Hengye International Plaza (Phase 1)	—	—	—	—
Xintian Centre	—	—	11,231	11,134
Yanlord Villas	—	—	—	5,000
Yanlord Town	—	—	—	—
Yanlord International Apartments	—	—	—	—
Yunjie Riverside Garden	—	—	—	—
Yanlord Plaza	4,566	5,870	—	—
Yanlord Apartments	—	—	—	—
Yanlord Gardens	18,326	20,679	20,940	11,183
Yanlord Riverside City (Phase 1)	—	—	12,025	14,830
Yanlord Riverside Gardens	—	11,095	13,436	20,545
Plum Mansions, including Lakeside Mansions	6,042	5,541	9,666	6,134
Bamboo Gardens	4,002	4,405	5,067	5,499
Orchid Mansions	8,649	8,294	7,669	7,947
Total	13,573	9,735	11,446	12,062

Cost of Sales

Our cost of sales is principally comprised of land costs (including land premium and resettlement costs), construction costs and capitalized borrowing costs. See "—Factors Affecting Our Results of Operations—Land Acquisition and Construction Costs."

The table below sets forth information relating to cost of properties sold, the largest component of our cost of sales, for the periods indicated.

	Year Ended December 31,						Nine Months Ended September 30,			
	2003		2004		2005		2005		2006	
	S$		S$		S$		S$		S$	
	(in thousands, except percentages)									
Construction cost	212,956	66.5%	161,136	67.4%	354,868	69.5%	220,954	67.1%	242,578	70.8%
Land use rights	102,533	32.0	67,355	28.2	134,994	26.4	91,493	27.8	84,193	24.6
Interest capitalized	4,877	1.5	10,743	4.4	20,885	4.1	16,693	5.1	16,059	4.6
	320,366	100.0%	239,234	100.0%	510,747	100.0%	329,140	100.0%	342,830	100.0%

Other Operating Income

Other operating income is principally comprised of dividend income, interest income, realized gain from investment, tax subsidies and other miscellaneous income.

Selling Expenses

Our selling expenses consist primarily of staff expenses, advertising and promotion expenses, travel expenses and other expenses incurred during the relevant period. As we handle substantially all of our sales in-house instead of using third-party intermediaries, we do not incur any substantial amount of agency fees.

Administrative Expenses

Our administrative expenses principally include net foreign exchange losses associated with transactions denominated in currencies other than the functional currencies for our respective entities, Singapore dollars, Hong Kong dollars, Renminbi and U.S. dollars, at the rates of exchange when the transactions occur, staff expenses, depreciation, rental, and other expenses such as traveling and entertainment costs. In the nine months ended September 30, 2006, administrative expenses also include share-based compensation relating to our grant of options under our Pre-IPO Share Option Scheme.

Other Operating Expenses

Our other operating expenses primarily comprise of donations, the cost of construction materials in excess of our requirements that are sold and recorded as operating income, and other miscellaneous expenses.

Finance Cost

Our finance cost consists primarily of interest costs, net of any capitalized interest. We capitalize our borrowing costs as part of the costs for a property development when there is evidence that the borrowing is used to finance such property development until the construction of the property development is completed. Finance costs incurred after a property development is completed (or finance costs not related to property development) are charged to the income statement in the period in which they are incurred. As a result, finance cost for a given period on its own may not reflect the level of our borrowings and tend to fluctuate, as a percentage of revenue, depending on the timing of capitalization.

Taxation

We are subject to PRC enterprise income tax at 15% or 33% on our assessable profit, depending on where our particular PRC subsidiaries are located. The applicable PRC enterprise income tax rate is 33%, except for subsidiaries located in Shanghai Pudong and Zhuhai, which enjoy a preferential rate of 15%. Our income tax expenses consist of tax currently payable and deferred tax. The tax currently payable is based on our taxable profit for each year. Taxable profit differs from net profit as reported in our income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are not taxable or deductible, even on a going-forward basis. Deferred tax 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 tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative 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. Our effective PRC enterprise income tax rates were 15.91% in 2003, 20.88% in 2004, 20.77% in 2005 and 24.42% in the nine months ended September 30, 2006. Our effective tax rate may increase as sales from Shanghai Pudong and Zhuhai, which carry tax rates of 15%, constitute a smaller portion of our total sales going forward.

We have not been subject to any Singapore income tax as there has been no assessable income derived from or arising in Singapore.

Profits Attributable to Minority Interests

Minority interests represent the portion of our profit that is attributable to the shareholding in our consolidated subsidiaries that we do not own.

Results of Operations

The table below sets forth our results of operations for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005		2005	2006	
	S$	S$	S$	US$	S$	S$	US$
					(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands)						
Gross income	632,797	384,057	824,302	519,769	496,882	672,230	423,879
Business tax	(30,276)	(19,297)	(41,508)	(26,173)	(25,160)	(33,639)	(21,211)
Land appreciation tax	(1,422)	(3,745)	(4,436)	(2,797)	(3,908)	(31,570)	(19,907)
Revenue	601,099	361,015	778,358	490,799	467,814	607,021	382,761
Cost of sales	(320,397)	(240,608)	(513,503)	(323,793)	(331,153)	(344,952)	(217,512)
Gross profit	280,702	120,407	264,855	167,006	136,661	262,069	165,249
Other operating income	15,582	18,656	12,256	7,728	5,622	29,460	18,576
Administrative expenses	(21,742)	(29,654)	(29,359)	(18,513)	(20,350)	(29,352)	(18,508)
Selling expenses	(3,128)	(4,869)	(8,630)	(5,442)	(5,059)	(8,703)	(5,488)
Other operating expense	(1,453)	(1,970)	(1,923)	(1,213)	(1,706)	(1,141)	(719)
Finance costs	(1,255)	(1,994)	(3,270)	(2,062)	(627)	(335)	(211)
Share of result of an associate	—	—	—	—	(12)	(21)	(13)
Profit before income tax	268,706	100,576	233,929	147,506	114,529	251,977	158,886
Income tax	(42,744)	(20,998)	(48,594)	(30,641)	(38,859)	(61,538)	(38,803)
Profit for the year/period	225,962	79,578	185,335	116,864	75,670	190,439	120,083
Attributable to:							
Equity holders of the company	154,291	54,543	122,160	77,029	46,085	123,143	77,649
Minority interests	71,671	25,035	63,175	39,835	29,585	67,296	42,434
	225,962	79,578	185,335	116,864	75,670	190,439	120,083

The table below sets forth our results of operations on a percentage of revenues for the periods indicated.

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
	%	%	%	%	%
Gross income	105.3	106.4	105.9	106.2	110.7
Business tax	(5.0)	(5.4)	(5.3)	(5.4)	(5.5)
Land appreciation tax	(0.3)	(1.0)	(0.6)	(0.8)	(5.2)
Revenue	100.0	100.0	100.0	100.0	100.0
Cost of sales	(53.3)	(66.7)	(66.0)	(70.8)	(56.8)
Gross profit	46.7	33.3	34.0	29.2	43.2
Other operating income	2.6	5.2	1.6	1.3	4.8
Administrative expenses	(3.6)	(8.2)	(3.8)	(4.4)	(4.8)
Selling expenses	(0.5)	(1.3)	(1.1)	(1.1)	(1.4)
Other operating expense	(0.3)	(0.6)	(0.2)	(0.4)	(0.2)
Finance costs	(0.2)	(0.6)	(0.4)	(0.1)	(0.1)
Profit before income tax	44.7	27.8	30.1	24.5	41.5
Income tax	(7.1)	(5.8)	(6.3)	(8.3)	(10.1)
Profit for the year/period	37.6	22.0	23.8	16.2	31.4
Attributable to:					
Equity holders of the company	25.7	15.1	15.7	9.9	20.3
Minority interests	11.9	6.9	8.1	6.3	11.1
	37.6	22.0	23.8	16.2	31.4

The table below sets forth a breakdown of our gross income from the sale of properties by development project for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005		2005	2006	
	S$	S$	S$	US$	S$	S$	US$
	(in thousands)						
Shanghai							
— Yanlord Gardens (仁恒滨江园)	530,899	106,387	19,870	12,529	18,685	13,666	8,617
— Yanlord Riverside Gardens (仁恒河滨花园)	—	157,114	306,890	193,512	301,480	218,993	138,088
— Yanlord Riverside City (仁恒河滨城) (Phase 1)	—	—	403,946	254,711	128,119	300,031	189,186
— Others	306	3,270	116	73	91	—	—
Total	531,205	266,771	730,822	460,825	448,375	532,690	335,891
Nanjing							
— Lakeside Mansions (湖畔之星)	44,136	1,178	—	—	—	—	—
— Orchid Mansions (玉兰山庄)	22,006	54,244	27,869	17,573	23,312	5,708	3,599
— Bamboo Gardens (翠竹园) Phase 1	28,402	51,689	14,451	9,112	12,720	3,391	2,138
— Bamboo Gardens (翠竹园) Phase 2	—	—	29,048	18,316	—	106,918	67,418
— Plum Mansions (梅花山庄)	3,678	1,820	3,084	1,945	637	116	73
Total	98,222	108,931	74,452	46,946	36,669	116,133	73,228
Chengdu & Guiyang	—	9	8,506	5,364	3,922	12,474	7,865
Total gross income from property sales	629,427	375,711	813,780	513,135	488,966	661,297	416,984

Nine Months Ended September 30, 2006 Compared with Nine Months Ended September 30, 2005

Revenue

Our revenue increased by S$139.2 million, or 29.8%, to S$607.0 million (US$382.8 million) in the nine months ended September 30, 2006 from S$467.8 million in the same period in 2005. The increase was principally attributable to an increase in average selling price of the properties sold in Shanghai in Yanlord Riverside City (仁恒河滨城) and Yanlord Riverside Gardens (仁恒河滨花园), which contributed 44.6% and 32.6%, respectively, to our gross income in the nine months ended September 30, 2006, and a greater number of properties sold in Shanghai in Yanlord Riverside City (仁恒河滨城) and in Nanjing in Bamboo Gardens (翠竹园), which contributed 16.4% to our gross income during that period. The increase in average selling price reflected both improved market conditions during the period when the sales of properties were made, increased demand for our properties, and our ability to set a higher price for units in Yanlord Riverside Gardens and Yanlord Riverside City delivered in the nine months ended September 30, 2006 over those delivered in the same period in 2005. We also recorded revenue from property management fee income and other service income in the aggregate amount of S$10.2 million (US$6.5 million), or 1.7% of total revenue, in the nine months ended September 30, 2006, compared with S$7.5 million, or 1.6% of total revenue, in the same period in 2005.

Cost of Sales

Our cost of sales increased by S$13.8 million, or 4.2%, to S$345.0 million (US$217.5 million) in the nine months ended September 30, 2006 from S$331.2 million in the same period in 2005, partially reflecting our increase in revenue. Cost of sales in the nine months ended September 30, 2006 mainly comprised land costs and construction costs, representing 24.6% and 70.8%, respectively, of total cost of properties sold for the year. Cost of sales as a percentage of revenue decreased to 56.8% in the nine months ended September 30, 2006 compared to 70.8% in the same period in 2005, primarily as a result of increased average selling prices of major properties and decreased land costs as a percentage of cost of sales due to the lower land price for Yanlord Riverside City (仁恒河滨城) as compared to Yanlord Riverside Gardens (仁恒河滨花园).

Gross Profit

Our gross profit increased by S$125.4 million, or 91.7%, to S$262.1 million (US$165.2 million) in the nine months ended September 30, 2006 from S$136.7 million in the same period in 2005. Our gross profit margin for the nine months ended September 30, 2006 was 43.2% compared to 29.2% for the nine months ended September 30, 2005.

Other Operating Income

Our other operating income increased significantly by S$23.9 million to S$29.5 million (US$18.6 million) in the nine months ended September 30, 2006 from S$5.6 million in the same period in 2005. The increase was largely attributable to a fair value gain on revaluation of investment properties and an increase in interest income and subsidies received from the tax authorities in the PRC, partially offset by a decrease in dividend income from available-for-sale investments and marketable securities. We adopted the fair value model to account for changes in value of our investment properties in the third quarter of 2006.

Administrative Expenses

Our administrative expenses increased by S$9.0 million, or 44.1%, to S$29.4 million (US$18.5 million) in the nine months ended September 30, 2006 from S$20.4 million in the same period in 2005. The increase was mainly due to an increase in number of staff employed to support our growth. The recognition of share-based payment in the nine months ended September 30, 2006 and the general increase in traveling expenses, rental payment and property management fund of Yanlord Riverside City (Phase 1) (仁恒河滨城一期) also contributed to the increase in administrative expenses. In June 2006, under our Pre-IPO Share Option Scheme, we granted options in respect of 14,592,000 shares with an exercise price of S$0.92 per share, representing a 14.8% discount to our initial public offering share price of S$1.08 per share. As a percentage of revenue, our administrative expenses increased from 4.4% in the nine months ended September 30, 2005 to 4.8% in the in the same period in 2006.

Selling Expenses

Our selling expenses increased by S$3.6 million, or 70.6%, to S$8.7 million (US$5.5 million) in the nine months ended September 30, 2006 from S$5.1 million in the same period in 2005. The increase was principally on account of higher advertising and promotion costs for property selling activities in Chengdu, Nanjing, Shanghai and Suzhou.

Finance Costs

Our finance costs decreased to S$335,000 (US$211,000) in the nine months ended September 30, 2006 from S$627,000 in the same period in 2005. Finance costs consist of interest on borrowings, net of any capitalized interest. The decrease in finance cost was principally due to higher interest capitalization and less interest charged to the income statement.

Taxation

Our tax expenses increased by S$22.6 million to S$61.5 million (US$38.8 million) in the nine months ended September 30, 2006 from S$38.9 million in the same period in 2005. The increase principally arose from higher profit before income tax. The effective tax rate in the nine months ended September 30, 2006 was 24.4%, compared to 33.9% for the same period in 2005, primarily resulting from more profit generated from regions with lower tax rates in the nine months ended September 30, 2006 compared to the corresponding period last year.

Profit Attributable to Equity Holders

Our profit attributable to equity holders increased by S$77.0 million to S$123.1 million (US$77.6 million) in the nine months ended September 30, 2006 from S$46.1 in the same period in 2005. As a percentage of revenue, profit attributable to equity holders increased from 9.9% in the nine months ended September 30, 2005 to 20.3% in the nine months ended September 30, 2006.

Profit Attributable to Minority Interests

Our profit attributable to minority interests increased by S$37.7 million to S$67.3 million (US$42.4 million) in the nine months ended September 30, 2006 from S$29.6 million in the same period in 2005.

2005 Compared with 2004

Revenue

In 2005, our revenue increased by S$417.3 million, or 115.6%, to S$778.4 million (US$490.8 million) from S$361.0 million in 2004, primarily as a result of increased sales of properties in 2005, representing both an increase in the number of properties sold (342,293 sq. m.in 2005 compared to 180,314 sq. m.in 2004) and an increase in average selling price (S$2,348 per sq. m.in 2005 compared to S$2,002 per sq. m.in 2004). The substantial increase in properties sold was principally attributable to the delivery of Yanlord Riverside City (仁恒河滨城) and Yanlord Riverside Gardens (仁恒河滨花园), which contributed 49.0% and 37.2%, respectively, to our gross income in 2005. Other major contributors to our revenue in 2005 were sales of Bamboo Gardens (翠竹园) and Orchid Mansions (玉兰山庄), which contributed 5.3% and 3.4%, respectively, to our gross income for the period. The increase in average selling price reflected both improved market conditions during the period when the sales of properties were made and our ability to set a higher price for units in Yanlord Riverside Gardens (仁恒河滨花园) delivered in 2005 over those delivered in 2004 because of the success of its initial launch. We also recorded revenue from property management fee income and other service income in the aggregate amount of S$9.9 million (US$6.2 million), or 1.3% of total revenue, in 2005, compared with S$7.9 million, or 2.2% of total revenue, in 2004.

Cost of Sales

In 2005, our cost of sales increased by S$272.9 million, or 113.4%, to S$513.5 million (US$323.8 million) from S$240.6 million in 2004, generally in line with our increase in revenue. Cost of sales in 2005 was mainly comprised of land costs and construction costs, representing 26.4% and 69.5%, respectively, of total cost of properties sold for the year. Cost of sales as a percentage of revenue decreased slightly to 66.0% in 2005 compared to 66.7% in 2004, primarily as a result of increased average selling prices and decreased land costs as a percentage of cost of sales due to the lower land price for Yanlord Riverside City (仁恒河滨城), partially offset by increased construction costs reflecting, among other things, the higher prices of construction materials.

Gross Profit

In 2005, our gross profit increased by S$144.4 million, or 120.0%, to S$264.9 million (US$167.0 million) from S$120.4 million in 2004. Our gross profit margin for 2005 was 34.0% compared to 33.4% for 2004.

Other Operating Income

In 2005, our other operating income decreased by S$6.4 million, or 34.3%, to S$12.3 million (US$7.8 million) from S$18.7 million in 2004. The decrease was primarily attributable to a decrease in tax subsidies and a decrease in realized gain on investment, partially offset by an increase in dividend income from investments and interest income.

Administrative Expenses

In 2005, our administrative expenses decreased by S$0.3 million, or 1.0%, to S$29.4 million (US$18.5 million) from S$29.7 million in 2004. The decrease was primarily attributable to the net foreign exchange gains in 2005 of S$1.1 million compared to the net foreign exchange losses of S$4.5 million in 2004. The net foreign exchange gains in 2005 resulted from our translation of certain transactions from Renminbi, U.S. dollars and Hong Kong dollars into Singapore dollars at the exchange rates in effect on the balance sheet date, these gains were partially offset by an increase in staff salaries principally as a result of increased hiring and bonus payments and an increase in contributions to property management funds for our new projects. As a percentage of revenue, our administrative expenses decreased from 8.2% in 2004 to 3.8% in 2005.

Selling Expenses

In 2005, our selling expenses increased by S$3.8 million, or 77.2%, to S$8.6 million (US$5.4 million) from S$4.9 million in 2004 primarily as a result of increased advertising expenses as we stepped up marketing activities to promote our new project in a new city (Chengdu) and to stimulate demand for our projects in light of macroeconomic measures undertaken by the PRC government to cool down the real estate market. The increase in selling expenses was also attributable to increased staff salaries resulting from the hiring of more staff for our increased number of projects in an increased number of cities and the payment of bonuses to reward and encourage staff performance.

Finance Costs

In 2005, our finance costs increased by S$1.3 million, or 64.0%, to S$3.3 million (US$2.1 million) from S$2.0 million in 2004. The increase was primarily attributable to an increase between the two periods in the Hong Kong Interbank Offered Rate, on which the interest of shareholders' advances are based.

Taxation

Our tax expenses for 2005 increased by S$27.6 million, or 131.4%, to S$48.6 million (US$30.6 million) from S$21.0 million in 2004. The increase in tax expenses was primarily a result of our increased profit before income tax. Our effective tax rate remained substantially unchanged from 20.9% in 2004 to 20.8% in 2005.

Profit Attributable to Equity Holders

In 2005, our profit attributable to equity holders increased by S$67.6 million, or 124.0%, to S$122.2 million (US$77.0 million) from S$54.5 million in 2004. As a percentage of revenue, profit attributable to equity holders increased from 15.1% in 2004 to 15.7% in 2005.

Profit Attributable to Minority Interests

In 2005, profit attributable to minority interests increased by S$38.1 million, or 152.3%, to S$63.2 million (US$39.9 million) from S$25.0 million in 2004 in line with our increase in profit for the year.

2004 Compared with 2003

Revenue

In 2004, our revenue decreased by S$240.1 million, or 39.9%, to S$361.0 million from S$601.1 million in 2003. The decrease was primarily the result of a decrease in revenue from sales of properties recognized in 2004, during which period we focused on sales of completed properties and launched only one project in 2003 for delivery in 2004—Yanlord Riverside Gardens (仁恒河滨花园). The decrease in revenue represented a decrease in the number of properties sold (216,922 sq. m. in 2003 compared to 180,314 sq. m. in 2004) and a decrease in average selling price (S$2,848 per sq. m. in 2003 compared to S$2,002 per sq. m. in 2004). The magnitude of the decrease also reflected an exceptional amount of gross income recognized in 2003 (S$530.9 million in 2003 compared to S$106.4 million in 2004) for Yanlord Gardens (仁恒滨江园), the delivery of which peaked in 2003. The decrease in average selling price was primarily the result of our pricing strategy to stimulate demand for Phase I of Yanlord Riverside Gardens (仁恒河滨花园). Major contributors to our revenue for 2004 were sales of Yanlord Riverside Gardens (仁恒河滨花园), Yanlord Gardens (仁恒滨江园), Orchid Mansions (玉兰山庄) and Bamboo Gardens (翠竹园), which contributed 40.9%, 27.7%, 14.1% and 13.5%, respectively, to our gross income for the period. We also recorded revenue from property management fee income and other service income in the aggregate amount of S$7.9 million, or 2.2% of total revenue, in 2004, compared with S$3.2 million, or 0.5% of total revenue, in 2003.

Cost of Sales

In 2004, our cost of sales decreased by S$79.8 million, or 24.9%, to S$240.6 million from S$320.4 million in 2003. Cost of sales in 2004 mainly comprised land costs and construction costs, representing 28.2% and 67.4%, respectively, of total cost of properties sold for the year. The decrease in cost of sales was principally attributable to a decrease in the number of properties sold. Cost of sales as a percentage of revenue increased to 66.7% in 2004 compared to 53.3% in 2003, principally because of lower average prices and the higher construction costs resulting from higher prices of construction materials, partially offset by a decrease in land costs reflecting the lower land costs for Yanlord Riverside Gardens (仁恒河滨花园) than for Yanlord Gardens (仁恒滨江园).

Gross Profit

In 2004, our gross profit decreased by S$160.3 million, or 57.1%, to S$120.4 million from S$280.7 million in 2003. Our gross profit margin for 2004 was 33.3% compared to 46.7% for 2003.

Other Operating Income

In 2004, our other operating income increased by S$3.1 million, or 19.7%, to S$18.7 million from S$15.6 million in 2003. The increase was primarily attributable to an increase in dividend income and realized gain from other investments, as well as an increase in tax subsidies received from the tax authorities in the PRC, partially offset by a decrease in interest income.

Administrative Expenses

In 2004, our administrative expenses increased by S$7.9 million, or 36.4%, to S$29.7 million from S$21.7 million in 2003. The increase was primarily attributable to an increase in foreign exchange losses resulting from our translation of certain transactions from Renminbi, U.S. dollars and Hong Kong dollars into Singapore dollars at the exchange rates in effect on the balance sheet date, and an increase in depreciation expenses related to office fixtures and motor vehicles. These factors were partially offset by a reduction in bad debt expenses. As a percentage of revenue, our administrative expenses increased from 3.6% in 2003 to 8.2% in 2004.

Selling Expenses

In 2004, our selling expenses increased by S$1.7 million, or 55.7%, to S$4.9 million from S$3.1 million in 2003, despite a decrease in revenue, primarily as a result of an increase in staff salaries. As a percentage of revenue, our selling expenses increased from 0.5% to 1.3%.

Finance Costs

In 2004, our finance costs increased by S$0.7 million, or 58.9%, to S$2.0 million from S$1.3 million in 2003. The increase was primarily attributable to an increase between the two periods in the Hong Kong Interbank Offered Rate, on which interest of shareholders' advances are based.

Taxation

Our tax expenses for 2004 decreased by S$21.7 million, or 50.9%, to S$21.0 million from S$42.7 million in 2003. The decrease in tax expenses was primarily the result of our decreased profit before taxation. However, our effective tax rate increased from 15.9% in 2003 to 20.9% in 2004 principally because a higher proportion of our profit in 2004 was attributable to our projects located in the Puxi district of Shanghai and in Nanjing, where we are subject to corporate tax at 33% compared to 15% for the Pudong district of Shanghai.

Profit Attributable to Equity Holders

In 2004, our profit attributable to equity holders decreased by S$99.7 million, or 64.6%, to S$54.5 million from S$154.3 million in 2003. As a percentage of revenue, profit attributable to equity holders decreased from 25.7% in 2003 to 15.1% in 2004.

Profit Attributable to Minority Interests

In 2004, profit attributable to minority interests decreased by S$46.6 million, or 65.1%, to S$25.0 million from S$71.7 million in 2003 in line with our decrease in profit for the year.

Liquidity and Capital Resources

To date, we have financed our working capital, capital expenditures and other capital requirements primarily through internally generated cash flows, bank borrowings, equity issuances and loans from shareholders. The following table presents our cash flow data for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005		2005	2006	
	S$	S$	S$	US$	S$	S$	US$
	(in thousands)						
Operating cash flows before movements in working capital	265,069	99,381	233,921	147,500	112,349	228,360	143,994
Changes in working capital:							
(Increase) Decrease in properties for development	(283,637)	110,830	(14,575)	(9,190)	(96,644)	(68,513)	(43,201)
Decrease (Increase) in inventories	17,218	(317)	(7)	(4)	(1)	(614)	(387)
(Increase) Decrease in completed properties for sale	(105,667)	54,899	(56,965)	(35,920)	(64,348)	37,707	23,776
Decrease (Increase) in properties under development for sale	384,044	(480,864)	(39,000)	(24,592)	9,350	28,348	17,875
(Increase) Decrease in trade and other receivables	(38,703)	27,622	53,575	33,782	(14,170)	(14,386)	(9,071)
(Decrease) Increase in trade and other payables	(183,322)	361,160	(94,884)	(59,830)	12,811	130,213	82,107
Cash generated from (used in) operations	19,002	172,711	82,065	51,747	(40,653)	341,115	215,092
Interest paid	(27,248)	(21,645)	(25,008)	(15,769)	(16,045)	(23,268)	(14,672)
Income tax paid	(20,034)	(59,500)	(43,627)	(27,509)	(41,065)	(61,158)	(38,564)
Net cash (used in) from operating activities	(28,280)	91,566	13,430	8,468	(97,763)	256,689	161,857
Net cash (used in) from investing activities	(5,063)	(64,907)	(34,768)	(21,923)	(73,304)	3,267	2,060
Net cash from (used in) financing activities	92,353	50,153	(114,367)	(72,115)	45,277	277,083	174,717
Cash and cash equivalents at end of year	141,588	197,221	115,142	72,604	112,454	608,707	383,824

Operating Activities

Our cash used in operations principally comprises amounts we pay for our property development activities, which are reflected on our balance sheet as an increase in our property inventory. Our cash from operations is generated principally from the proceeds from sales of our properties, including pre-sales of properties under development.

Our net cash from operating activities was S$256.7 million (US$161.9 million) in the nine months ended September 30, 2006, compared to net cash used in operating activities of S$97.8 million in the nine months ended September 30, 2005. Our operating cash flows before movements in working capital increased to S$228.4 million (US$144.0 million) in the nine months ended September 30, 2006 from S$112.3 million in the nine months ended September 30, 2005. Changes in working capital primarily comprised of (i) an increase in trade and other payables, (ii) an increase in properties for development and (iii) a decrease in completed properties for sale.

In 2005, our net cash from operating activities was S$13.4 million (US$8.5 million), compared to S$91.6 million in 2004. Our operating cash flows before movements in working capital increased to S$233.9 million in 2005 from S$99.4 million in 2004. Changes in working capital primarily comprised of (i) an increase in trade and other payables, primarily due to a decrease in the outstanding balance of advances received from the pre-sale of properties as of December 31, 2005 compared to December 31, 2004, principally as a result of an increased number of properties delivered in 2005 and (ii) a decrease in completed properties for sale.

Our net cash from operating activities in 2004 was S$91.6 million, compared to net cash used in operating activities of S$28.3 million in 2003. Our operating cash flows before movements in working capital decreased to S$99.4 million in 2004 from S$265.1 million in 2003. Changes in working capital primarily comprised of (i) a significant decrease in properties held for development, (ii) an increase in trade and other payables and (iii) an increase in properties under development for sale.

Investing Activities

Our net cash from investing activities was S$3.3 million (US$2.1 million) in the nine months ended September 30, 2006. This amount was primarily attributable to (i) a decrease in pledged bank deposits of S$7.0 million and (ii) interest received of S$3.3 million, partially offset by an advance to minority shareholders of subsidiaries of S$6.7 million.

Our net cash used in investing activities in 2005 was S$34.8 million (US$21.9 million), which was primarily attributable to our purchase of investments held for trading and acquisition of subsidiaries, partially offset by repayment of advances from related parties and associates. Our net cash used in investing activities in 2004 was S$64.9 million. This amount was primarily attributable to advances in the total amount of S$44.7 million and S$17.5 million made to our related parties and associates, respectively. The S$44.7 million advance relates to our investment in a subsidiary that was subsequently spun-off from our group in our restructuring exercise in preparation for our initial public offering in June 2006. The S$17.5 million advances to associates were made in connection with our acquisition of two companies in Suzhou that were accounted for as advances before these companies became our subsidiaries in 2005.

Our net cash used in investing activities in 2003 was S$5.1 million, which was primarily attributable to purchases of fixed assets and investments, and an increase of bank deposits pledged for short-term loans.

Financing Activities

Our cash from financing activities consists principally of proceeds from equity issuances and drawdowns of loans in relation to our property developments, which are offset by repayments of loans and dividend distributions during the periods.

Our net cash from financing activities was S$277.1 million (US$174.7 million) in the nine months ended September 30, 2006. This amount was primarily attributable to our initial public offering of 242,000,000 shares in June 2006 and the subsequent issuance of 14,523,000 shares in July 2006 pursuant to the underwriters' exercise of their over-allotment option.

Our net cash used in financing activities in 2005 was S$114.4 million (US$72.1 million). Drawdowns of bank loans were S$304.0 million, while repayments of bank loans were S$375.4 million.

In 2005, we also received advances of S$30.4 million from a shareholder and repaid advances to associates of S$10.5 million. We paid dividends of S$5.5 million to a minority shareholder of a subsidiary and repaid S$53.0 million of advances to minority shareholders of subsidiaries.

Our net cash from financing activities in 2004 was S$50.2 million. Drawdowns of bank loans were S$155.3 million, while repayments of bank loans were S$77.2 million. In 2004, we also received advances from associates and minority shareholders of subsidiaries in the amount of S$10.5 million and S$68.0 million, respectively, and repaid advances from related parties in the amount of S$39.9 million. We paid dividends of S$13.6 million to our shareholders and S$64.1 million to a minority shareholder of a subsidiary.

Our net cash from financing activities in 2003 was S$92.4 million. Drawdowns of bank loans were S$200.8 million, while repayments of bank loans were S$121.6 million. In 2003, we also received advances from a shareholder, related parties and minority shareholders of subsidiaries in the amount of S$8.8 million, S$3.2 million and S$22.6 million, respectively. We paid dividends of S$17.3 million to a minority shareholder of a subsidiary.

Financing of Our Projects

Since June 2003 commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium.

Prior to June 2003, we financed our payments of land premium through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003, we have funded all of our payments of land premium with proceeds from the sales and pre-sales of properties and sources other than bank borrowings. We plan to use the proceeds from debt or equity offerings that we may conduct from time to time, proceeds from the sales and pre-sales of properties and internal funds to finance our future payments of land premium.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total capital required for the project, of less than 35%, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio will increase the internally sourced capital requirement for property developers, including ourselves. We typically use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments. Additional cash is generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funding for the construction of our projects.

Working Capital

Our cash and bank balances as of December 31, 2003, 2004, 2005 and the nine months ended September 30, 2006 were S$141.6 million, S$197.2 million, S$115.1 million (US$72.6 million) and S$608.7 million (US$383.8 million), respectively. We believe that our current cash and bank balances and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. The incurrence of debt will increase our interest payments required to service our debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

When we receive cash from pre-sales, we place the cash in bank accounts that are earmarked for use for the related project, as required by law. The national law states that funds received from pre-payment shall only be used for the relevant construction project. In some of the cities where we construct developments, we are subject to additional restrictions, such as opening specific accounts that are monitored by government authorities.

Borrowings

Our borrowings as of December 31, 2003, 2004 and 2005 and as of September 30, 2006 are set forth below.

	As of December 31,				As of September 30, 2006	
	2003	2004	2005			
	S$	S$	S$	US$	S$	US$
	(in thousands)					
Bank borrowings	258,387	328,664	318,550	200,864	431,952	272,370
Borrowings from a related party	—	—	49,969	31,508	8,642	5,449
Total borrowings	258,387	328,664	368,519	232,372	440,594	277,819
Less: Amount due within a year	(110,137)	(91,774)	(231,922)	(146,240)	(81,611)	(51,460)
Non-current borrowings	148,250	236,890	136,597	86,132	358,983	226,359

Set forth below is the maturity profile of our bank borrowings as of the dates indicated.

	As of December 31,				As of September 30, 2006	
	2003	2004	2005			
	S$	S$	S$	US$	S$	US$
	(in thousands)					
Due within one year	110,137	91,774	181,953	114,732	72,969	46,011
Due more than one year	148,250	236,890	136,597	86,132	358,983	226,359
Total	258,387	328,664	318,550	200,864	431,952	272,370

We endeavor to maintain our financial strength through prudent financial practices. We monitor our financing activities for each of our projects. Before we acquire land for a project, we prepare a financing plan with estimated capital requirements and allocated funding resources for the project. We use internal resources to finance land acquisitions as well as most of the capital expenditures at earlier stages of a project. We use bank financing to fund the balance of our construction and other project development costs.

Our borrowings have a range of maturities from less than one year to eight years. Our bank loans bear fixed interest rates—the average interest rate paid was 4.9%, 5.5%, 4.75% and 5.9% in 2003, 2004, 2005 and in the nine months ended September 30, 2006, respectively. A substantial amount of our bank loans are of a short term nature matching the funding requirements for the construction of our properties.

As of December 31, 2005 and September 30, 2006, our outstanding borrowings amounted to S$318.6 million (US$200.9 million) and S$432.0 million (US$272.4 million), of which S$21.6 million and S$1.8 million were guaranteed by Mr. Zhong Sheng Jian and his family members, respectively.

We have from time to time also relied upon advances from Mr. Zhong to meet our capital requirements. As of December 31, 2005 and September 30, 2006, the amount of outstanding advances from Mr. Zhong was S$50.0 million and S$8.6 million, respectively. The advances outstanding as of December 31, 2005 were unsecured and bore interest at an annual rate of 1.35% over the Hong Kong Interbank Offered Rate. The advances outstanding as of September 30, 2006 were unsecured and did not bear interest. Pursuant to a loan agreement dated May 2, 2006, Mr. Zhong has agreed that repayment of these advances will be at our discretion.

We also receive advances from minority shareholders of subsidiaries. These advances are unsecured. The maturity profile of these advances as of the dates indicated is set forth below.

	As of December 31,				As of September 30, 2006	
	2003	2004	2005			
	S$	S$	S$	US$	S$	US$
			(in thousands)			
Repayable on demand	14,850	5,098	42,492	26,794	18,963	11,957
Due more than one year	12,681	90,392	—	—	26,385	16,637
Total	27,531	95,490	42,492	26,794	45,348	28,594

We set out below the amount of bank loans available to each of our projects as of September 30, 2006:

	Facility in original currency	Total facility	Used	Unused
	RMB	S$	S$	S$
		(in millions)		
Hengye International Plaza (Phase 1)	50	10	10	—
Xintian Centre	—	—	—	—
Yanlord Villas	—	—	—	—
Yanlord Town	58	12	12	—
Yanlord International Apartments	400	80	80	—
Yunjie Riverside Garden	300	60	60	—
Yanlord Plaza	—	—	—	—
Yanlord Apartments	—	—	—	—
Yanlord Gardens	—	—	—	—
Yanlord Riverside City	800	159	159	—
Yanlord Riverside Gardens	—	—	—	—
Plum Mansions, including Lakeside Mansions	—	—	—	—
Bamboo Gardens	180	36	36	—
Orchid Mansions	—	—	—	—
Shanghai San Jia Gang	—	—	—	—
Yanlord Landmark	—	—	—	—
Yanlord Riverside Plaza	—	—	—	—
Yanlord New City Gardens	280	56	24	32
Yanlord Marina Centre	—	—	—	—
Yanlord Peninsula	430	86	51	35
Total	2,498	499	432	67

Material Commitments and Contingencies

We have various contractual obligations, some of which are required to be recorded as liabilities in our financial statements, including long-term and short-term loans. Others, such as purchase obligations and payment guarantees, are not generally required to be recorded as liabilities on our financial statements. We have certain additional commitments and contingencies that are not recorded on our financial statements but may result in future cash requirements.

In line with market practices, we provide guarantees to banks in connection with our customers' borrowing of mortgage loans to finance their purchase of our properties. These mortgage guarantees are discharged after we submit the relevant individual property ownership certificates and certificates of other interests in the property to the mortgagee banks on behalf of the purchasers. All of our mortgage guarantees last less than one year because all guaranteed properties are delivered within one year. The table below sets forth the aggregate principal amount of such mortgage guarantees as of the dates indicated.

As of	Aggregate Principal Amount
	S$
	(in thousands)
December 31, 2003	108,565
December 31, 2004	242,101
December 31, 2005	137,907
September 30, 2006	156,547

As part of our guarantee obligations, we also provide cash deposits to purchasers' mortgagee banks of an amount up to 5.0% of the mortgaged amount. If a purchaser defaults in its payment obligations during the term of our guarantee, the relevant bank may deduct the defaulted mortgage payment from our deposit and require that we immediately replenish our deposit to the original amount. As of December 31, 2005 and as of September 30, 2006, we have such guaranteed cash deposits of S$2.2 million and S$1.3 million respectively with the relevant mortgagee banks.

The following table sets forth the aggregate amounts of our future contractual cash obligations and commitments on a consolidated basis as of September 30, 2006.

	Commitment Due By Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
	S$	S$	S$	S$	S$
			(in thousands)		
Debt obligations	431,952	72,969	358,983	—	—
Operating lease obligations	964	522	442	—	—
Land acquisition costs	164,342	164,342	—	—	—
Construction costs	292,368	143,355	148,839	110	64
Total	889,626	381,188	508,264	110	64

We fund our contractual commitments using any one or a combination of our internal cash flow, bank loans, shareholders' contributions and proceeds from our initial public offering in June 2006. The table below sets forth our contractual commitments for properties under development and land use rights as of September 30, 2006:

Properties under development by project	S$ (in millions)
Yanlord Town	24
Yanlord Riverside City (Phase 2)	42
Yanlord Riverside Gardens (Phase 1)	10
Yanlord Riverside Gardens (Phase 2)	27
Yunjie Riverside Garden (Phase 1)	29
Bamboo Gardens (Phase 2)	16
Bamboo Gardens (Phase 3)	17
Yanlord International Apartments	44
Hengye International Plaza (Phase 1)	1
Hengye International Plaza (Phase 2)	20
Yanlord Landmark	8
Yanlord Villas	—
Yanlord Peninsula	18
Yanlord Riverside Plaza	5
Yanlord New City Gardens	31
Yanlord Marina Centre	—
Total	292

Land use rights purchased by project	S$ (in millions)
Yunjie Riverside Garden (Phase 2)	69
Yanlord Riverside Plaza	95
Total	164

Market Risks

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. For instance, we are exposed to market foreign currency risks attributable to exchange rate movements on foreign currency denominated borrowings and operating expenses. We have not in the past used derivatives to manage our exposure to market interest rate risk or foreign exchange risk.

Credit Risk

For properties that are still under construction, we typically provide guarantees to banks in respect of mortgage loans extended by the banks to our customers to finance their purchase of our properties. The principal amount of a mortgage loan typically does not exceed 70.0% of the total purchase price of the property. If a purchaser defaults on a mortgage payment during the term of the guarantee, the mortgagee bank may demand that we repay the outstanding amount under the loan and accrued interest. If we make payments under a guarantee, we will be entitled to sell the related property to recover any amounts paid by us to the bank. However, we cannot assure you that we will be able to recover the full amount of our guarantee payments from the sale proceeds.

Interest Rate Risk

We are subject to market risks due to fluctuations in interest rates and refinancing of short-term debt. Our net profit is affected by changes in interest rates as a result of the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in interest rates would adversely affect our prospective customers' willingness and ability to purchase our properties, our ability to service loans that we have guaranteed and our ability to raise and service long-term debt and to finance our developments, all of which in turn would adversely affect our results of operations. Our indebtedness consists primarily of bank and other loans. Our bank loans generally bear fixed interest rates and our average interest rate paid was 4.9%, 5.5%, 4.8% and 5.9% in 2003, 2004, 2005 and in the nine months ended September 30, 2006, respectively.

Foreign Currency Exchange Rate Risk

Substantially all of our revenues and most of our expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments.

The value of the Renminbi against the Singapore dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including Singapore dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 1.6% appreciation of the Renminbi against the Singapore dollar between July 21, 2005 and December 31, 2006. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the Singapore dollar and other currencies. To the extent that we need to convert the Singapore dollars we have into Renminbi for our operations, appreciation of the Renminbi against the Singapore dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, when we convert our Renminbi denominated cash amounts into Singapore dollar amounts for the purpose of making payments on the notes or for other business purposes, appreciation of the Singapore dollar against the Renminbi would have a negative effect on the Singapore dollar amount available to us. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk.

Fluctuations in exchange rates may adversely affect the value, translated or converted into Singapore dollars of our net assets, earnings and any declared dividends and the price of our shares. There can be no assurance that any future movements in the exchange rate of the Renminbi against the Singapore dollar or other foreign currencies will not adversely affect our results of operations and financial condition (including ability to pay dividends). We believe that significant depreciation in the Renminbi against major foreign currencies may have an adverse impact on our results of operations, financial condition and share price because our reporting currency is Singapore dollars and our shares will be quoted in Singapore dollars.

Commodities Risk

We consume large quantities of building materials, including raw iron, steel and concrete, in our property development operations. We typically enter into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which covers the development of a significant part of our overall project. These contracts typically cover both the supply of the building materials and the construction of the facility, for a construction period of one to three years. If the price of building materials were to increase significantly prior to our entering into a fixed or guaranteed maximum price construction contract, we might be required to pay more to prospective contractors.

Inflation Risk

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.2% in 2003, 3.9% in 2004 and 1.8% in 2005. We have not been materially affected by any such inflation.

Change in Accounting Policies

In 2004, we changed our revenue recognition policy on property sales from percentage of completion basis to completed contract basis. Prior to January 1, 2004, revenue on properties under development contracted for sales in advance of completion was recognized and calculated on a percentage of completion basis when construction has progressed beyond the preliminary stages of development. The percentage used was based on the proportion of construction costs incurred at the balance sheet date as compared to the estimated total construction costs. Profit recognized on this basis was limited to the extent that the economic benefits associated with the transaction will flow to our subsidiaries.

In 2004, we changed the accounting policy of such revenue recognition in order to more accurately reflect the revenue recognition based on the timing of the transfer of risks and rewards of ownership to the buyers. Based on the new accounting policy which has been applied retrospectively, revenue from properties under development contracted for sales in advance of completion is recognized when the title passes and relevant risks and rewards associated with this property have been transferred. Payments received from buyers prior to this stage are recorded as advances from customers for sales of properties and is classified as current liabilities.

In the third quarter of 2006, we adopted early SFRS 40—Investment Properties. Our investment properties are stated at their professional valuation as of December 31, 2005 as we are of the view that there was no material difference in their market value from January 1, 2006 to September 30, 2006. The early adoption of FRS 40 is in line with the general market practice of PRC property developers listed in Hong Kong and therefore provide meaningful comparative figures in respect our market performance or market share in the industry.

We changed our accounting policy on investment properties from cost model to fair value model with the adoption of FRS 40 to account for the fair value of our first investment property that was completed and generated income in the third quarter of 2006. Gains or losses arising from changes in the fair value of investment properties will be recognized directly in the income statement for the year in which they arise. The adoption of FRS 40 has resulted in an increase in fair value of our investment property by S$23.8 million which was credited to the income statement for the nine-months ended September 30, 2006. The relevant deferred income tax liabilities arising from the revaluation of investment property of S$7.8 million was recognized on the basis of tax consequences that would follow from recovery of the carrying amount of the property through sale. The net impact of the change in accounting policy to our attributable net profit in the nine months ended September 30, 2006 is S$8.1 million as the investment property is 51% attributable to us. The adoption of FRS 40 does not have any effect for prior fiscal periods as we did not have investment property then.

CERTAIN OPERATING INFORMATION

Since our establishment in 1993, we have grown from a start-up property developer with one development project comprising 53,049 sq. m. of GFA to become one of the major developers in the high-end segment in seven cities in the PRC. As of September 30, 2006, we had a portfolio of completed property developments with a total GFA of 1,721,459 sq. m., a total GFA of 1,470,135 sq. m. of properties under development, and a total GFA of 1,304,488 sq. m. of properties held for future development. In addition, in December 2006, we acquired a residential and commercial mixed-use site in Nanjing with a total GFA of approximately 688,000 sq. m.

The following table sets forth certain information about the GFA of our completed properties as of September 30, 2006.

Location	Type of Development	No. of Developments	Total GFA (sq. m.)
Shanghai(1)	Residential	7	993,641
Nanjing(1)	Residential	7	636,646
Guiyang	Residential	1	36,131
		15	1,666,418
Chengdu	Commercial	1	40,665
Guiyang	Commercial	1	14,376
		2	55,041
	Total	17	1,721,459

(1) Number of developments does not include Yanlord Riverside Gardens (Phase 2) in Shanghai and Bamboo Gardens (Phase 2) in Nanjing, which are partially completed, however GFA numbers include completed GFA but exclude GFA under development for these developments.

The following table sets forth certain information about our properties under development and properties held for future development as of September 30, 2006.

Location	Type of Development	No. of Developments	Total GFA (sq. m.)
Shanghai(1)	Residential	7	1,040,441
Nanjing(1)	Residential	2	153,345
Chengdu	Residential	1	101,032
Suzhou	Residential	1	213,471
Zhuhai	Residential	2	396,088
		13	1,904,377
Nanjing	Integrated residential and commercial	1	112,998
Chengdu	Integrated residential and commercial	1	198,855
Tianjin	Integrated residential and commercial	2	347,500
Zhuhai	Integrated residential and commercial	1	210,893
		5	870,246
	Total	18	2,774,623

(1) Number of developments includes Yanlord Riverside Gardens (Phase 2) in Shanghai and Bamboo Gardens (Phase 2) in Nanjing, which are partially completed, and GFA numbers exclude completed GFA but include GFA under development for these developments.

The tables below summarize the details as of September 30, 2006 of (i) our completed property developments; (ii) properties under development; and (iii) properties held for future development. In December 2006, we acquired a residential and commercial mixed-use site in Nanjing with a total GFA of approximately 688,000 sq. m. We have not obtained the land use right certificates for some of these development sites held for future developments.

Completed Property Developments

Property Development	Location/ Type of Development	Total Site Area (sq. m.)	Total GFA (sq. m.)	Total Saleable GFA (sq. m.)	Total GFA Sold (sq. m.)	Total GFA Unsold and Held For Investment (sq. m.)	Units of Car Parks Unsold	Interest Attributable to Us (%)	Year Started	Estimated Completion Date[7]
Yanlord Plaza (仁恒广场)	Shanghai, Residential	11,075	53,049	53,049	48,860	4,189	71	67	March 1993	November 1996
Yanlord Apartments (仁恒公寓)	Shanghai, Residential	4,416	13,579	10,663	10,663	—	70	67	November 1994	November 1997
Yanlord Gardens (仁恒滨江园) (3 phases)	Shanghai, Residential	138,802	415,360	357,549	354,716	2,833	352	67	November 1997	September 2003
Yanlord Riverside City (仁恒河滨城一期) (Phase 1)	Shanghai, Residential	110,548(1)	264,765	264,765	261,495	3,270	778	67	May 2003	September 2006
Yanlord Riverside Gardens (仁恒河滨花园一期) (Phase 1)	Shanghai, Residential	64,447(2)	191,230	185,376	181,984	3,392	563	56	May 2002	November 2005
Yanlord Riverside Gardens (仁恒河滨花园二期) (Phase 2)(3)	Shanghai, Residential	32,224(4)	55,658	55,658	50,171	5,487		56	May 2002	September 2006
Plum Mansions, including Lakeside Mansions (梅花山庄、湖畔之星) (5 phases)	Nanjing, Residential	113,182	327,667	241,000	239,728	1,272	—	100	May 1994	December 2002
Bamboo Gardens (翠竹园一期) (Phase 1)	Nanjing, Residential	76,900	118,230	110,776	109,668	1,108	349	100	November 2000	October 2003
Bamboo Gardens (翠竹园二期) (Phase 2)(5)	Nanjing, Residential	45,350(6)	121,100	121,100	120,822	278	613	100	December 2003	September 2006
Orchid Mansions (玉兰山庄)	Nanjing, Residential	94,134	69,649	67,489	65,566	1,923	—	100	November 2000	September 2003
Hengye International Plaza (恒业国际一期) (Phase 1)	Chengdu, Commercial	26,473	40,665	40,665	N/A	40,665	N/A	51	December 2004	April 2006
Xintian Centre (新天商业中心)	Guiyang, Commercial	18,820	14,376	14,376	5,865	8,511	—	67	November 2003	October 2004
Yanlord Villas (仁恒别墅)	Guiyang, Residential	53,541	36,131	34,678	7,676	27,357	—	67	June 2004	March 2006
Total		789,912	1,721,459	1,557,499	1,457,215	100,285	2,796			

(1) Represents the pro-rated site area for Phases 1 and 2 of Yanlord Riverside City (仁恒河滨城).
(2) Represents the pro-rated site area for each phase of Yanlord Riverside Gardens (仁恒河滨花园).
(3) The completed properties are block nos. 9, 13 and 15.
(4) Represents the pro-rated site area for each stage of Yanlord Riverside Gardens (仁恒河滨花园) (Phase 2).
(5) The completed properties are block nos. 32-40, 46-49 and 54-56.
(6) Based on pro-rated site area of the entire Phase 2 development.
(7) Estimated completion date is as of the completion of the entire development.

Properties Under Development

Property Development	Location/ Type of Development	Total Site Area (sq. m.)	Total GFA (sq. m.)	Total Saleable GFA (sq. m.)	Total GFA Pre-Sold (sq. m.)	Interest Attributable to Us (%)	Year Started	Estimated Completion Date
Yanlord Town (仁恒家园)	Shanghai, Residential	94,174	76,678	73,387	11,787	50	September 2005	4th quarter of 2007
Yanlord Riverside City (仁恒河滨城二期) (Phase 2)	Shanghai, Residential	110,548(1)	270,271	243,352	38,867	67	August 2005	4th quarter of 2008
Yanlord Riverside Gardens (仁恒河滨花园二期) (Phase 2)(3).........................	Shanghai, Residential	32,224(2)	80,474	80,475	57,468	56	May 2002	December 2006
Yunjie Riverside Garden (运杰河滨花园一期) (Phase 1).....	Shanghai, Residential	131,463	160,011	160,011	55,041	34	March 2005	1st quarter of 2009
Bamboo Gardens (翠竹园二期) (Phase 2)(4)................................	Nanjing, Residential	45,350	35,236	35,236	11,963	100	December 2003	4th quarter of 2007
Bamboo Gardens (翠竹园三期) (Phase 3)..................................	Nanjing, Residential	65,400	118,109	118,109	—	100	March 2006	2nd quarter of 2009
Yanlord International Apartments (仁恒国际公寓)...................	Nanjing, Integrated residential and commercial	28,425	112,998	102,507	—	100	May 2004	4th quarter of 2008
Hengye International Plaza (Phase 2) (恒业国际二期)...................	Chengdu, Residential	23,036	101,032	84,092	—	51	May 2006	2nd quarter of 2008
Yanlord Landmark (仁恒广场)	Chengdu, Integrated commercial	19,182	198,855	153,095	—	100	August 2006	4th quarter of 2010
Yanlord New City Gardens (Phase 1) (仁恒星园一期)...................	Zhuhai, Residential	61,699	103,000	89,712	—	90	September 2006	1st quarter of 2008
Yanlord Peninsula (星岛仁恒)	Suzhou, Residential	262,668	213,471	204,471	—	100	June 2006	4th quarter of 2009
Total..................................		874,169	1,470,135	1,344,447	175,126			

(1) Represents the pro-rated site area for Phases 1 and 2 of Yanlord Riverside City (仁恒河滨城).
(2) Represents the pro-rated site area for each stage of Yanlord Riverside Gardens (仁恒河滨花园) (Phase 2).
(3) Stage 1 of Yanlord Riverside Gardens (Phase 2) (仁恒河滨花园二期) was completed in September 2006. The properties under development are block nos. 10, 11 and 12.
(4) The properties under development are block nos. 30, 31, 51, 52 and 53.

Properties Held for Future Development

Development Site	Location/ Type of Development	Total Site Area (sq. m.)	Estimated Total GFA (sq. m.)	Estimated Saleable GFA (sq. m.)	Interest Attributable to Us (%)	Estimated Start Date	Estimated Completion Date
Shanghai San Jia Gang parcel of land (仁恒滨海度假村)	Shanghai, Residential	71,662	35,831	35,831	67	Under planning	Under planning
Yanlord Riverside City (仁恒河滨城三期) (Phase 3)	Shanghai, Residential	85,310	292,323	292,323	67	1st quarter of 2007	4th quarter of 2010
Yunjie Riverside Garden (运杰河滨花园二期) (Phase 2)(1)	Shanghai, Residential	104,044	124,853	124,853	34	Under planning	Under planning
Yanlord Riverside Plaza(1) (海河广场)	Tianjin, Integrated residential and commercial	95,277	347,500	347,500	100	1st quarter of 2007	4th quarter of 2012
Yanlord New City Gardens (仁恒星园二期) (Phase 2)	Zhuhai, Residential	168,232	293,088	293,088	90	4th quarter of 2007	4th quarter of 2009
Yanlord Marina Centre (滨海中心)	Zhuhai, Integrated residential and commercial	42,204	210,893	210,893	60	4th quarter of 2007	4th quarter of 2012
Total		566,728	1,304,488	1,304,488			

(1) We have not yet obtained title.

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The following is the text of a report prepared for the purpose of inclusion in the prospectus of the Company dated June 15, 2006 in connection with the initial listing of the Company's shares on the Singapore Exchange Securities Trading Limited, received from the independent auditors, Deloitte & Touche, Certified Public Accountants, Singapore.

INDEPENDENT AUDITORS' REPORT

May 11, 2006

The Board of Directors
Yanlord Land Group Limited
9 Temasek Boulevard
#36-02 Suntec Tower Two
Singapore 038989

Dear Sirs

We have audited the accompanying consolidated financial statements of Yanlord Land Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended December 31, 2003, 2004 and 2005 set out on pages F-3 to F-38. The financial statements comprise the consolidated balance sheets of the Group as at December 31, 2003, 2004 and 2005 and the related consolidated statements of income, cash flows and changes in equity of the Group for the three respective years ended December 31, 2003, 2004 and 2005 (the "Relevant Periods"). These financial statements, which have been prepared on the basis of preparation set out in Note 1 to the financial statements, are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2003, 2004 and 2005 and the results, changes in equity and cash flows of the Group for the Relevant Periods, in accordance with Singapore Financial Reporting Standards.

These financial statements have been prepared solely in connection with the proposed listing of the Company's shares on the Singapore Exchange Securities Trading Limited. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Yours faithfully

Deloitte & Touche
Certified Public Accountants
Singapore

Ng Peck Hoon
Partner

YANLORD LAND GROUP LIMITED

CONSOLIDATED BALANCE SHEETS
As at December 31, 2003, 2004 and 2005

	Note	GROUP 2003 $'000	GROUP 2004 $'000	GROUP 2005 $'000
ASSETS				
Non-current assets:				
Property, plant and equipment	6	16,757	20,108	24,537
Investment property	7	—	2,243	—
Goodwill	8	—	483	—
Properties for development	9	340,527	229,697	350,005
Subsidiaries	10	—	—	—
Associates	11	—	28,115	—
Other investments	12	10,149	9,822	10,264
Deferred tax assets	13	6,368	43,895	44,378
Total non-current assets		373,801	334,363	429,184
Current assets:				
Inventories	14	94	454	461
Completed properties for sale	9	153,941	96,799	153,764
Properties under development for sale	9	329,868	830,383	889,575
Trade receivables	15	6,698	158	565
Other receivables	16	59,672	39,831	28,644
Non trade amounts due from:				
Associates	11	—	17,505	—
A shareholder	5	87,374	91,548	—
Minority shareholders of subsidiaries	17	713	212	15,067
Other related parties	5	12,989	57,657	—
Held for trading investments	18	2,852	3,754	6,323
Pledged bank deposits	19	28,245	2,109	8,206
Cash and bank balances	19	141,588	197,221	115,142
Total current assets		824,034	1,337,631	1,217,747
Total assets		1,197,835	1,671,994	1,646,931
EQUITY AND LIABILITIES				
Capital and reserves:				
Share capital	20	144,328	144,328	144,328
Reserves		281,483	316,373	388,991
Equity attributable to equity holders of the parent		425,811	460,701	533,319
Minority interest		112,219	72,127	108,302
Total capital and reserves		538,030	532,828	641,621
Non-current liabilities:				
Bank loans—due after one year	21	148,250	236,890	136,597
Non trade amounts due to:				
Minority shareholders of subsidiaries	17	12,681	90,392	—
Other related parties	5	22,974	—	—
Total non-current liabilities		183,905	327,282	136,597
Current liabilities:				
Trade payables	22	94,800	51,379	143,683
Other payables	23	175,075	590,347	415,350
Non trade amounts due to:				
Associates	11	31	10,482	—
A shareholder	5	—	—	49,969
Minority shareholders of subsidiaries	17	14,850	5,098	42,492
Other related parties	5	58,195	41,263	8,275
Income tax payable		22,812	21,541	26,991
Bank loans—due within one year	21	110,137	91,774	181,953
Total current liabilities		475,900	811,884	868,713
Total equity and liabilities		1,197,835	1,671,994	1,646,931

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS STATEMENTS
Years ended December 31, 2003, 2004 and 2005

		GROUP		
	Note	2003	2004	2005
		$'000	$'000	$'000
Revenue	24	601,099	361,015	778,358
Cost of sales		(320,397)	(240,608)	(513,503)
Gross profit		280,702	120,407	264,855
Other operating income	25	15,582	18,656	12,256
Administrative expenses		(21,742)	(29,654)	(29,359)
Selling expenses		(3,128)	(4,869)	(8,630)
Other operating expenses		(1,453)	(1,970)	(1,923)
Finance cost	26	(1,255)	(1,994)	(3,270)
Profit before income tax		268,706	100,576	233,929
Income tax	27	(42,744)	(20,998)	(48,594)
Profit for the year	28	225,962	79,578	185,335
Attributable to:				
Equity holders of the parent		154,291	54,543	122,160
Minority interests		71,671	25,035	63,175
		225,962	79,578	185,335
Earnings per share (cents)	29	11.28	3.99	8.93

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years ended December 31, 2003, 2004 and 2005

Group	Note	Share capital	Currency translation reserve	Statutory reserves	Merger reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2003		100,037	(16,977)	24,997	105	111,421	219,583	64,884	284,467
Issue of shares	20	44,291	—	—	—	—	44,291	—	44,291
Currency translation difference		—	(3,828)	—	—	—	(3,828)	(7,031)	(10,859)
Net profit for the year		—	—	—	—	154,291	154,291	71,671	225,962
Arising from business combination	2	—	—	—	2,315	—	2,315	—	2,315
Arising from Group Restructuring		—	—	—	—	9,159	9,159	—	9,159
Dividends paid to minority shareholders	30	—	—	—	—	—	—	(17,305)	(17,305)
Appropriations		—	—	6,774	—	(6,774)	—	—	—
Balance at December 31, 2003		144,328	(20,805)	31,771	2,420	268,097	425,811	112,219	538,030
Currency translation difference		—	(13,091)	—	—	—	(13,091)	(1,009)	(14,100)
Acquisition of additional interest in subsidiary		—	—	—	—	—	—	(29)	(29)
Net profit for the year		—	—	—	—	54,543	54,543	25,035	79,578
Arising from Group Restructuring		—	—	—	—	7,084	7,084	—	7,084
Dividends	30	—	—	—	—	(13,646)	(13,646)	—	(13,646)
Dividends paid to minority shareholders	30	—	—	—	—	—	—	(64,089)	(64,089)
Appropriations		—	—	5,333	—	(5,333)	—	—	—
Balance at December 31, 2004		144,328	(33,896)	37,104	2,420	310,745	460,701	72,127	532,828
Currency translation difference		—	20,291	—	—	—	20,291	21,216	41,507
Net profit for the year		—	—	—	—	122,160	122,160	63,175	185,335
Cash injection by minority shareholders		—	—	—	—	—	—	19,835	19,835
Acquisition of additional interests in joint venture	33	—	—	—	—	—	—	1,792	1,792
Arising from Group Restructuring		—	—	—	—	28,764	28,764	—	28,764
Dividends	30	—	—	—	—	(98,597)	(98,597)	—	(98,597)
Dividends paid to minority shareholders	30	—	—	—	—	—	—	(69,843)	(69,843)
Appropriations		—	—	2,104	—	(2,104)	—	—	—
Balance at December 31, 2005		144,328	(13,605)	39,208	2,420	360,968	533,319	108,302	641,621

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT
Years ended December 31, 2003, 2004 and 2005

	Note	GROUP 2003	2004	2005
		$'000	$'000	$'000
Operating activities:				
Profit before income tax		268,706	100,576	233,929
Adjustments for:				
Allowance for bad and doubtful debts		—	11	—
Amortisation of goodwill		—	53	—
Impairment of goodwill		—	—	483
Depreciation expense		877	1,622	2,588
Loss on disposal of property, plant and equipment		62	127	103
Dividend income from available for sale investments		—	(838)	(1,697)
Realised gain on investments held for trading		(2,241)	(3,113)	(1,526)
Dividend received from investments held for trading		(328)	(107)	(633)
Interest expenses		1,255	1,994	3,270
Interest income		(3,262)	(944)	(2,596)
Operating cash flows before movement in working capital		265,069	99,381	233,921
(Increase) Decrease in properties for development		(283,637)	110,830	(14,575)
Decrease (Increase) in inventories		17,218	(317)	(7)
(Increase) Decrease in completed properties for sale		(105,667)	54,899	(56,965)
Decrease (Increase) in properties under development for sale		348,044	(480,864)	(39,000)
(Increase) Decrease in trade and other receivables		(38,703)	27,622	53,575
(Decrease) Increase in trade and other payables		(183,322)	361,160	(94,884)
Cash generated from operations		19,002	172,711	82,065
Interest paid		(27,248)	(21,645)	(25,008)
Income tax paid		(20,034)	(59,500)	(43,627)
Net cash (used in) from operating activities		(28,280)	91,566	13,430
Investing activities:				
Interest received		3,262	944	2,596
Dividend received from investments held-for-trading		328	107	633
Dividend received from available for sale investments		—	838	1,697
Purchase of property, plant and equipment		(12,581)	(5,580)	(3,421)
Proceeds on disposal of property, plant and equipment		—	—	1,212
Proceeds on disposal of investments held for trading		23,091	21,872	32,835
Purchase of investments held for trading		—	(19,811)	(33,902)
Acquisition of associates		—	(28,115)	—
Acquisition of additional investment in joint venture	33	—	—	69
Purchase of available-for-sale investments		(10,149)	—	—
(Increase) Decrease in pledged bank deposits		(11,957)	26,136	(3,025)
Acquisition of subsidiaries	32	—	374	(40,769)
Repayment from (Advance to) related parties		1,565	(44,668)	4,657
Repayment from (Advance to) associates		1,735	(17,505)	17,505
(Advance to) Repayment from minority shareholders of subsidiaries		(357)	501	(14,855)
Net cash used in investing activities		(5,063)	(64,907)	(34,768)
Financing activities:				
(Decrease) Increase in other payables		(3,998)	8,457	(32,481)
Advance from a shareholder		8,834	2,910	30,421
Advance from (Repayment to) related parties		3,218	(39,906)	8,275
(Repayment to) Advance from associates		(234)	10,451	(10,482)
Advance from (Repayment to) minority shareholders of subsidiaries		22,609	67,959	(52,998)
Proceeds from bank loans		200,803	155,251	304,018
Repayment of bank loans		(121,574)	(77,234)	(375,429)
Dividends paid to a minority shareholder of a subsidiary		(17,305)	(64,089)	(5,526)
Cash injection from minority interests		—	—	19,835
Dividend paid		—	(13,646)	—
Net cash from (used in) financing activities		92,353	50,153	(114,367)
Currency realignment adjustments		(13,068)	(21,179)	53,626
Increase (Decrease) in cash and cash equivalents		45,942	55,633	(82,079)
Cash and cash equivalents at beginning of year		95,646	141,588	197,221
Cash and cash equivalents at end of year		141,588	197,221	115,142

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS
As at December 31, 2003, 2004 and 2005

1 GENERAL

The company (Registration No. 200601911K) is incorporated in the Republic of Singapore with its principal place of business and registered office at 9 Temasek Boulevard, #36-02 Suntec Tower Two, Singapore 038989.

The principal activity of the Company is to carry on the business of an investment holding company.

The principal activities of the subsidiaries and associates are disclosed in Note 10 and 11 to the financial statements respectively.

The financial statements are presented in Singapore dollars.

Pursuant to a group restructuring (the "Restructuring") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the proposed listing of the Company on The Singapore Exchange Securities Trading Limited, the Company underwent a Restructuring involving the following:

(a) Transfer of non-property related businesses

On October 31, 2005, a subsidiary, Yanlord Land Pte. Ltd. ("Yanlord Land") declared dividends of S$98,596,901 in favour of its then shareholders, Mr Zhong Sheng Jian and Mrs Zhong Lin Miao Jun, by way of dividend in specie (the "Distribution") in respect of Yanlord Land's shareholding interests in its non-property related businesses.

The amount of the dividend distribution is determined based on the net asset value as at October 31, 2005 of the business disposed off. The disposal of the following non-property related companies was deemed to have taken effect as at November 1, 2005:

(i) Global Fair Assets Ltd, an investment holding company;

(ii) Wealthy Link Enterprises Ltd, an investment holding company;

(iii) Besterton Incorporated, an investment holding company;

(iv) Yanlord International Investment Co., Ltd., an investment holding company;

(v) Zhuhai SEZ Hong Ta RenHeng Paper Co., Ltd., a paper manufacturer and trading company; and

(vi) Acreis Pty Ltd, an investment holding company.

Pursuant to the Distribution and at the direction of Mr Zhong Sheng Jian and Mrs Zhong Lin Miao Jun, Yanlord Land transferred its shareholding interests in its industrial businesses segment and finance business segment to Yanlord Industries Pte. Ltd. and Yanlord Capital Pte. Ltd. respectively.

(b) Share swap agreement

Pursuant to a Sale and Purchase Agreement dated May 8, 2006 between Mr Zhong Sheng Jian, Mrs Zhong Lin Miao Jun and Yanlord Holdings Pte Ltd ("Yanlord Holdings"), a company which is also owned by Mr Zhong Sheng Jian and Mrs Zhong Lin Miao Jun, Mr Zhong Sheng Jian and

Mrs Zhong Lin Miao Jun transferred 144,327,604 shares and 1 share respectively in Yanlord Land, comprising the entire issued and paid-up capital of Yanlord Land to the Company at the direction of Yanlord Holdings. In consideration, Yanlord Holdings issued 94,999,999 shares and 5,000,000 shares of $5.1532 each to Mr Zhong Sheng Jian and Mrs Zhong Lin Miao Jun respectively. Subsequently, the Company issued 1,367,999,999 shares of $0.3767 each to Yanlord Holdings and its nominees as consideration for the transfer of shares in Yanlord Land.

The property group resulting from the Restructuring (the "Group") is regarded as a continuing entity throughout the relevant periods as the Group is ultimately controlled by the same shareholders both before and after the Restructuring. Accordingly, although the Company is only incorporated on February 13, 2006, the consolidated financial statements have been prepared using the principles of merger accounting whereby the financial statements of the subsidiaries and associates have been combined and the consolidated financial statements were prepared on the basis that the Restructuring has been effected as at the beginning of the three years' period presented in these consolidated financial statements.

The consolidated financial statements of the Group for the years ended December 31, 2003, 2004 and 2005 were authorised for issue by the Board of Directors on May 11, 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING—The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of short term investments, and are drawn up in accordance with the provisions of the Singapore Financial Reporting Standards ("FRS").

(a) The Group has applied the change in accounting policy on the revenue recognition of property sales on a retrospective basis as disclosed in Note 39.

(b) The Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after January 1, 2005. The adoption of these new/ revised FRSs and INT FRSs has no material effect on the financial statements for each of three years presented, except as disclosed below and in the notes to the financial statements.

FRS 103—Business Combinations

FRS 101 First-time Adoption of Financial Reporting Standards allows a first-time adopter to elect not to apply FRS 103 Business Combinations retrospectively to past business combinations (business combinations that occurred before the date of transition to FRSs, i.e, January 1, 2003).

FRS 103 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under FRS 36 Impairment of Assets (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. FRS 103 prohibits the amortisation of goodwill. Previously, under FRS 22, the Group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill.

(c) At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not effective:

FRS 40	—	Investment Property
FRS 102	—	Share-based Payment
FRS 106	—	Exploration for and Evaluation of Mineral Resource
FRS 107	—	Financial Instruments: Disclosures
INT FRS 104	—	Determining whether an Arrangement contains a Lease
INT FRS 105	—	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	—	Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment
INT FRS 107	—	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Amendments to FRS 39 Financial Instruments: Recognition and Measurement on hedge accounting provisions, fair value option and financial guarantee contracts.

Amendments to FRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources.

Amendments to FRS 104 Insurance Contracts on financial guarantee contracts.

Consequential amendments were also made to various standards as a result of these new/ revised standards.

The directors anticipate that the adoption of these FRSs and INT FRSs in future periods will have no material impact on the consolidated financial statements of the Group except as disclosed below.

FRS 102—Share-based Payment

FRS 102 will be effective for annual periods beginning January 1, 2006. FRS 102 Share-based Payment requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date.

Fair value is measured using financial valuation models and is dependent on the expected share price and the volatility of the shares. As it is not possible to reasonably estimate the fair values of the share options for future periods, the directors are therefore unable to determine if the initial adoption of FRS 102 will have a material impact on the consolidated financial statements for the financial year ending December 31, 2006

Had the Group early adopted FRS 102 in the financial year beginning January 1, 2003, there will be no impact on the consolidated financial statements for the financial years ended December 31, 2003, 2004 and 2005 as there were no share options granted by the Group.

BASIS OF CONSOLIDATION—The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and had been prepared using the principles of merger accounting and on the assumption that the Restructuring of entities controlled by the same shareholder has been effected as at the beginning of the three years' period presented in these consolidated financial statements.

In addition, the consolidated financial statements also incorporate the financial statements of entities controlled arising from the acquisition from parties other than the shareholder made up to December 31 each year. 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.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Minority interests in the net assets 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 its share of those losses.

FINANCIAL INSTRUMENTS—Financial assets and financial liabilities are recognised on the Group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Other investment in unquoted equity instruments whereby the fair value cannot be measured reliably are carried at cost less any impairment loss. Gain or loss are included in profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalent comprise cash on hand and demand deposits are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

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

INVENTORIES—Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTIES FOR DEVELOPMENT—Properties for development are mainly lands pending for development, which are stated at cost less provision for impairment in value made by the directors, embrace all land acquired pending any definite intention whether to develop it for long term retention or for sale. When the intention is clear and action initiated, land to be developed for long term retention is reclassified as property, plant and equipment whereas land to be developed for sale and expected to be realised in the normal course of the Group's property development cycle is reclassified as properties under development for sale under current assets.

PROPERTIES UNDER DEVELOPMENT FOR SALE—Properties under development for sale are stated at lower of cost or estimated net realisable value. Net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to completion. Cost of property in the course of development comprises land cost, development costs and borrowing costs capitalised during the development period. When completed, the units held for sale are classified as completed properties for sale.

COMPLETED PROPERTIES FOR SALE—Completed properties for sale but remaining unsold at year end are stated at lower of cost or net realisable value. Cost is determined by apportionment of the total land cost, development costs and borrowing costs capitalised attributable to the unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

PROPERTY, PLANT AND EQUIPMENT—Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment loss.

Construction-in-progress consists of construction costs and finance costs incurred during the period of construction.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	—	2% to 5%
Furniture, fixtures and equipment	—	20%
Motor vehicles	—	10% to 20%

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss statement.

INVESTMENT PROPERTY—Investment property, which is property held for capital appreciation, is carried at cost, less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of the investment properties using the straight-line method over their estimated useful lives of 50 years.

GOODWILL—Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity from third parties 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 subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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.

The excess of Group's interest in the net fair value of acquirer's identifiable assets, liabilities, contingent liabilities over cost should be recognised immediately in the profit and loss statement.

The Group's policy of goodwill arising on the acquisition of an associate is determined under "Associates" below.

IMPAIRMENT OF ASSETS—At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

ASSOCIATES—An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

JOINT VENTURES—A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

PROVISIONS—Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

MERGER RESERVE—Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

STATUTORY RESERVE—Statutory reserve represents the amount transferred from profit after taxation of the subsidiaries incorporated in the People's Republic of China (excluding Hong Kong) (the "PRC") in accordance with the PRC requirement. The statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital.

REVENUE RECOGNITION—Revenue from properties developed for sales is recognised when the legal title passes to the buyer or when the equitable interest in the property vest in the buyer upon release on the handover notice of the respective property to the buyer, whichever in the earlier. Payments received from buyers prior to this stage are recorded as advances from customers for sales of properties and is classified as current liabilities.

Sales of goods are recognised when goods are delivered and title has passed.

Management fee income and service income are accounted for in the year when services have been rendered.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

TAX SUBSIDIES—Tax subsidies are credited to the profit and loss statement when received from the relevant authorities.

BORROWING COSTS—Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

RETIREMENT BENEFIT COSTS—Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT—Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

INCOME TAX—Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised 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 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 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 associates, 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 tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION—The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is the United States dollars as the majority of the Company's transactions are denominated in the United States dollars.

The consolidated financial statements of the Group are presented in Singapore dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated 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 on the date when the fair value was determined. 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 retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For inclusion in the consolidated financial statements, assets and liabilities of the Company and its foreign subsidiaries, associates and joint ventures are translated into Singapore dollars at the rates of exchange approximating those ruling at the balance sheet date. The profit and loss statements are translated at the average rates of exchange for the financial year, and the opening net investments in the foreign subsidiaries and associates are translated at the historical rates. Equity items (except for share capital, statutory reserves and shareholder's contribution which are originally denominated in Singapore dollars and the net profit or loss for the year that is included in the accumulated profits account) are translated at the closing rate existing at the balance sheet date. The resulting currency translation differences are taken to the currency translation reserve. On disposal of a foreign entity, the accumulated currency translation differences are recognised in the profit and loss statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2 above, the management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Taxation

The Group accounts for income taxes under the provisions of FRS 12—Income Taxes, with the required disclosures as described in note 2 above to the financial statements. The Group records deferred tax assets on tax loss of $ 3.6 million (2004 : $1.8 million, 2003 : $Nil) because the management believes it is more likely than not that such tax loss can be utilized. In the event the management determines that the Group would not be able to realise such deferred tax assets in the future in excess of their recorded amount, an adjustment to the Group's deferred tax assets would decrease the Group's income in the period such determination is made. Likewise, if the management determines that the Group would be able to realise all or part of the Group's unrecognised deferred tax on tax loss of $4.4 million (2004 : $4.8 million, 2003 : $4.0 million), which is currently not expected to be utilised in the future, an adjustment to the Group's deferred tax assets would increase the Group's income in the period such determination is made. The Group records deferred tax using the balance sheet liability method at the rates that have been enacted or substantively enacted by the balance sheet date.

Land Appreciation Tax

All income from sale of properties in PRC is subject to Land Appreciation Tax ("LAT") at progressive rates under PRC tax laws and regulations. The management estimate and provide for LAT in accordance with the PRC tax laws and regulations. However, the Group have not been levied any LAT for the sale of properties located in Shanghai Pudong New District and this applies also to all property development companies in Shanghai Pudong New District.

The management, having considered legal advice received and consultation by the local Shanghai Pudong Taxation Bureau, are of the opinion that the likelihood of the relevant tax authority to impose any LAT on a retrospective basis is remote and no provision for LAT is required.

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

The management exercises their judgement in estimating the useful lives of the depreciable assets. Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method.

Allowance for receivables

The management exercises their judgement in making allowance for receivables. A special provision allowance for receivables is made if the receivables are not collectible. There is no policy on general provision for receivables.

Provision for completed properties and properties under development for sale

The management uses the proportion of project costs incurred to date to the estimated total project costs to project and estimate the total project costs. Project revenue is estimated based on prevailing market values. When it is probable that the total cumulative project costs will exceed the total project revenue, ie, realisable value, the amount in excess of realisable value should be recognised as an expense immediately. These computations are based on the presumption that the outcome of a project can be estimated reliably.

Management performs the cost studies, taking into account the costs to date and costs to complete each development project. Management has also reviewed the status of such development projects to ensure that the total project cost and project revenue estimates are realistic and reflect prevailing market conditions.

4 FINANCIAL RISKS AND MANAGEMENT

The Group has documented risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group. The Board provides written principles for overall risk management and written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess cash. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

The Group's activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates.

Foreign exchange risk

The Group transacts business in various foreign currencies, including US dollars, HK dollars, and Renminbi and therefore is exposed to foreign exchange risk. The Group does not enter into derivative foreign exchange contracts and foreign currency borrowings to hedge its foreign exchange risk.

Interest rate risk

The Group's exposure to interest rate risk primarily relate to the impact of interest rate on bank balances and bank borrowings.

Credit risk

The Group's credit risk is attributable to its trade receivables and advance to suppliers. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Cash is held with creditworthy financial institutions.

Liquidity risk

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

Fair value of financial assets and financial liabilities

The carrying values of cash and cash equivalents, other current receivables and trade and other payables approximate fair value due to the relatively short term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to financial statements.

5 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

Pursuant to the Sale and Purchase Agreement dated May 8, 2006 as disclosed in Note 1(b) to the financial statements, the Company is a subsidiary of Yanlord Holdings Pte. Ltd., incorporated in the Republic of Singapore, which is also the Company's ultimate holding company.

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Associates also include those that are associate of the holding company and/or related companies.

Some of the Company's transactions and arrangements and terms thereof are with related parties. The amount due from and to related parties which include a shareholder are unsecured, interest-free and repayable on demand unless otherwise stated. The amount due to a shareholder is unsecured, bears interest based on market rate and repayable on demand.

Significant transactions with related parties other than disclosed in Note 21 are as follows:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Interest expense to a shareholder (Note 26)	1,171	1,850	2,500
Rental expense to a shareholder	936	936	1,237
Management staff support expenses to a shareholder	600	600	600

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Short-term benefits	—	—	233
Post-employment benefits	—	—	8
	—	—	241

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000
GROUP					
Cost:					
At January 1, 2003	2,686	3,176	3,178	—	9,040
Additions	11,295	841	445	—	12,581
Disposals	—	(169)	(7)	—	(176)
Currency realignment	(50)	(59)	(59)	—	(168)
At January 1, 2004	13,931	3,789	3,557	—	21,277
Additions	—	2,193	1,946	1,441	5,580
Disposals	—	(318)	(196)	—	(514)
Reclassification	—	(38)	38	—	—
Currency realignment	(441)	(122)	(115)	—	(678)
At January 1, 2005	13,490	5,504	5,230	1,441	25,665
Arising from acquisition of subsidiaries	—	149	302	—	451
Acquisition of additional interest in a joint venture	—	27	—	—	27
Additions	960	1,456	1,002	3	3,421
Reclassification	—	—	139	(139)	—
Transfer from property under development	1,546	—	—	—	1,546
Transfer from investment property	2,344	—	—	—	2,344
Disposals	(1,747)	(749)	(85)	—	(2,581)
Currency realignment	607	247	8	65	927
At December 31, 2005	17,200	6,634	6,596	1,370	31,800
Accumulated depreciation:					
At January 1, 2003	521	1,328	1,997	—	3,846
Depreciation for the year	123	262	492	—	877
Eliminated on disposal	—	(109)	(5)	—	(114)
Reclassification	125	—	(125)	—	—
Currency realignment	(15)	(30)	(44)	—	(89)
At January 1, 2004	754	1,451	2,315	—	4,520
Depreciation for the year	281	482	859	—	1,622
Eliminated on disposal	—	(244)	(143)	—	(387)
Currency realignment	(33)	(63)	(102)	—	(198)
At January 1, 2005	1,002	1,626	2,929	—	5,557
Arising from acquisition of subsidiaries	—	25	57	—	82
Acquisition of additional interest in a joint venture	—	8	—	—	8
Depreciation for the year	295	1,145	1,102	—	2,542
Transfer from investment property	46	—	—	—	46
Eliminated on disposal	(793)	(430)	(43)	—	(1,266)
Currency realignment	51	96	147	—	294
At December 31, 2005	601	2,470	4,192	—	7,263
Carrying amount:					
At December 31, 2003	13,177	2,338	1,242	—	16,757
At December 31, 2004	12,488	3,878	2,301	1,441	20,108
At December 31, 2005	16,599	4,164	2,404	1,370	24,537

A leasehold property of $3.7 million (2004 : $3.7 million; 2003 : $3.8 million) included in the land and building has been pledged to a bank for a bank loan granted to the Group.

7 INVESTMENT PROPERTY

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Cost:			
At beginning of financial year	—	—	2,243
Transferred from property for sales	—	2,243	—
Transferred to property, plant and equipment	—	—	(2,344)
Currency realignment	—	—	101
At end of financial year	—	2,243	—
Depreciation:			
Depreciation for the year	—	—	46
Transfer to property, plant and equipment	—	—	(46)
At end of financial year	—	—	—
Carrying amount:			
At end of financial year	—	2,243	—

8 GOODWILL

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Cost and carrying amount:			
At beginning and end of financial year	—	536	536
Impairment:			
At beginning of financial year	—	—	53
Charge for the year	—	53	483
At end of financial year	—	53	536
Carrying amount:			
At end of financial year	—	483	—

The carrying amount of goodwill is mainly allocated to property management operations. The recoverable amounts of the property management operations are determined from value in use calculation.

9 PROPERTIES FOR DEVELOPMENT/COMPLETED PROPERTIES FOR SALE/ PROPERTIES UNDER DEVELOPMENT FOR SALE

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
At cost:			
Properties for development (Non-current assets)	340,527	229,697	350,005
Completed properties for sale (Current assets)	153,941	96,799	153,764
Properties under development for sale (Current assets)	329,868	830,383	889,575
	824,336	1,156,879	1,393,344

a) Properties for development, completed properties for sale and properties under development for sales are located in the PRC.
b) Up to December 31, 2005, total interest capitalised are as follows:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Completed properties for sales	16,892	4,490	6,836
Properties under development for sales	9,125	41,285	37,768

The capitalisation rate was disclosed in Note 21.

10 SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2003, 2004 and 2005 are as follows:

Name of subsidiary	Place of incorporation (or registration)/ Operations	Effective equity interest held by Group 2003	2004	2005	Principal activity
		%	%	%	
Held by the company					
Yanlord Land Pte. Ltd.(3)(a) 仁恒置地有限公司 (previously known as Yanlord Investment Pte Ltd)	Singapore	100	100	100	Investment holding
Held by Yanlord Land Pte. Ltd. and its subsidiaries					
Chengdu Everrising Asset Management Co., Ltd.(b) 成都市恒业东升资产经营管理有限公司 (previously known as Chengdu Zhenge Property Co., Ltd.)	People's Republic of China ("PRC")	—	—	51	Property development
Guiyang Yanlord Property Co., Ltd.(b) 貴阳仁恒房地产开发有限公司	PRC	67	67	67	Property development
Guiyang Yanlord Property Management Co., Ltd.(b) 貴阳仁恒物业管理有限公司	PRC	—	54	54	Property management
Nanjing Yanlord Property Management Co., Ltd.(b) 南京仁恒物业管理有限公司	PRC	—	73	73	Property management
Nanjing Yanlord Real Estate Development Co., Ltd.(b) 南京仁恒房地产开发有限公司	PRC	65	100	100	Property development
Palovale Pte Ltd(a) 柏龙威有限公司	Singapore	67	67	67	Investment holding
Shanghai Hong Ming Ge Food & Beverage Service Management Co., Ltd.(b) 上海宏名閣餐饮服务管理有限公司	PRC	60	60	60	Restaurant operation
Shanghai Pudong New District Private Yanlord Kindergarten(1)(b) 上海市浦東新区民办仁恒幼儿园	PRC	50	50	50	School organiser

Name of subsidiary	Place of incorporation (or registration)/ Operations	Effective equity interest held by Group 2003	2004	2005	Principal activity
		%	%	%	
Shanghai Renjie Hebin Garden Property Co., Ltd.(b) 上海仁杰河滨园房地产有限公司	PRC	—	60	34	Property development
Shanghai Yanlord Gaoqiao Property Co., Ltd.(1)(b) 上海仁恒高乔房地产有限公司	PRC	50	50	50	Property development
Shanghai Yanlord Property Co., Ltd.(b) 上海仁恒房地产有限公司	PRC	67	67	67	Property development
Shanghai Yanlord Property Management Co., Ltd.(b) 上海仁恒物业管理有限公司	PRC	67	67	67	Property management
Shanghai Yanlord Real Estate Co., Ltd.(b) 上海仁恒置业发展有限公司	PRC	56	56	56	Property development
Singapore Yanlord Land (HK) Ltd(b) 新加坡仁恒置地(香港)有限公司 (previously known as Everbright Billion Asia Ltd)	Hong Kong	—	—	100	Management service
Suzhou Yanlord Yinghan Property Development Co., Ltd.(b) 苏州仁恒鹰汉房地产开发有限公司	PRC	—	—	100	Property development
Suzhou Yanlord Zhonghui Property Development Co., Ltd.(b) 苏州仁恒中輝房地产开发有限公司	PRC	—	—	100	Property development
Yanlord Development (Tianjin) Co., Ltd.(b) 仁恒发展(天津)有限公司 [previously known as Palovale (Tianjin) Development Co., Ltd.]	PRC	—	67	100	Property development
Yanlord Land (Chengdu) Co., Ltd. 仁恒置地(成都)有限公司 [previously known as Yanlord Industrial (Chengdu) Co., Ltd.](b)	PRC	100	100	100	Property development
Yanlord Investment (Nanjing) Co., Ltd.(b) 仁恒投資(南京)有限公司	PRC	100	100	100	Property development
Yanlord Property (Chengdu) Co., Ltd.(2)(b) 仁恒房地产(成都)有限公司	PRC	100	100	100	Property development
Yanlord Real Estate Pte. Ltd.(b) 仁恒置业发展有限公司	Singapore	—	—	60	Investment holding
Zhuhai Yanlord Industrial Co., Ltd.(b) 珠海仁恒实业有限公司	PRC	—	—	60	Property development
Zhuhai Yanlord Real Estate Development Co., Ltd.(b) 珠海仁恒置业发展有限公司	PRC	—	—	90	Property development

(1) Proportion of voting power held by the Group in these companies is more than 50%.
(2) Yanlord Property (Chengdu) Co., Ltd was merged into Yanlord Land (Chengdu) Co., Ltd during the financial year ended December 31, 2005.
(3) Yanlord Land Pte. Ltd. becomes a wholly owned subsidiary of Yanlord Land Group Pte Ltd pursuant to the restructuring exercise as disclosed in Note 1 to the financial statements.

Notes on auditors
(a) Audited by Deloitte & Touche, Singapore
(b) Audited by Deloitte Touche Tohmatsu, Shanghai for consolidation purposes.

11 ASSOCIATES

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Cost of investments, net of dividend from pre-acquisition profit	41	28,115	—
Less: impairment loss	(41)	—	—
	—	28,115	—
Amount due from associates	—	17,505	—
Amount due to associates	(31)	(10,482)	—

Amount due from and to associates are unsecured, interest free and repayable on demand.

Details of the Group's associates at December 31, 2003, 2004 and 2005 are as follows:

Name of associate	Place of incorporation (or registration)/ operations	Effective equity interest held by group			Principal activity
		2003	2004	2005	
		%	%	%	
Nanjing Yanlord Property Management Co., Ltd.(a)	PRC	20	—	—	Property management
Suzhou Zhonghui Property Development Co., Ltd.(a)	PRC	—	40	—	Property development
Suzhou Yinghan Property Development Co., Ltd.(a)	PRC	—	40	—	Property development
Singapore Yanlord Land (HK) Ltd(b) 新加坡仁恒置地(香港)有限公司 (previously known as Everbright Billion Asia Ltd)	Hong Kong	—	50	—	Inactive

Notes on auditors

(a) Audited by Deloitte Touche Tohmatsu, Shanghai for consolidation purposes.

12 OTHER INVESTMENTS

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Unquoted equity shares, at cost	10,149	9,822	10,264

The investments included above represents investments in unquoted equity shares that present the Group with opportunity for return through dividend income and capital appreciation. The directors are of the view that the fair value of unquoted equity shares cannot be measured reliably as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

13 DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group and movements thereon during the year.

	Unrealised income	Excess of tax deductible expenses	Tax loss	Total
	$'000	$'000	$'000	$'000
At January 1, 2003	24,928	(7,601)	—	17,327
(Charge) Credit to income for the year (Note 27)	(13,428)	2,086	—	(11,342)
Exchange differences	283	100	—	383
At December 31, 2003	11,783	(5,415)	—	6,368
Credit to income for the year (Note 27)	29,303	6,664	1,856	37,823
Exchange differences	(236)	—	(60)	(296)
At December 31, 2004	40,850	1,249	1,796	43,895
(Charge) Credit to income for the year (Note 27)	(3,613)	483	1,667	(1,463)
Exchange differences	1,768	65	113	1,946
At December 31, 2005	39,005	1,797	3,576	44,378

No deferred tax assets has been recognised in respect of the Group's unutilised tax losses of $4,411,000 (2004 : $4,830,000, 2003 : $4,046,000) due to unpredictability of future profit streams. Tax losses may be carried forward to 2008.

14 INVENTORIES

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
At cost:			
Raw materials	94	454	461

15 TRADE RECEIVABLES

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Outside parties	6,698	158	565

The average credit period of the trade receivables is 60 days.

16 OTHER RECEIVABLES

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Advances to suppliers	16,123	1,379	1,134
Deposits for construction of properties and purchase of land	9,952	12,339	—
Loans to staff and affiliates	28,235	6,303	—
Prepayments	73	135	144
Sales tax receivables	—	—	12,064
Other receivables from third parties	5,289	19,675	15,302
	59,672	39,831	28,644

17 AMOUNT DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

Amount due from minority shareholders and current amount due to minority shareholders of subsidiaries are unsecured, interest free and repayable on demand.

Non-current amount due to minority shareholders of subsidiaries in 2003 and 2004 were unsecured, and not expected to be repaid within the next twelve months, of which $51,934,000 in 2004 bore interest at 7.2% per annum while the remaining non-current balances were interest free.

The directors consider that the carrying amount of the amounts due to minority shareholders of subsidiaries approximates its fair value.

18 HELD FOR TRADING INVESTMENTS

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Quoted securities and trust funds, at fair value	2,852	3,754	6,323

The investments included above represent investments in listed trust funds and equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market price.

The Group's held for trading investments that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Hong Kong dollars	63	456	6,323

19 CASH AND BANK BALANCES

Pledged bank deposits, bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

The effective interest rates for pledged bank deposits and bank balances are 1.98% (2004 : 0.87%; 2003 : 0.78%) and 0.72% (2004 : 0.56%; 2003 : 0.5%) respectively. Certain bank deposits are pledged against short-term loans with maturities less than 12 months.

The Group's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Hong Kong dollars	27,361	8,287	—
Euro	16	16	14
Australian dollars	19	5,659	19
Singapore dollars	—	—	483

20 SHARE CAPITAL

	GROUP					
	2003	2004	2005	2003	2004	2005
	'000	'000	'000	$'000	$'000	$'000
	Number of ordinary shares of $1 each					
Authorised	300,000	300,000	300,000	300,000	300,000	300,000
Issued and fully paid:						
At beginning and at end of year	144,328	144,328	144,328	144,328	144,328	144,328

The Company was incorporated subsequent to year end with $1 issued share capital. The pre-offering share capital of the Company subsequent to the Restructuring is 1,368,000,000 ordinary shares representing $515,319,000.

The above authorised and issued share capital relates to the aggregate amount of the Group's share of share capital of the subsidiaries as at the respective dates which represents the share capital of the immediate subsidiary, Yanlord Land Pte. Ltd.

21 BANK LOANS

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
The bank loans are repayable as follows:			
On demand or within one year	110,137	91,774	181,953
More than one year but not exceeding two years	140,067	235,089	51,800
More than two years but not exceeding five years	6,846	703	83,836
More than five years	1,337	1,098	961
	258,387	328,664	318,550
Less: Amount due for settlement within 12 months (shown under current liabilities)	(110,137)	(91,774)	(181,953)
Amount due for settlement after 12 months	148,250	236,890	136,597
Secured	137,050	221,182	255,364
Unsecured	121,337	107,482	63,186
	258,387	328,664	318,550

The Group's bank loans that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Singapore dollars	2,450	2,238	2,036

The directors consider the carrying amounts of the Company's borrowings approximate their fair values.

All bank loans except for a long term bank loan amounting to $2.0 million (2004 : $2.2 million; 2003 : $2.5 million) bear fixed interest rate, with the effective interest rate paid for the year ended December 31, 2005 was 4.75% (2004 : 5.5%; 2003 : 4.9%) per annum.

Long term bank loan amounting to $2.0 million (2004 : $2.2 million; 2003: $2.5 million) bear floating interest rate ranging from 3.4% to 4.8% (2004 : 2.8% to 3.5%; 2003 : 2.8% to 3.5%) which is 1.5% plus business cost fund rate of the bank and is re-priced on a quarterly basis.

Short term bank loans amounting to $127.1 million and long term bank loans amounting to $128.3 million are secured by deposits of approximately $8.2 million (2004 : $2.1 million; 2003 : $28.2 million), and properties under development for sales of approximately $657 million (2004 : $511 million; 2003 : $198 million). The remaining bank loans are unsecured.

The carrying amounts of bank loans approximate their fair values due to either the relatively short term maturity of this borrowings or the interest rates approximate the market rates prevailing at balance sheet date.

On June 20, 2005, a subsidiary obtained bank facilities from a bank, which are secured by some properties of a related party and covered by the joint guarantee by the shareholder Mr Zhong Sheng Jian, and the directors Mrs Zhong Lin Miao Jun and Ms Wei Li Jing. The related party is a company which is owned by Mr. Zhong Sheng Jian.

At December 31, 2005, Mr. Zhong and a director of a subsidiary of the Group also had provided unlimited personal guarantee in favour of a bank to cover bank loan granted to a subsidiary.

22 TRADE PAYABLES

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Outside parties	94,800	51,379	143,863

The average credit period taken for trade payables is 120 days.

23 OTHER PAYABLES

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Advances received from buyers	163,425	574,727	387,146
Sales tax payable	4,094	(392)	—
Accrued expenses	202	175	430
Other payables	7,354	15,837	27,774
	175,075	590,347	415,350

24 REVENUE

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Gross income from sale of properties in the PRC	629,427	375,711	813,780
Less: Business tax and land appreciation tax	(31,483)	(22,579)	(45,292)
Net income from sales of properties in the PRC	597,944	353,132	768,488
Property management fee income	3,103	6,118	8,412
Less: Business tax	(210)	(372)	(572)
Net property management fee income	2,893	5,746	7,840
Other service income	267	2,228	2,110
Less: Business tax	(5)	(91)	(80)
Net other service income	262	2,137	2,030
Total	601,099	361,015	778,358

25 OTHER OPERATING INCOME

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Dividend income from available for sale investments	—	838	1,697
Dividend income from investments held for trading	328	107	633
Interest income	3,262	944	2,596
Realised gain on investment	2,241	3,113	1,526
Tax subsidies(1)	8,002	10,003	4,653
Others	1,749	3,651	1,151
Total	15,582	18,656	12,256

(1) Pursuant to relevant laws and regulations in the PRC, a subsidiary, being the investor of the subsidiaries in the PRC, received tax refunds from the tax bureau of the PRC because the Company has increased its investment in the PRC subsidiaries by way of capitalising the accumulated profits of those subsidiaries.

26 FINANCE COST

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Interest on bank loans	26,077	19,795	22,508
Interest expense to shareholder (Note 5)	1,171	1,850	2,500
Total	27,248	21,645	25,008
Less: Interest capitalised in properties under development for sale	(25,993)	(19,651)	(21,738)
Net	1,255	1,994	3,270

27 INCOME TAX

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Current—Foreign	31,184	58,822	47,131
Overprovision in prior years	(84)	—	—
Deferred	11,342	(37,824)	1,463
Others	302	—	—
Net	42,744	20,998	48,594

No provision for Singapore taxation has been made as the Group's income neither arises in, nor is derived from Singapore.

Taxation arising in the PRC is calculated at the rates prevailing in the respective regions ranging from 15% to 33%.

The income tax expense varied from the amount of income tax expense determined by applying the above income tax rate to profit before income tax as a result of the following differences:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Income tax expense at PRC applicable tax rates of 15%	40,306	15,086	35,089
Non-deductible items	1,417	440	379
Non-taxable items	(1,741)	(1,327)	(642)
Prior years' tax loss previously not recognised	787	237	288
Utilisation of tax losses previously not recognised	(226)	(636)	—
Effect of different tax rates of overseas subsidiaries	1,879	6,690	14,379
Overprovision in prior years	(84)	—	14
Others	406	508	(913)
Total income tax expense	42,744	20,998	48,594

Income tax for overseas subsidiaries are calculated at the rates prevailing for the respective jurisdiction.

Land Appreciation Tax

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates of up to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. Thus far, the relevant local tax bureaus responsible for the enforcement of LAT regulations have not formally requested the Group to pay any final LAT computed based on the appreciation value for the years ended December 31, 2003, 2004 and 2005. During the year ended December 31, 2004, the State Administration of Taxation in the PRC promulgated a circular to all local tax bureaus requiring them to levy LAT on property developers. LAT is deductible for income tax purposes.

The PRC subsidiaries operating in Shanghai Pudong New District have obtained confirmation from the relevant district tax authority that it has not been levied any LAT on the sale proceeds of the properties sold. The directors of the Company have further confirmed with the Shanghai Municipal Taxation Bureau that the Shanghai Pudong Taxation Bureau, at the district level, is within its discretionary powers to vary its LAT administration and collection procedures according to its situation. This variation on the LAT administration applies not only to the subsidiary of the Group, but to all the other property development companies in Shanghai Pudong New District. This LAT if levied is estimated to be $39 million, $9 million, $17 million for years ended December 31, 2003, 3004 and 2005 respectively, and $31 million for the financial periods ended prior to January 1, 2003, each as adjusted for minority interest and income tax. The directors of the Company, after taking into account legal advice received and after consulting the local Shanghai Pudong Taxation Bureau, are of the opinion that the relevant tax authority is unlikely to impose any LAT on a retrospective basis.

The PRC subsidiaries operating in ChangNing district and Nanjing Liuhe and Yuhuatai districts have obtained confirmations from the relevant local tax authorities that the advance LAT is levied on these subsidiaries based on 1% or 3% of the sales proceeds of residential units and villas sold. Provision for land appreciation tax has been made based on the confirmation from local tax authorities and no additional provision for land appreciation tax has been made based on the amount determined under the abovementioned method which is based on their appreciation value. The relevant local tax bureau further advised that the PRC subsidiaries may voluntarily apply for the settlement of actual LAT based on progressive rates of up to 60% of the appreciation value of the projects. After LAT has been assessed on this basis, the relevant local tax bureaus will either refund the amount of overpayment, or require the relevant PRC subsidiaries to make up shortfall in the amount of LAT previously paid and the actual LAT calculated on the progressive rates basis.

The directors of the Company, after taking into account the legal advice received and after consulting the local tax bureaus, are of the view that the actual LAT payable as required under the Provisional Regulations approximates the amount of LAT actually paid by the Group for the PRC subsidiaries operating in ChangNing district and Nanjing Liuhe and Yuhuatai districts as at December 31, 2005.

28 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Staff costs	8,810	15,607	15,027
Retirement benefit scheme contributions included in staff costs	714	793	1,073
Allowance for doubtful trade receivables	—	11	—
Impairment of goodwill (included in administrative expenses)	—	53	483
Net loss on disposal of property, plant and equipment (included in other operating expense)	62	127	103
Net foreign exchange (gain) loss	(380)	415	(1,099)
Net depreciation of investment properties	—	—	46
Net depreciation of property, plant and equipment	877	1,622	2,542

There was no remuneration paid to the directors of the Group for the financial years ended December 31, 2003, 2004 and 2005.

29 EARNINGS PER SHARE

Earnings per share for the financial years ended December 31, 2003, 2004 and 2005 have been calculated based on the profit attributable to the equity holders of the Company for each of the financial year and on the 1,368,000,000 ordinary shares in issue during these periods on the assumption that the Group Restructuring has been effective on January 1, 2003.

30 DIVIDENDS

During the financial year ended December 31, 2003, 2004 and 2005, the subsidiaries declared dividend to its shareholders:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Yanlord Land Pte. Ltd.	—	13,646	98,597
Yanlord Investment (Nanjing) Co., Ltd.	316	—	—
Shanghai Yanlord Real Estate Co., Ltd.	—	—	69,422
Shanghai Yanlord Property Co., Ltd.	52,438	194,212	119,670

The rate of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful.

31 SEGMENT INFORMATION

The Group is engaged in residential property development and sales. The Group's operations are located in the PRC and substantially the Group's turnover and contribution to profit from operations are derived from residential property development and sales. Accordingly, no analysis by business segment and geographical area of operations are provided.

32 ACQUISITIONS OF SUBSIDIARIES

On July 21, 2004, the Group increased its shares in an associate—Nanjing Yanlord Property Management Co., Ltd. from 20% to 73% for a cash consideration of $455,814.

On April 30, 2005, the Group increased its equity interests in associates—Suzhou Zhonghui Property Development Co., Ltd. and Suzhou Yinhan Property Development Co., Ltd. to 100% for consideration of $25,733,185 and $45,059,621 respectively. Subsequent to the acquisition, the Group further increased capital contribution of $3,069,540 and $17,053,000 respectively to Suzhou Zhonghui Property Development Co., Ltd. and Suzhou Yinhan Property Development Co., Ltd..

These acquisitions have been accounted for by the acquisition method of accounting.

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Net assets acquired:			
Property, plant and equipment	—	—	369
Properties for development	—	—	97,970
Inventories	—	43	—
Other receivables	—	1,252	39,691
Bank balances and cash	—	830	3,241
Pledged bank deposit	—	—	3,072
Other payables and accruals	—	(2,234)	(24,192)
Bank borrowings after 1 year	—	—	(46,797)
Minority interests	—	29	—
Interest in associates	—	—	(29,344)
	—	(80)	44,010
Goodwill (Note 8)	—	536	—
Total consideration—satisfied by cash	—	456	44,010
Net cash outflow arising on acquisitions:			
Cash consideration	—	(456)	(44,010)
Bank balances and cash of subsidiaries acquired	—	830	3,241
	—	374	(40,769)

Suzhou Zhonghui Property Development Co., Ltd. and Suzhou Yinhan Property Development Co., Ltd. generated $Nil revenue and $246,251 and $198,117 loss respectively to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on January 1, 2005, total group revenue to the year would have been $778,358,000, and profit for the year would have been $185,265,000.

33 JOINT VENTURE

The Group has a 51% equity shareholding, in Chengdu Zheng Ye Property Co., Ltd., The First Branch, a joint venture established in the PRC.

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of the joint venture:

	GROUP	
	2003	2004
	$'000	$'000
Current assets	44	3,104
Non-current assets	5,001	6,188
Current liabilities	78	4,525
Income	—	—
Expenses	7	41

In 2005, the Group has obtained the control over a newly established entity, Chengdu Everrising Asset Management Co., Ltd., which hold the assets transferred from Chengdu Zhengye Property Co., Ltd. through a series organisation.

Therefore, Chengdu Everrising Asset Management Co., Ltd. has been consolidated by acquisition method of accounting from the effective acquisition date.

	2005
	$'000
Net asset acquired:	
Property, plant and equipment	38
Properties for development	15,843
Other receivables	6,334
Bank balances and cash	141
Other payables and accruals	(18,699)
Minority interests	(1,792)
	1,865
Satisfied by:	
Net assets of a joint venture	1,865
Net cash inflow arising on acquisitions:	
Cash consideration	—
Bank balances and cash	69
	69

34 OPERATING LEASE ARRANGEMENTS

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Minimum lease payments under operating leases recognised as an expenses in the year	2,852	2,698	3,305

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Within 1 year	1,828	1,670	2,988
In the second to fifth year inclusive	415	2,032	3,246
	2,243	3,702	6,234

Operating lease payments represent rental payables by the Group in respect of land and buildings for its office premises. Leases are negotiated for an average term of three years.

35 CAPITAL EXPENDITURE COMMITMENTS

Estimated amounts committed for future capital expenditure but not provided for in the financial statements:

	GROUP		
	2003	2004	2005
	$'000	$'000	$'000
Construction of properties	296,951	58,882	399,263
Acquisition of land use rights	4,417	96,645	113,561
	301,368	155,527	512,824

36 CONTINGENCY

The Group provides guarantees of approximately $137.9 million at December 31, 2005 (2004 : $242.1 million, 2003 : $108.6 million), to banks in favour of its customers in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted.

37 NON-CASH TRANSACTIONS

On December 31, 2005, a subsidiary of the Company had declared dividends amounted to $98,596,901 pursuant to Group Restructuring as disclosed in Note 2 to the financial statements.

On June 17, 2003, the Company acquired 100% of the registered capital of Yanlord Industrial (Chengdu) Co., Ltd. for a consideration of $5,251,860. The amount was settled by 5,251,860 ordinary shares of the Company issued at $1 each.

On November 18, 2003 and November 29, 2002, the Company issued 39,038,512 and 46,485,131 ordinary shares of $1 each to a shareholder, the amounts were settled by setting off the amount due to the shareholder of $39,038,512 and $46,485,131 respectively.

38 RETIREMENT BENEFITS SCHEME

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The only obligation of the PRC subsidiaries with respect to the state-managed schemes is to make the specified contributions. The PRC government is responsible for the pension liability to these retired staff. As at December 31, 2003, 2004 and 2005, no contributions in respect of the current reporting years had not been paid to the schemes.

39 SIGNIFICANT CHANGES IN ACCOUNTING POLICY

Revenue recognition for property sales

Prior to January 1, 2004, revenue on properties under development contracted for sales in advance of completion was recognised and calculated on a percentage of completion basis when construction has progressed beyond the preliminary stages of development. The percentage used was based on the proportion of construction costs incurred at the balance sheet date as compared to the estimated total construction costs. Profit recognised on this basis was limited to the extent that the economic benefits associated with the transaction will flow to the Group. The relevant items in the financial statements for the financial years ended December 31, 2003 to 2005 prepared based on percentage of completion method will be as follows:

	GROUP		
	2003	**2004**	**2005**
	$'000	**$'000**	**$'000**
Consolidated balance sheets			
Completed properties for sale	124,468	67,326	124,291
Properties under development for sale	249,477	592,961	765,991
Deferred tax (liabilities) assets	(6,853)	15,210	11,898
Trade payables	45,520	34,523	126,827
Other payables	82,280	206,494	132,906
Income tax payable	17,817	23,413	28,863
Consolidated profit and loss statements			
Revenue	456,569	631,377	663,291
Cost of sales	(284,126)	(405,342)	(391,569)
Gross profit	172,443	226,035	271,722
Profit before taxation	160,447	206,204	240,796
Income tax	(29,677)	(44,284)	(51,053)
Profit after income tax	130,770	161,920	189,743
Equity holders of the parent	88,654	106,742	124,553
Minority interests	42,116	55,178	65,190
	130,770	161,920	189,743
Consolidated statements of changes in equity			
Issued capital	144,328	144,328	144,328
Translation reserve	(21,804)	(36,811)	(13,889)
Statutory reserves	31,771	37,104	39,208
Shareholder's contribution	2,420	2,420	2,420
Accumulated profits	287,440	382,287	434,903
Attributable to equity holders of the parent	444,155	529,328	606,970
Minority interest	117,859	106,757	146,542
Total	562,014	636,085	753,512
Consolidated cash flow statements			
Net cash (used in) from operating activities	(32,047)	95,590	9,204
Net cash used in investing activities	(5,063)	(64,907)	(34,768)
Net cash from (used in) financing activities	92,353	50,153	(114,367)
Currency realignment adjustments	(9,301)	(25,203)	57,852
Net increase (decrease) in cash	45,942	55,633	(82,079)
Cash at beginning of year	95,646	141,588	197,221
Cash at end of year	141,588	197,221	115,142

During the financial year ended December 31, 2004, the management of the Group changed the accounting policy of such revenue recognition in order to more accurately reflect the revenue recognition based on the timing of the transfer of risks and rewards of ownership to the buyers. Based on the new accounting policy, revenue on properties under development contracted for sales in advance of completion is recognised when the title passes and relevant risks and rewards associated with this property have been transferred. Payments received from buyers prior to this stage are recorded as advances from customers for sales of properties and is classified as current liabilities.

In accordance with FRS 101 First-time Adoption of Financial Reporting Standards, this change in accounting policy has been applied retrospectively and hence the financial statements for 2003 have been prepared and presented in these consolidated financial statements based on new accounting policy.

40 SUBSEQUENT EVENTS

1. Subsequent to the financial year ended December 31, 2005, a subsidiary of the Group declared an interim tax exempt dividend of 12.47 cent per ordinary share on the ordinary shares of the subsidiary for the financial year ending December 31, 2006 totalling $18 million to its then shareholders.

2. Pursuant to written resolutions dated May 9, 10 and 11, 2006 in lieu of special general meetings, the Shareholders approved, *inter alia,* the following:-

(a) the appointment of Mr Zhong Siliang, Ms Chan Yiu Ling, Mr Ronald Seah Lim Siang, Mr Ng Ser Miang and Ms Ng Shin Ein as directors of the Company;

(b) the issue and allotment of 1,367,999,999 shares of $0.3767 each to Yanlord Holdings and its nominees as a consideration for the transfer of shares in Yanlord Land to the Company;

(c) the conversion of the Company into a public company limited by shares and the consequential change of name to "Yanlord Land Group Limited";

(d) the adoption of a new set of Articles of Association;

(e) the issue of the Shares pursuant to the initial public offering, including the Shares issuable upon the exercise by the initial purchasers, of the over-allotment option;

(f) the authorisation to the Directors to allot and issue Shares and/or convertible securities (where the maximum number of Shares to be issued upon conversion can be determined at the time of issue of such convertible securities) from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares and/or convertible securities which may be issued pursuant to such authority shall not exceed 50% of the issued shares of the Company, of which the aggregate number of Shares and/or convertible securities which may be issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued shares of the Company (the percentage of issued shares being based on the post-Invitation issued shares of the Company after adjusting for new Shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or sub-division of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or on the date by which the next annual general meeting is required by law to be held, whichever is earlier; and

(g) the adoption, implementation and administration of the Yanlord Land Group Pre-IPO Share Option Scheme and Yanlord Land Group Share Option Scheme 2006 and the allotment and issue of Option Shares.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

September 30, 2006

	Note	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
		$'000	$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		23,303	24,537
Investment property	4	50,894	—
Properties for development		199,212	350,005
Associates		158	—
Other investments		9,814	10,264
Deferred tax assets		14,059	44,378
Total non-current assets		297,440	429,184
Current assets:			
Inventories		1,075	461
Completed properties for sale		116,057	153,764
Properties under development for sale		1,076,335	889,575
Trade receivables		518	565
Other receivables		43,077	28,644
Prepaid income tax		9,322	—
Non trade amounts due from:			
Minority shareholders of subsidiaries		21,752	15,067
Other related parties		87	—
Held for trading investments		4,203	6,323
Pledged bank deposits		1,256	8,206
Cash and bank balances		608,707	115,142
Total current assets		1,882,389	1,217,747
Total assets		2,179,829	1,646,931
EQUITY AND LIABILITIES			
Capital and reserves:			
Share capital	5	779,929	144,328
Reserves		93,214	388,991
Equity attributable to equity holders of the Company		873,143	533,319
Minority interest		104,771	108,302
Total capital and reserves		977,914	641,621
Non-current liabilities:			
Bank loans—due after one year	6	358,983	136,597
Deferred tax liabilities		7,751	—
Non trade amounts due to:			
Minority shareholders of subsidiaries		26,385	—
Total non-current liabilities		393,119	136,597
Current liabilities:			
Trade payables		154,952	143,683
Other payables		534,294	415,350
Non trade amounts due to:			
An associate		36	—
A director		8,642	—
A shareholder		17,856	49,969
Minority shareholders of subsidiaries		18,963	42,492
Other related parties		1,084	8,275
Income tax payable		—	26,991
Bank loans—due within one year	6	72,969	181,953
Total current liabilities		808,796	868,713
Total equity and liabilities		2,179,829	1,646,931

See accompanying notes to financial statements on pages F-44 to F-53.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT
For the nine-month period ended September 30, 2006

	Note	Nine-month ended September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)
		$'000	$'000
Revenue		607,021	467,814
Cost of sales		(344,952)	(331,153)
Gross profit		262,069	136,661
Other operating income		29,460	5,622
Selling and distribution costs		(8,703)	(5,059)
Administrative expenses		(29,352)	(20,350)
Other operating expenses		(1,141)	(1,706)
Share of result of associated company		(21)	(12)
Finance costs		(335)	(627)
Profit before income tax		251,997	114,529
Income tax expense	7	(61,538)	(38,859)
Profit for the period		190,439	75,670
Attributable to:			
Equity holders of the Company		123,143	46,085
Minority interests		67,296	29,585
		190,439	75,670
Earnings per share for profit attributable to equity holders of the Company (cents)	8		
Basic		8.43	3.37
Diluted		8.41	3.37

See accompanying notes to financial statements on pages F-44 to F-53.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended September 30, 2006

Group	Reserves								
	Share capital	Currency translation reserve	Share option reserves	Statutory reserve	Merger reserve (deficit)(2)	Retained earnings	Attributable to equity holders of the company	Minority interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at January 1, 2005(1)	144,328	(33,896)	—	37,104	2,420	310,745	460,701	72,127	532,828
Foreign currency translation differences	—	24,297	—	—	—	—	24,297	1,869	26,166
Net income recognised directly in equity	—	24,297	—	—	—	—	24,297	1,869	26,166
Net profit for the period	—	—	—	—	—	46,085	46,085	29,585	75,670
Total recognised income for the period	—	—	—	—	—	46,085	46,085	29,585	75,670
Cash injection from minority interests	—	—	—	—	—	—	—	20,992	20,992
Appropriation from accumulated profits	—	—	—	1,237	—	(1,237)	—	—	—
Balance as at September 30, 2005	144,328	(9,599)	—	38,341	2,420	355,593	531,083	124,573	655,656
Balance as at January 1, 2006	144,328	(13,605)	—	39,208	2,420	360,968	533,319	108,302	641,621
Foreign currency translation difference	—	(30,570)	—	—	—	—	(30,570)	(2,077)	(32,647)
Net income recognised directly in equity	—	(30,570)	—	—	—	—	(30,570)	(2,077)	(32,647
Net profit for the period	—	—	—	—	—	123,143	123,143	67,296	190,439
Total recognised income for the period	—	—	—	—	—	123,143	123,143	67,296	190,439
Adjustments arising from the Restructuring Exercise	(144,328)	—	—	—	(388,991)	—	(533,319)	—	(533,319)
Issuance of shares pursuant to the Restructuring Exercise	515,319	—	—	—	—	—	515,319	—	515,319
Issuance of shares pursuant to IPO, net of IPO expenses	252,922	—	—	—	—	—	252,922	—	252,922
Issuance of shares pursuant to the over-allotment exercise, net of expenses	11,688	—	—	—	—	—	11,688	—	11,688
Change of interests in subsidiaries	—	—	—	—	—	—	—	(5,950)	(5,950)
Recognition of share-based payments	—	—	641	—	—	—	641	—	641
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	(62,800)	(62,800)
Balance as at September 30, 2006	779,929	(44,175)	641	39,208	(386,571)	484,111	873,143	104,771	977,914

(1) The share capital as at January 1, 2005 and September 30, 2005 represents the share capital of the Group's subsidiary, Yanlord Land Pte Ltd before the Restructuring Exercise.

(2) Merger reserve represents the difference between the nominal amount of the share capital of the subsidiary at the date on which it was acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition as part of the Restructuring Exercise.

See accompanying notes to financial statements on pages F-44 to F-53.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the nine-month period ended September 30, 2006

	Nine-month ended	
	September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)
	$'000	$'000
Net cash from (used in) operating activities	256,689	(97,763)
Net cash from (used in) investing activities		
Interest received	3,287	1,384
Dividend received from investments held-for-trading	77	566
Dividend received from available-for-sale investments	—	1,679
Purchases of property, plant and equipments	(1,842)	(4,256)
Proceeds on disposal of property, plant and equipments	69	932
Purchase of investments held-for-trading	—	(34,116)
Proceeds on disposal of investments held-for-trading	1,677	29,921
Decrease in pledged bank deposits	6,950	1,958
Acquisition of additional interests in associates	—	(40,769)
Investment in an associate	(179)	—
Advance to a shareholder	—	(26,681)
(Advance to) repayment from related companies	(87)	40,329
Repayment from associates	—	521
Advance to minority shareholders of subsidiaries	(6,685)	(44,772)
	3,267	(73,304)
Net cash from financing activities		
Advance from (repayment to) a associate	36	(10,482)
(Repayment to) advance from related companies	(7,191)	66,649
Repayment to a shareholder	(7)	—
Advance from (repayment to) minority shareholders of subsidiaries	2,856	(57,534)
Repayment to a director	(41,326)	—
New bank loans raised	355,999	145,109
Repayment of borrowings	(228,628)	(119,458)
Net proceeds on issue of shares	264,610	—
Dividend paid to minority shareholders of subsidiaries	(62,800)	—
(Withdrawal by) cash injection from minority interests	(6,466)	20,993
	277,083	45,277
Net increase (decrease) in cash and cash equivalents	537,039	(125,790)
Cash and cash equivalents at beginning of period	115,142	197,221
Effect of foreign exchange rate changes	(43,474)	41,023
Cash and cash equivalents at end of period	608,707	112,454

See accompanying notes to financial statements on pages F-44 to F-53.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended September 30, 2006

1 BASIS OF PREPARATION

The Company was incorporated in Republic of Singapore on February 13, 2006 under the Singapore Companies Act (Cap 50) as a private company limited by shares under the name of Yanlord Land Group Pte Ltd. On May 10, 2006, the Company changed its name to "Yanlord Land Group Limited" in connection with its conversion to a public company limited by shares.

On June 22, 2006, the Company was listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

The condensed consolidated financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 34, *Interim Financial Reporting*.

The condensed consolidated financial statements should be read in conjunction with the Independent Auditors' Report and Financial Statements for the years ended December 31, 2003, 2004 and 2005 set out in Appendix A to the prospectus of the Company dated June 15, 2006 ("the Prospectus") in connection with the initial public offering and international placement of the shares of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared using historical cost convention, except as disclosed in the accounting policies in its consolidated financial statements for the financial year ended December 31, 2005.

In the current interim period, the Group has adopted the accounting policy as follows:

a) FRS 102—Share-based Payment

FRS 102 Share-based Payment requires the recognition of equity-settled share-based payments at fair value at the date of grant date and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date.

There was no impact on the consolidated financial statements for the financial year ended December 31, 2005 as there were no share options granted by the Group.

For the current financial period, the share-based payments charge to profit and loss statement was $641,000. At September 30, 2006, the share option reserve amounted to $641,000.

b) FRS 40—Investment Property

FRS 40 will be effective for annual period beginning January 1, 2007. The Group has early adopted FRS 40 in the current financial period which was in line with the market practice of PRC property developers listed in Hong Kong and therefore provide meaningful comparative figures in respect of market performance and market share of the Group in the industry. The early adoption of FRS 40, will result in a change in the Group's accounting policies for investment properties, whereby under the fair value model, all changes in fair value are recognized in the profit and loss statement.

For the current financial period, the Group recorded in other operating income, a fair value gain of $23.8 million and $8.1 million in the profit for the period and profit attributable to equity holders of the Company respectively. The resultant deferred income tax liabilities recognized was S$7.8 million.

The adoption of FRS 40 does not have any effect for prior year as there was no investment property in 2005.

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not effective:

FRS 107	—	Financial Instruments: Disclosures
FRS 108	—	Scope of FRS 102
INT FRS 109	—	Reassessment of Embedded Derivatives
INT FRS 110	—	Interim Financial Reporting and Impairment

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The directors anticipate that the adoption of these FRSs and INT FRSs in future periods will have no material impact on the results and the financial position of the Group.

3 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The related party balances are unsecured, interest-free and repayable on demand unless otherwise stated. The amount due to a shareholder in 2005 is unsecured, bears interest based on market rate and repayable on demand.

Significant related parties transactions other than disclosed in Note 5 are as follows:

	Group	
	September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)
	$'000	$'000
Rental expense to a related party	803	—
Sales of properties to related parties	7,688	—

Compensation of directors and key management personnel

The remuneration of the directors and other members of key management during the period are as follows:

	Group	
	September 30, 2006 (Unaudited)	September 30, 2005 (Unaudited)
	$'000	$'000
Short-term employee benefits	495	111
Post-employment benefits	37	11

The remuneration of the directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

4 INVESTMENT PROPERTY

	Group	
	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
	$'000	$'000
At Fair value:		
Balance as at the beginning of year	—	—
Transfer from construction in progress upon completion	27,133	—
Surplus arising on valuation	23,761	—
Balance as at the end of year	50,894	—

The investment properties are stated at valuation based on the professional valuation carried out by an independent valuer, CB Richard Eills Limited, for the investment property as at December 31, 2005 on the basis of open market value for existing use. The directors of the Company is of the opinion that the there was no material difference in its market value from December 31, 2005 to September 30, 2006.

5 SHARE CAPITAL

	GROUP			
	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
	'000	'000	$'000	$'000
	Number of ordinary shares			
Issued and fully paid:				
At beginning of period/year	144,328	144,328	144,328	144,328
Arising from Group restructuring	(144,328)	—	(144,328)	—
Issue of shares pursuant to Group restructuring	1,368,000	—	515,319	—
Issue of shares pursuant to IPO, net of IPO expenses of S$8,438,000	242,000	—	252,922	—
Issue of shares pursuant to the over-allotment exercise, net of expenses of S$3,997,000	14,523	—	11,688	—
At end of period/year	1,624,523	144,328	779,929	144,328

The above issued and fully paid up share capital for 2005 related to the aggregate amount of the Group's share of share capital of the subsidiaries which represented the share capital of the immediate subsidiary, Yanlord Land Pte. Ltd.

The Company was incorporated subsequent to year ended December 31, 2005 with $1 issued share capital. The pre-offering share capital of the Company subsequent to the Restructuring is 1,368,000,000 ordinary shares representing $515,319,000.

As a result of the Companies (Amendment) Act 2005 which came effect on January 30, 2006, the concept of authorised share capital and par value has been abolished.

6 BANK LOAN

	Group	
	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
	$'000	$'000
The bank loans are repayable as follows:		
On demand or within one year	72,969	181,953
More than one year but not exceeding two years	65,631	51,800
More than two years but not exceeding five years	293,352	83,836
More than five years	—	961
	431,952	318,550
Less: Amount due for settlement within 12 months (shown under current liabilities)	(72,969)	(181,953)
Amount due for settlement after 12 months	358,983	136,597
	412,063	255,364
Secured	19,889	63,186
Unsecured	431,952	318,550

The Group's bank loans are mainly denominated in the functional currencies of the respective entities.

All bank loans except for a bank loan amounting to $1.8 million (2005 : $2.0 million) bear fixed interest rate, with the effective interest rate paid for the period ended September 30, 2006 was 5.9% (2005 : 4.75%) per annum.

The bank loan amounting to $1.8 million (2005 : $2.0 million) bears floating interest rate of 5.50% (2005 : 3.4% to 4.8%) per annum which is 1.5% plus business cost fund rate of the bank and is re-priced on a quarterly basis.

Short term bank loans amounting to $53.1 million (2005 : $127.1 million) and long term bank loans amounting to $359.0 million (2005 : $128.3 million) are secured by deposits of approximately $Nil million (2005 : $8.2 million), and properties under development for sales and properties for development of approximately $673 million (2005 : $657 million). The remaining bank loans are unsecured.

The carrying amounts of bank loans approximate their fair values due to either the relatively short term maturity of this borrowings or the interest rates approximate the market rates prevailing at balance sheet date.

On June 20, 2005, a subsidiary obtained bank facilities from a bank, which were secured by some properties of a related party and covered by the joint guarantee by the shareholder Mr Zhong Sheng Jian, and the directors Mrs Zhong Lin Miao Jun and Ms Wei Li Jing. The related party is a company which is owned by Mr. Zhong Sheng Jian. During the current financial period, the bank facilities were discharged.

At September 30, 2006, Mr. Zhong and a director of a subsidiary of the Group also had provided unlimited personal guarantee amounting to $1.8 million (2005: $2.0 million) in favour of a bank to cover bank loan granted to a subsidiary.

On May 30, 2006, a subsidiary obtained bank facilities from a bank, which were covered by the joint guarantee by the directors Mr. Zhong Sheng Jian, Mrs. Zhong Lin Miao Jun and Ms Wei Li Jing.

7 INCOME TAX EXPENSE

Income tax for overseas subsidiaries are calculated at the rates prevailing for the respective jurisdiction.

The Group's consolidated effective tax rate for the nine-month period ended September 30, 2006 was 24.4% (nine-month period ended September 30, 2005 : 33.9%). The lower effective tax rate was primarily resulting from more profit generated from regions with lower tax rates in the nine months ended September 30, 2006 compared to the corresponding period last year.

Land Appreciation Tax

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") effective from January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from January 27, 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates of up to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. Thus far, the relevant local tax bureaus responsible for the enforcement of LAT regulations have not formally requested the Group to pay any final LAT computed based on the appreciation value for the period ended September 30, 2006 and 2005. During the year ended December 31, 2004, the State Administration of Taxation in the PRC promulgated a circular to all local tax bureaus requiring them to levy LAT on property developers. LAT is deductible for income tax purposes.

Shanghai Pudong New District

The PRC subsidiary operating in Shanghai Pudong New District obtained confirmations from the relevant district tax authority that it has not been levied any LAT on the sale proceeds of the properties sold. The directors of the Company have further confirmed with the Shanghai Municipal Taxation Bureau that the Shanghai Pudong Taxation Bureau, at the district level, within its discretionary powers is to vary its LAT administration and collection procedures according to its situation. This variation on the LAT administration applies not only to the subsidiary of the Group, but to all the other property development companies in Shanghai Pudong New District. Accordingly, no provision has been made. However, this LAT if levied is estimated to be $15.0 million and $1.6 million for period ended September 30, 2006 and 2005 respectively, each as adjusted for minority interest and income tax.

On October 1, 2006, the local tax bureau in the Shanghai Pudong New District has begun requiring pre-payment of LAT of 1% on the sale proceeds of developments. On December 28, 2006, the PRC State Administration of Taxation issued a circular, which will take effect on February 1, 2007, setting forth that real estate developers shall settle the final LAT payments in respect of their development projects that meet certain criteria. Local tax authorities, including the Shanghai tax authorities, are required to issue specific implementation rules or measures in compliance with the circular, while also taking into consideration of local conditions. The circular and the regulations issued thereunder may cause the Group to be liable to pay LAT on all projects completed, including those located in Shanghai Pudong New District. If LAT based on progressive rates had been levied on the Group's Shanghai Pudong New District properties, the Group would have incurred LAT in the aggregate amount of S$39.5 million, S$9.5 million, S$17.1 million and S$15.0 million for years ended December 31, 2003, 2004, 2005 and the nine months ended September 30, 2006, respectively, and S$31.2 million for the financial periods prior to January 1, 2003, each as adjusted for minority interests and for income tax deductions. The total provision may potentially be as large as S$112.3 million and reduce the Group's net profit for the current period by the same amount.

The Group has been advised by its PRC counsel that there is uncertainty whether or not the Shanghai tax authorities will levy retrospectively LAT in respect of the Group's Shanghai Pudong New District developments. Whilst the Circular provides clarification for situations whereby LAT has been prepaid, it does not specifically address situations such as that for Shanghai Pudong New District, where no LAT prepayment was required up to 30 September 2006. Moreover, the Circular does not have any express provision requiring retrospective imposition of LAT. The legal counsel further advised that based on the discussion between the Company and Shanghai Pudong Taxation Bureau, the Shanghai tax authorities are currently reviewing the Circular in order to issue regulations on the implementation of LAT. At this stage, the Shanghai Pudong Taxation Bureau is not able to clarify their tax position and ascertain whether the LAT will be levied retrospectively.

The directors of the Company, after taking into account the legal advice received, are of the view that it is more likely that LAT will not be imposed retrospectively and therefore the Group has not made a provision.

ChangNing District, Nanjing Liuhe and Yuhuatai Districts

The PRC subsidiaries operating in ChangNing district and Nanjing Liuhe and Yuhuatai districts have obtained confirmations from the relevant local tax authorities that the advance LAT is levied on these subsidiaries based on 1% or 3% of the sales proceeds of residential units and villas sold. Provision for land appreciation tax has been made based on the confirmations from local tax authorities and no additional provision for land appreciation tax has been made based on the amount determined under the abovementioned method which is based on their appreciation value. The relevant local tax bureau further advised that the PRC subsidiaries may voluntarily apply for the settlement of actual LAT based on progressive rates of up to 60% of the appreciation value of the projects. After LAT has been assessed on this basis, the relevant local tax bureaus will either refund the amount of overpayment, or require the relevant PRC subsidiaries to make up shortfall in the amount of LAT previously paid and the actual LAT calculated on the progressive rates basis.

For the nine month ended September 30, 2006, in addition to the above advance LAT, the Group has estimated, made and included in cost of sales a provision for LAT of $27.9 million (2005: $NIL) for a project in ChangNing District based on the progressive rates basis. The residual LAT payable in respect of property development (other than in the Shanghai Pudong New District) are assessed to be immaterial, hence no LAT provision is made.

The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

The directors of the Company are of the view that the actual LAT payable as required under the Provisional Regulations approximates the amount of LAT actually paid and accrued by the Group for the PRC subsidiaries operating in ChangNing district and Nanjing Liuhe and Yuhuatai districts as at September 30, 2006.

8 EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders for the year by the weighted average number of ordinary shares outstanding during the period.

Fully diluted earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options). There were no share options granted by the Group in 2005. Accordingly, there are no dilutive effects as at September 30, 2005.

	Group			
	September 30, 2006 (Unaudited)		September 30, 2005 (Unaudited)	
	Basic	Diluted	Basic	Diluted
	$'000	$'000	$'000	$'000
Profit for the year attributable to equity holders of the company	123,143	123,143	46,085	46,085

	No. of share			
	September 30, 2006 (Unaudited)		September 30, 2005 (Unaudited)	
	Basic	Diluted	Basic	Diluted
	'000	'000	'000	'000
Weighted average number of ordinary shares	1,460,989	1,460,989	1,368,000	1,368,000
Adjustment for potential dilutive ordinary shares	—	3,036	—	—
Weighted average number of ordinary shares used to compute earnings per share	1,460,989	1,464,025	1,368,000	1,368,000
Earnings per share (cents)	8.43	8.41	3.37	3.37

For comparative purpose, the 2005 weighted average number of ordinary share is based on pre-invitation ordinary share number of 1,368,000,000 which represents the number of shares outstanding after adjusting for the effects of the Restructuring Exercise.

Impact of changes in accounting policy

Changes in the Group's accounting policies during the year are described in detail in Note 2 to the unaudited condensed consolidated interim financial statements. To the extent that those changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summaries the impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006	2005	2006	2005
	Cents	cents	cents	cents
Recognition of share-based payments as expense	(0.04)	—	(0.04)	—
Fair value gain on investment property	0.56	—	0.55	—
Total impact of changes in accounting policy	0.52	—	0.51	—

9 SEGMENT INFORMATION

The Group is primarily engaged in residential property development and sales. The Group's operations are located in the PRC and substantially the Group's turnover and contribution to profit from operations are derived from residential property development sales. Hence, the geographical and business segment information are as presented in the financial statements.

10 CAPITAL EXPENDITURE COMMITMENTS

	Group	
	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
	$'000	$'000
Construction of properties	292,368	399,263
Acquisition of land use rights	164,342	113,561

11 CONTINGENCY

The Group provided guarantees of approximately $156.5 million at September 30, 2006 (2005 : $137.9 million), to banks in favour of its customers in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted.

12 SUBSEQUENT EVENTS

a) On October 11, 2006, a subsidiary of the Company, Yanlord Land Pte. Ltd., incorporated Yanlord Property Pte. Ltd. for the purpose of investing in a residential development project in Nanjing and other property development projects in PRC. The Group owned 60% equity interest in Yanlord Property Pte. Ltd and the remaining 40% is owned by Reco Yizhong Private Limited.

b) On December 28, 2006, Yanlord Property Pte. Ltd. acquired a residential and commercial mix-used site in Nanjing for approximately S$473 million (RMB2.4 billion).