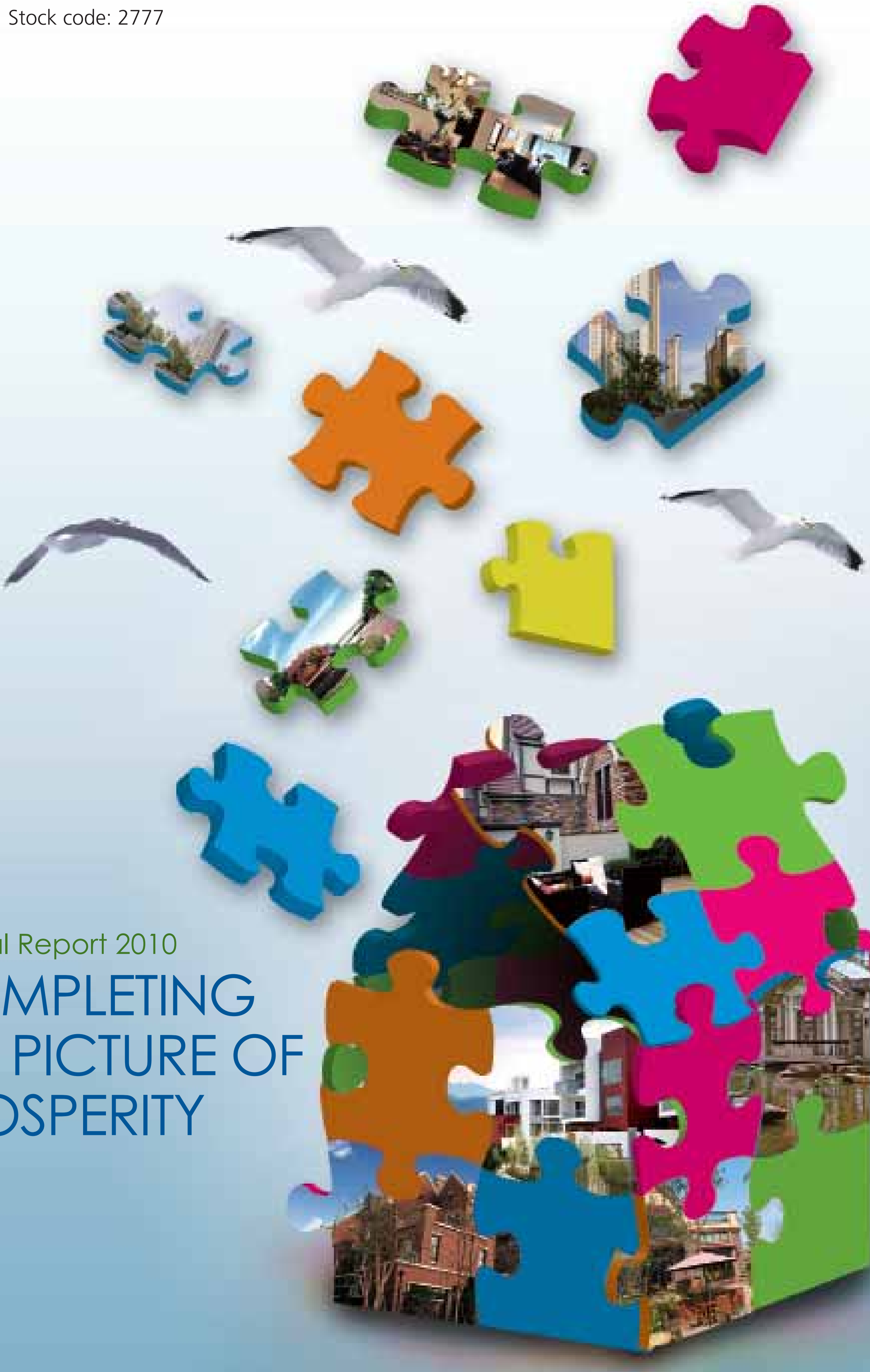
GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777



Annual Report 2010

COMPLETING THE PICTURE OF PROSPERITY

ABOUT R&F

One of China's largest and most well-known property developers, Guangzhou R&F Properties Co., Ltd. is a major player in the country's drive towards urbanization. Our core business lies in mass residential property development on a variety of scales, with around 40 projects currently under development in 13 major cities including Beijing, Tianjin and Guangzhou. A proportion of our asset portfolio is held in investment properties (including prestigious hotels and shopping malls) as part of our ongoing development strategy. R&F is also involved in co-developing some important large-scale projects in conjunction with respected industry peers. With a prime land bank portfolio sufficient for several years of developments, and a brand name synonymous for quality and value nationwide, R&F is expecting to contribute significantly to the quality of urban life in China over the coming year.

CONTENTS

A MULTI-FACETED MISSION

HIGHLIGHTS OF THE YEAR

MARCH

- The Company acquired land in Yonghan Village, Longmen Town, Huizhou City through listing. It will be developed into a mixed project with hotel, commercial and tourism space
- Announcement of 2009 Annual Results
- Grand Opening of integrated logistics park at R&F Jin Gang City

MAY

- Annual General Meeting for 2009

JUNE

- Named 2010 Outstanding China Property Stock by the Economic Digest for the third consecutive year

JULY

- Awarded 2010 Person of the year – Mr. Li Sze Lim, 2010 Social Contributions Corporate Grand Prize and 2010 Commercial Property Grand Prize – R&F Ying Xin Plaza in 21 Century Boao Real Estate Forum 2010

AUGUST

- Received China Property Social Practice Award – 2010 China Most Valuable Listed Property Company from Boao Real Estate Committee & Guandian Real Estate Media
- Announcement of 2010 Interim Results
- Beijing R&F Property Development Co., Ltd. together with other developers set up a joint venture company, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd., to develop a project at Xian Shui Gu Town, Jinnan District, Tianjin

SEPTEMBER

- Sales commenced at Asian Games City in Guangzhou

NOVEMBER

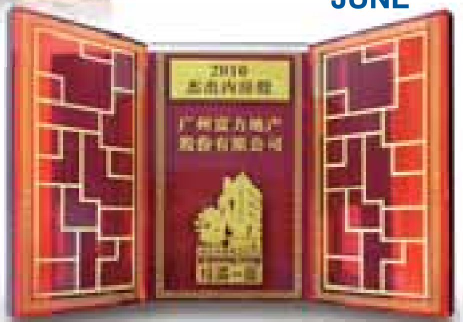
- Grand opening of Tianhui Mall at R&F Panda City in Chengdu
- Successful joint acquisition of a Shanghai project company with KWG Property. The project company holds a residential development named California Place Shanghai and a retail, office and hotel development named California Square Shanghai

DECEMBER

- Acquired land in Hui Bo Yan Jiang Road, Luoyang Town, Bo Luo County, Huizhou to be developed into a residential project with commercial space

MARCH

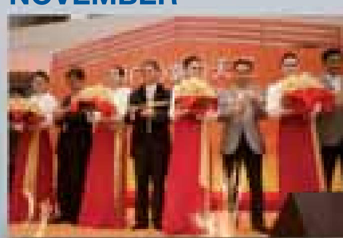
JUNE



JULY

AUGUST

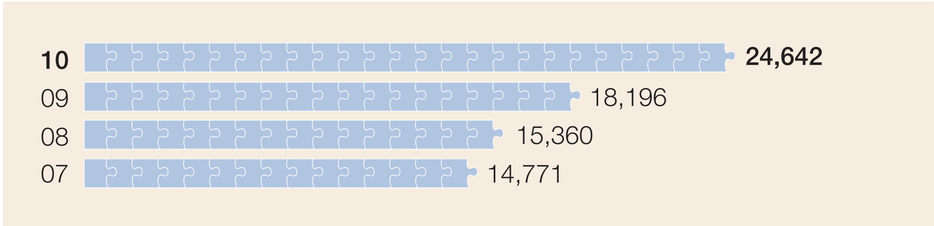
NOVEMBER



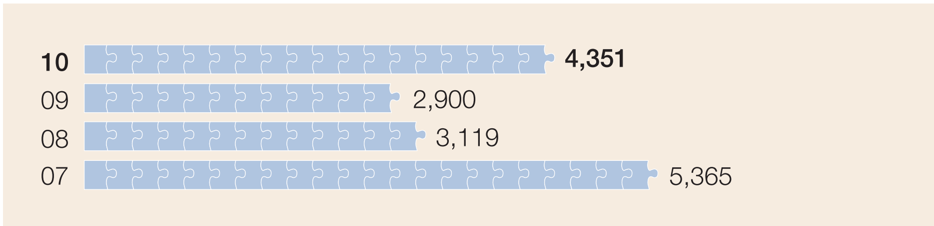
FINANCIAL HIGHLIGHTS

	2010	2009	% changes
OPERATING RESULTS (RMB'000)			
Revenue	**24,641,820**	18,196,463	35%
Gross profit	**9,293,188**	5,749,619	62%
Profit for the year attributable to owners of the parent	**4,350,593**	2,899,500	50%
Basic earnings per share (RMB)	**1.3501**	0.8998	50%
Dividends per share (RMB)	**0.5**	0.36	39%
FINANCIAL POSITION (RMB'000)			
Cash	**9,168,149**	7,887,251	16%
Total assets	**77,416,905**	66,344,017	17%
Total liabilities	**57,417,684**	49,324,651	16%
FINANCIAL RATIOS			
Net assets per share (RMB)	**6.14**	**5.25**	17%
Dividend payout ratio (%)	**37**	**40.0**	-8%
Return on equity (%)	**24.1**	**18.2**	32%
Net debt to equity ratio (%)	**94.4**	**97.6**	-3%

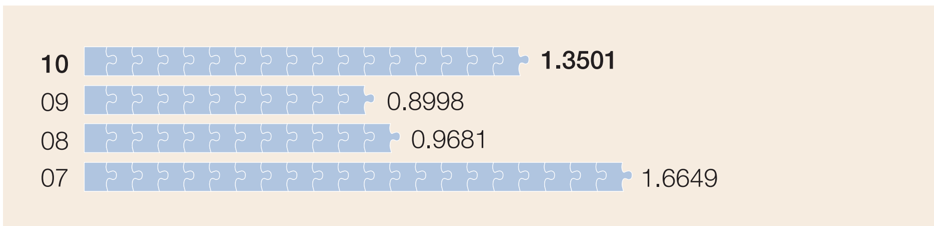
Revenue
RMB (in million)



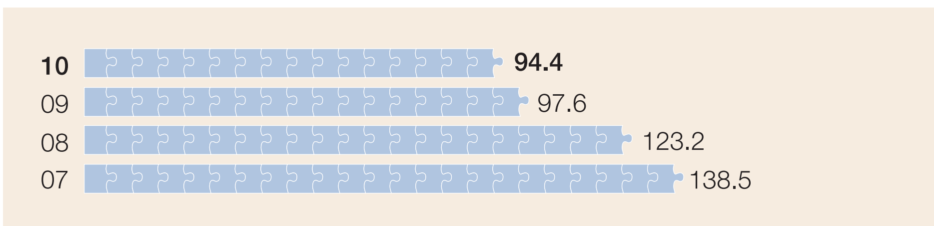
Profit attributable to owners of the parent
RMB (in million)



Basic earnings per share
RMB



Net debt to equity ratio
%



UNITING MANY INTERESTS UNDER ONE ROOF

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Prosperity is a condition that every company strives to achieve, but there is a wider sense of prosperity to which we here at R&F are committed. A prosperous society is one where every individual and corporate member plays a part in improving the quality of life of the whole community. Our role in contributing towards a prosperous society is one of providing high-quality buildings that genuinely enrich the lives of those who use them, whether as personal residences, workplaces, or leisure destinations. In 2010, we successfully built and sold a wide range of properties across twelve different cities of China, for the use of thousands of people from many different socio-economic groups. The success of our work over the past year has also involved close collaboration at every step with the authorities, industry peers, and the community at large. We believe only through this level of engagement can we provide the best possible solutions for our country's social and structural development.

Our activities during 2010 were conducted with government efforts to prevent the overheating of the property market in the background. Despite these government initiatives, however, the process of urbanization has continued apace, driving demand for property and keeping sales strong. This enabled the Company to achieve a full-year turnover from sales of properties of RMB23 billion, representing sales of around 2.256 million sq.m. of saleable area. We are pleased with our overall profit for the year, which was more than satisfactory and amounted to RMB4.46 billion.

Throughout the year we have managed to maintain a steady pace of construction at our many sites, and achieve timely delivery of our completed projects. Our land bank has been replenished to a level giving us enough land for around three to five years of projects, representing a healthy cushion for future development. Replenishment of our land bank has been undertaken carefully and thoughtfully, and as a result we have acquired some very high quality land in 2010 at attractive prices; the larger acquisitions have been made in collaboration with other developers, thus spreading our risk. We remain in a position of strong liquidity, with substantial cash resources at our disposal. All in all, given strong market demand and a healthy corporate position, our Company is very well placed to move from strength to strength in the coming year.

FACING THE REGULATORY ENVIRONMENT

In 2010, the Chinese government remained concerned about speculation in property and the potential destabilizing effects of rapidly rising property prices. As one of China's most reputable property players, the Group has consistently supported ongoing government initiatives to stabilise the market for the sake of social stability and inclusiveness. Specifically, we support government initiatives to keep property prices steady, and we have regularly and successfully adjusted our strategies and targets to reflect the government policy. We believe that co-operating fully with the government will help our Group and other property developers convince it to offer more support to our industry, for example by taking the developers' concerns into greater consideration when trying to balance supply and demand and maintain price stability.

During 2010, the government implemented a number of new regulatory measures affecting property development and purchase which proved to be amongst the most extensive seen in recent years. The measures were implemented in three 'waves' in January, April and September 2010, each of which had a different focus of control. The new regulations were designed to cover all the important policy issues; amongst other things, they introduced restrictions on the availability of financing for the purchase of second properties, increased the supply of residential land in those cities where house prices had risen excessively, reduced the scope for preferential treatment for deed tax, and increased efforts towards developing low-income housing.

These measures had mixed success in the market. They suppressed price rises to an extent, and dampened enthusiasm for property speculation. However both prices and sales volumes experienced only mild corrections, in the face of the steady and inevitable process of urbanization, which still has a long way to go, still-rising personal incomes in the cities, and widespread consumer concern about the effects of inflation.

SALES ACHIEVEMENTS

Given the wide-ranging regulatory measures described above, the Company's achievements during the year were most satisfactory. The effects of regulation were reflected in our sales at certain times of year, but bullish market sentiment and the Company's high quality offerings between them meant that our overall sales for the year exceeded our original target for 2010 of RMB30 billion, reaching RMB32 billion. This was achieved despite the fact that, in May and June, our monthly contracted sales dropped below the RMB2 billion mark in response to the second batch of regulatory measures. From July, sales rebounded and reached a peak of RMB4.4 billion in November, when sales of the high-end R&F No.10 apartments in Beijing were launched. Overall, both turnover and profit rose against last year, a result that we consider most satisfactory given the regulatory environment during the year.

The Company's land acquisition policy remained conservative during the year, with plots of land only being acquired at reasonable cost, and with a number of larger acquisitions undertaken on a joint basis with other developers so as to spread risk. In addition, we are careful to link our replenishment rate with the progress of sales; we are ready to mirror any slowdown in sales with a slower rate of land acquisition. Having said that, we remain constantly alert to potential bargains when times are tough. In total, the Company acquired a GFA of 3.78 million sq.m. across the six cities of Beijing, Tianjin, Shanghai, Taiyuan, Huizhou and Nanjing. Of these, the land acquired in Shanghai and Tianjin, which is of particularly high potential, was acquired in co-operation with other developers. As a result of the year's activities, the land bank attributable to the Company at the end of 2010 stood at approximately 24.48 million sq.m., representing a slight increase over the amount held at the end of 2009. We see this as a good level of replenishment.

ACQUISITIONS AND DEVELOPMENTS

Having described the broader picture of the Company's achievements, it is worth taking a closer look at some of the highlights of our business during the year. As mentioned, two of the Company's land acquisitions in 2010 were undertaken jointly with other parties. Both are large-scale projects with huge potential, and both will require high levels of investment and expertise. In line with our established strategy, we decided that the best way forward with such sites was to pool resources with one or more reputable property developers in order to maximize the benefits of the sites.

In Tianjin, we made a joint acquisition with KWG Property, Agile Property and Shimao Property of a GFA 3 million sq.m. residential and commercial site in the Jinnan District of the city, representing a 25% stake in the whole project. Meanwhile, in Shanghai, we worked with KWG in a joint 50/50 acquisition of the Shanghai California Place project, a mixed-use project including residential, retail, office and hotel development. The acquisition represents the Company's first venture into metro Shanghai, after having earlier conducted some projects in the vicinity. Also during the year, in preparation for further development of the Asian Games Village project in which the Company acquired a stake in 2009, we invited two further reputable developers, Shimao Property and Citic Real Estate, to join with the existing developers (R&F, Agile, and Country Garden) in a broader co-development partnership.

During the year, the Company also acquired its first ever block of land in Nanjing, in Jiangsu Province. This expands the number of cities in which the Company is operating to thirteen. The land has a GFA of 545,000 sq.m. and will be developed as a mixed-use project, to include low-density residential housing, offices, and a hotel.

The Company has been working for some time to expand its product range to include commercial properties, villas, and both mid-range and high-end apartments. The final step in that expansion was completed with the sales launch, in the second half of 2010, of its high-end apartment range in Beijing's R&F No. 10. With an average price of over RMB44,000 per sq.m., these apartments represent the most luxurious residential units the Company has ever offered for sale. China's thriving economy was in evidence as prospective homebuyers snapped up all available units, with demand far exceeding supply in this development.

In another successful high-profile development during the year, in November the Company opened its R&F Panda City Tianhui Mall in Chengdu. Superbly located at the heart of the city, the Tianhui Mall boasts a style and quality previously unseen in Chengdu. Ultra-contemporary in design, the mall also hosts a number of international brand name outlets that are entering Chengdu for the first time and are only available at this location. The Tianhui Mall also has another significance for the Company; after a hiatus in its development of investment properties, this is the first to be launched in three years.

RESPONDING TO CHANGES

A prominent theme of our message this year has been the need to co-operate with and adapt to ongoing regulatory changes, which are designed to have a powerful impact on our industry. It is therefore important that we closely consider the likely regulatory outlook for the coming year, and develop strategies for moving our business forward in the light of further likely changes.

We do not expect any let-up in further attempts at regulation in 2011, especially since no less a figure than Premier Wen himself has spoken publicly, most recently at the Fourth Session of the 11th National People's Congress, about the government's resolve to keep housing prices under control. If house prices were to surge yet again, we believe that dampening measures would be further ramped up. Full details of the government's likely strategies are still unclear and they may vary according to region, but at the time of writing property taxes have been introduced in some cities. For instance, in January 2011 both Chongqing and Shanghai introduced property taxes, although the tax rates and the scope of application have proved milder than expected. China's leaders have also stressed the need for a greater supply of low-income urban housing, and have set some ambitious targets for achieving this goal.

How will these likely developments affect our Company in the coming year? It is essential, we believe, that we maintain a conservative approach for the immediate future, and be ready to adjust and adapt to any changes that may be imposed from above. In terms of utilization of resources, we will continue with our strategy of cautious land acquisition, and only acquiring land when prices are reasonable. At the same time, we will be ensuring we keep sufficient cash on hand to act as a cushion in case of sudden sales slowdown or any contraction in the availability of credit.

TARGETS AND EXPECTATIONS

In the light of what we have seen in the past year, and our expectations for the market, we have developed what we see as a realistic set of targets for 2011. In our 2011 plan, all 13 of the cities in which we are operating will continue to be important, but our priorities will be Beijing, Tianjin, Taiyuan, Guangzhou and Hainan. We have developed a set of clear goals for key areas such as contracted sales, square metre delivery, and average selling price; however, we will also be devolving to an extent by giving the local offices for each city more autonomy when it comes to selecting the best strategies to achieve these targets for their own area. In breakdown, we have set a contracted sales target of RMB40 billion for 2011, a realistic figure we believe as it is supported by plans to launch around 40 projects during the year. As for our target square metre delivery, we have set it at 2.9 million sq.m. for the year. Our intention is, over time, to spread delivery more evenly across the year.

We have several times emphasized the Company's intention to avoid paying excessive prices when replenishing its land bank. It is worth emphasizing here that this policy, when combined with high-level negotiating skills and good networking, still allows for the acquisition of high quality land at very reasonable costs. An example is the Company's recent (January 2011) acquisition of a 274,000 sq.m. GFA site in Yang Ji Village, in Guangzhou's Yue Xiu District. Large, centrally located sites like this one are in exceptionally short supply in Guangzhou, yet the Company was able to acquire this for a most reasonable price, largely as a result of lengthy and patient discussion by its expert negotiators.

Something should also be mentioned here of the Company's investment properties which, as predicted some time ago, are gradually fulfilling their intended purposes and bringing steady income streams into the Company's coffers. We expect that income stream to grow with the opening of Chengdu's Tianhui mall, and we are happy to note that our hotel is also now achieving high levels of occupancy and should contribute strongly in the coming year.

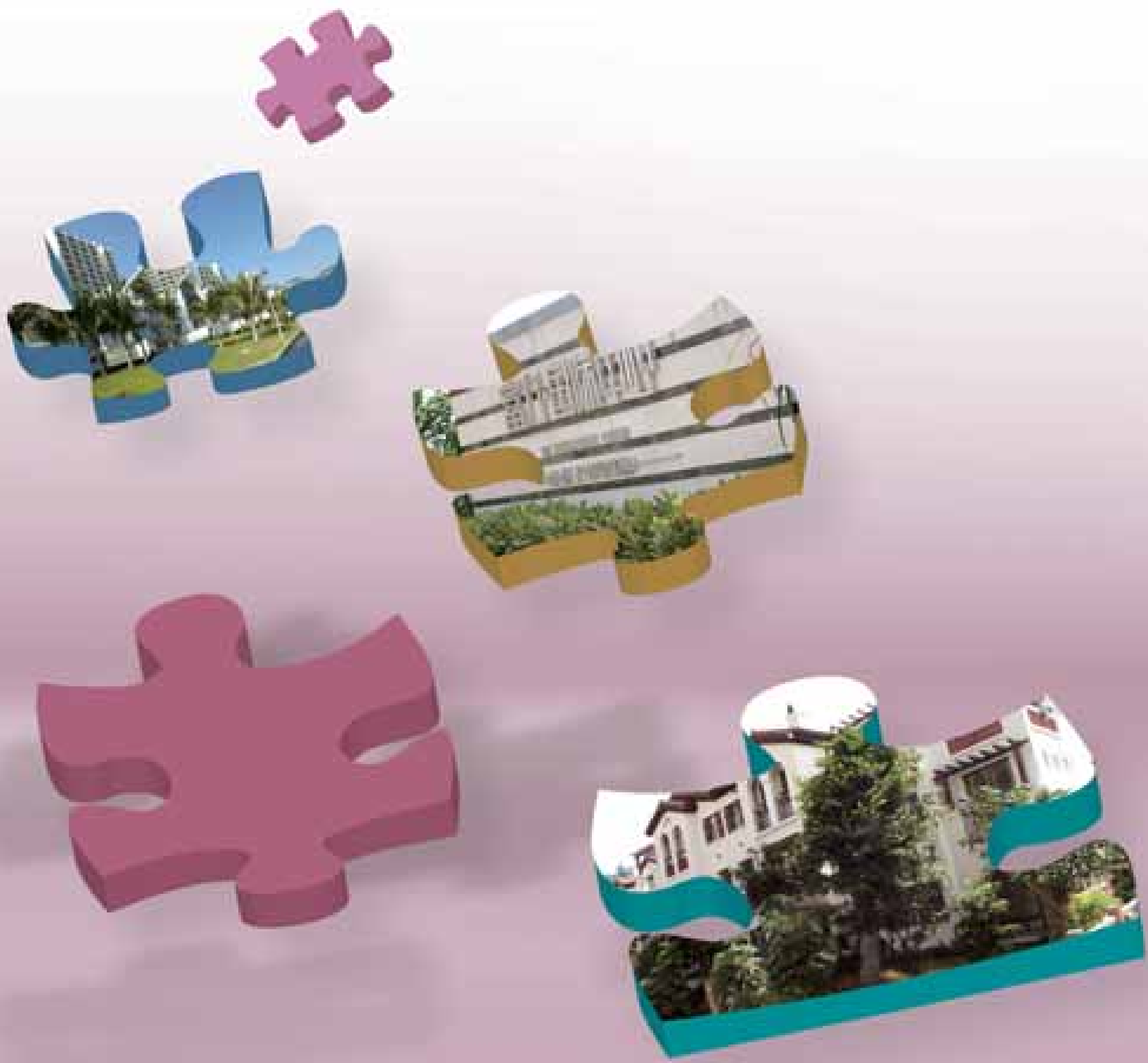
Acquiring new capital for future growth remains a special challenge, particularly because under the People's Republic of China (the "PRC") securities regulations, our status as an H-share company places constraints on our ability to access resources from the capital markets. We are always looking at innovative ways to enhance our channels for financing, and are confident that the work we are doing to this end now will mean we will in the future be able to draw on new sources of investment capital to help us grow further.

China faces some significant challenges in the coming year, with many pressures being exerted on the traditional harmony of its social and economic order. Here at R&F, we are confident that these challenges can be met and met well, with careful, thoughtful policy-making and an emphasis on long-term social prosperity for all. Success at this macro level can only be of benefit to the property sector in the long run. In short, we believe that a sound, harmonious society is a necessary foundation for a prosperous and well-regulated property industry.

ACKNOWLEDGEMENTS

The time has come once again to formally thank all those who have helped us fulfill our goals for the Company over the past twelve months. Special thanks are due to our shareholders and other investors, whose confidence and backing are so vital for our success. We must also thank our many customers who have recognized the quality and value of our projects through their purchases and, in the process, helped make us such a respected and trusted name in China. Finally, we would like yet again to single out the Company's Directors and all the rest of its staff, whose commitment and enthusiasm has created such a great forward momentum. Together, we will work even harder to make 2011 a good one for the Company and all its stakeholders.

BRINGING PEOPLE TOGETHER



BUSINESS REVIEW

China's recovery from the global recession continued in 2010 with its GDP grew 10.3% for the year. This strong rebound in the general economy was reflected in surging city property prices across the country, a development which aroused serious Government concern. In response, a series of regulatory measures were implemented, aimed primarily at suppressing excessive rises in property prices. These measures which targeted the property market, worked alongside the gradual tightening of the money supply kicked off by an interest rate hike, the first of three hikes that followed, in October 2010. This clear government statement of its commitment to curbing inflation and preventing the economy from overheating basically set the tone of the business environment for property developers in the year under review.

Professional execution of its proven strategies enabled the Group to navigate this challenging business environment safely. Backed by a reputation for impeccable quality and a full portfolio of commercial and residential products in 12 cities, the Group performed well in all key areas, including sales, project development, the operation of investment properties, and land bank replenishment.

CONTRACTED SALES

The Company's contracted sales outstripped the year's target to reach RMB32 billion, an increase of 33% over the previous year. A major factor in the rise was an increase in its average selling price to RMB13,030 per sq.m. in 2010, from RMB10,370 per sq.m. the previous year. In terms of saleable area, contracted sales increased by 6% to 2.47 million sq.m., from 2.33 million sq.m. the previous year. Except for a brief two-month period in the second quarter when they were affected by new government policy measures, the Company's contracted sales remained relatively steady throughout the year, averaging not less than RMB2 billion per month and reaching a record high of RMB4.4 billion in November 2010. To achieve such satisfactory sales in the challenging business environment, the Group maintained a full pipeline of geographically diversified projects, together with a well-planned launch schedule and effective marketing efforts. Guangzhou was again the top city for contracted sales, followed by Beijing and Tianjin: together these three accounted for 71% of the year's sales, down from 75% in 2009 as other cities improved their share. Of these three cities, Beijing stood out in terms of sales growth, accounting for approximately one third of the overall increase in contracted sales. Apart from Shanghai, all other cities where the Group operates also achieved increases in contracted sales, to different extents. The Group remains primarily focused on the development of residential properties; these accounted for 80% of its contracted sales for the year, with the other 20% coming from commercial properties including office and retail shops.

Details of the Group's 2010 contracted sales by geographical distribution are set out below:

Location	Approximate saleable area sold (sq.m.)	+/-% vs. 2009	Approximate total value (RMB million)	+/-% vs. 2009
Guangzhou	555,200	-14%	9,348	14%
Beijing	387,500	-1%	8,259	48%
Tianjin	397,200	-18%	5,308	20%
Xian	155,400	19%	1,054	42%
Chongqing	332,300	43%	2,202	57%
Chengdu	82,500	272%	659	374%
Huizhou	54,300	-4%	587	23%
Hainan	98,500	48%	1,680	91%
Shanghai and vicinity	64,500	-10%	796	-17%
Taiyuan	312,300	40%	1,995	60%
Shenyang	34,400	258%	358	193%
Total	**2,474,100**	**6%**	**32,246**	**33%**

PROJECTS UNDER DEVELOPMENT

The Group started the year with approximately 6.73 million sq.m. GFA under development, spread across 35 projects in 12 cities. The scale of its activities enabled the Group to complete 2.26 million sq.m. saleable area of properties for sale, while also maintaining a project sales pipeline that supported its highest-ever level of contracted sales, of RMB32 billion for the year. With construction starting during the year on 10 new projects and new phases of existing projects of approximately 2.67 million sq.m. GFA, the Company's GFA under development at the end of the year decreased by 3% to approximately 6.55 million sq.m., distributed across 40 projects. This area under construction is estimated to make available pre-sale permits for property with an approximate value of up to RMB69 billion, and should thus provide a sound basis for the Company's sales target and delivery plan for 2011.

Location	Number of projects	Approximate total GFA (sq.m.)	Approximate saleable area (sq.m.)
Guangzhou	9	1,618,000	1,309,000
Beijing	8	713,000	555,000
Tianjin	6	1,128,000	862,000
Xian	1	313,000	254,000
Chongqing	2	534,000	405,000
Chengdu	2	448,000	375,000
Shanghai and vicinity	2	185,000	175,000
Shenyang	1	117,000	117,000
Hainan	3	214,000	185,000
Taiyuan	3	735,000	601,000
Huizhou	3	544,000	481,000
Total	**40**	**6,549,000**	**5,319,000**

SOUTHERN AND WESTERN CHINA

Guangzhou successfully hosted the 16th Asian Games towards the end of the year. Its preparations for the Games over recent years have given its economy a significant boost, in terms both of investment in supporting infrastructure and of an increased number of visitors attracted to the city. In 2010, Guangzhou's GDP expanded by 16% and passed the trillion mark to reached RMB1.06 trillion.

One particular enduring impact of the Games has been the total transformation of the landscape of Pearl River New Town, the site of the Games' opening and closing ceremonies. Since being designated as Guangzhou's new CBD, Pearl River New Town has completed its evolution into a world-class CBD; reflecting this new status, real estate property in the area is now much sought after. Recognizing the area's tremendous potential, the Group early on invested significantly in Pearl River New Town, well ahead of most other developers. To date, the Group has already completed ten projects in the area, comprising seven sale property projects, along with two 5-star hotels and a grade A office building which are being held as investment properties. Currently under development or planning are seven more projects, including three projects that were up for sale during the year: the high-end residential project R&F Pearl River Park View, R&F Yingsheng Plaza, and a commercial property project, R&F Yingxin Plaza. Sales at R&F Pearl River Park View were first launched in the second half of 2009, and in March 2010 at R&F Yingsheng Plaza. With an average selling price in the RMB25,000 per sq.m. range, the two projects were brought by purchasers attracted by their prestigious location, recording combined contracted sales of approximately RMB2.5 billion. R&F Yingxin Plaza, conveniently located near the CBD centre and with many business-friendly amenities, added several more reputable enterprises to its occupant list during the year and in the process grossed RMB1.87 billion in contracted sales. Of the other projects under development in Pearl River New Town, a major one is the mixed development at Lei De Cun in collaboration with KWG Properties Holdings Limited and Sun Hung Kai Properties Limited. The project involves the construction of upscale apartments, a luxury hotel, and a premium shopping mall. Construction of the residential part of the project has taken priority and pre-sales are expected to commence in the second quarter of 2011. The J1-1 project development adjacent to the R&F Center, where a grade A office and a Park Hyatt hotel will be situated, is also progressing well.

There were seven projects with active sales in other parts of Guangzhou during the year. Apart from mature projects like R&F Peach Gardens and R&F City, sales took place for two newer projects launched in 2009, R&F Jin Gang City in Hua Du and R&F Junhu Place near the city's main railway station. These were the two top-selling projects of these seven projects in Guangzhou, each recording contracted sales of above RMB1 billion. With the extension of the city's subway line to Guangzhou Airport, the original disadvantage of the location of R&F Jin Gang City has been eliminated; consequently, sales increased by 1.5 times over the year and the average selling price rose by approximately 40%. The steady improvement of the city's transportation infrastructure has had a significant impact on the property scene in Guangzhou and the surrounding area. R&F Spring World in Conghua and the Asian Games City project in Panyu being developed in a joint venture with four other major developers were also well received by purchasers, with the Group benefiting from the increasing ease of commuting across the area.

Overall, Guangzhou's contracted sales increased by 14% to RMB9.348 billion, amounting to 29% of the Group's total sales. This share of the total contracted sales remained the highest of all cities where the Group operates, but was down from the previous high of 54% in 2005. Alongside Beijing and Tianjin, Guangzhou will remain one of the Group's key focus cities in the future.

Chongqing is a municipality under the central government; its economy has been growing at high speed, and in the five years to the end of 2010, Chongqing's per capita GDP has quadrupled. This robust economy provided plenty of support to the property sector generally, while substantial demand for commercial properties was also evident due to the many domestic and multinational corporations drawn to the city by its growing reputation as the financial and high-tech manufacturing center of the upstream Yangtze River region. Supply of quality office space in Chongqing is, however, limited. The reception given to the Group's first commercial property project in the city, R&F Ocean Plaza office tower (a project in which the residential portion has been completed) was overwhelming, with RMB330 million worth of property sold in a short period. The other project in the city to be sold during the year was the mega project R&F City, which occupies a 2.6 million sq.m. site in an area designated to become Chongqing's 'university city'. This multi-year development is now in its 5th year, and upon final completion will have a total GFA of approximately 6.8 million sq.m. Being in the neighborhood of universities and education institutes, the project holds great appeal for academics and professionals, both of whom represent fast-growing population segments in the city. Up to the end of 2010, approximately 382,000 sq.m. GFA had been completed and cumulative contracted sales amounted to approximately RMB3.1 billion, having increased to RMB1.7 billion in 2010. Selling price has also increased to RMB6,100 per sq.m., as compared to RMB4,300 per sq.m. at initial launch.

Chengdu, one of the two major economies in western China along with Chongqing, competes with Chongqing for a similar range of investments. It does however hold the advantage of being the provincial capital city of Sichuan, and also of having a flat landscape, two reasons why Chengdu has led the region in development. The Group therefore chose Chengdu as the second city in western China in which to expand its business, after Chongqing. In October 2007, the Group bought its first piece of land in the Chengdu CBD with the intention of developing a large mixed-use project that would include apartments, offices, a hotel and a shopping mall. The residential part of the project, R&F Stanley International Apartments, started pre-sales in late 2008; in 2010 sales were given added momentum by the completion of the project's fashionable shopping mall, and went on to exceed RMB300 million. With the Group now well-established in the city, contracted sales sped up for its second project, R&F Peach Garden launched last year, more than doubling in the year to RMB298 million.

Hainan took an important step in the year which strengthened its status as China's premier tourism designation; the province implemented a tax refund system for visitors which is first in the country, adding to its natural advantages of unspoiled beaches and year-round sunshine. The surge in property values on the island during the year was a reasonable adjustment reflecting the long-term value connected with their resort and tourism character. Anticipating development in Hainan, the Group first acquired certain prime seafront sites at Xiangshui Bay in 2006, which it followed up by further acquisitions each of which had their own uniqueness and competitive advantages. The Xiangshui Bay site has since been developed into R&F Bay Shore, a mix of resort style low-rise apartments with additional facilities that include a resort hotel and a yacht club. Sales of the project started in 2008; in 2010 sales increased to RMB1.24 billion for the year on a 67% increase in average selling price, with accumulated sales exceeding RMB2 billion. The second of the Group's projects, R&F Yingxi Valley on Haikou's west coast, is comprised of villas and linked houses; 206 units offered in the year were sold for RMB308 million. R&F Mangrove Bay, launched during the year, is the Group's third project on the island. Occupying a site of 5,250,000 sq.m., the project is located at Chengmai Town and has as its special feature 99 acres of adjacent mangrove forest. This project is themed around the integration of a unique ecology, a natural environment, sporting facilities, and resort-style living. The development will be carried out over a period of 5-8 years.

Huizhou is one of the cities holding the best potential for development in the Pearl River Delta region. Although its economy has been developing rapidly in recent years, the city has maintained its good natural environment, a factor which helped the Group decide to make the city a new business focus in southern China. The Group embarked on its third project in Huizhou in November together with Shimao Property; the joint development will result in an upscale mixed use complex in Renshan, Huidong. The Group's debut project in Huizhou, R&F Li Gang Center, was also an integrated development comprising luxury apartments, a grade-A office building, a shopping mall and a five star hotel, all utilizing an advanced contemporary design concept. R&F Li Gang Center is now a landmark in the Huizhou CBD, and sales for the year amounted to approximately RMB587 million, an increase of 23% over the previous year. Of these sales, approximately RMB365 million were sales of office units at an average selling price of RMB10,400 per sq.m., an increase of 37% that clearly indicates the potential in Huizhou's commercial property segment.

NORTHERN AND EASTERN CHINA

Beijing achieved the highest increase in contracted sales for the year of all the cities where the Group operates. Contracted sales there increased by RMB2.69 billion to RMB8.26 billion, a total second only to Guangzhou. Beijing's share of total contracted sales increased to 26% from 23%. This significant increase can to a large extent be accounted for by the first sales at the R&F No.10 development. Built on a site which the Group acquired by auction in 2009 and which is practically enclosed by R&F City, the project consists of four low-rise blocks of luxury apartments and 34 villa units. As availability of such city center properties is becoming increasingly rare, many potential purchasers had expressed their interest even before the official sale launch. At an average selling price of RMB44,000 per sq.m., the first batch of units sold immediately, and the project recorded RMB2.64 billion in contracted sales. Another new project for the year was R&F Golden Jubilee Garden, located in Tongzhou district. The project will be made up of 10 high-rise residential blocks to be developed in three phases; the first sale in the year raised RMB388 million. As for the other ongoing projects, R&F Festival City remains the backbone of Beijing's contracted sales, with sales there for the year of RMB1.63 billion accounting for 20% of Beijing's total contracted sales. This project, which has a total GFA of over 1.1 million sq.m., started sales in July 2005: up to the end of 2010, cumulative sales have amounted to RMB7.6 billion, and 356,000 sq.m. GFA is yet to be developed. Sales of R&F Danish Town, a low-density residential project in Daxing district to the south of the city, maintained at a level roughly equivalent to those of last year at RMB1.23 billion. The Group's only low-income housing project, R&F American Dream Island, was completely sold during the year.

Tianjin is a market in which the Group has much confidence, as is evident from the size of the Group's projects in the city. R&F Jimen Lake is one of the Group's largest anywhere in China. Acquired in 2007 for RMB5.46 billion, the site has a GFA of 1.57 million sq.m., of which 1.1 million sq.m. is yet to be developed. Sales in the year increased to RMB2.51 billion, the highest of all the Group's projects in the year apart from R&F No.10 in Beijing. The other projects in Tianjin, namely R&F City, R&F Peach Garden and R&F Bayshore, are also all of considerable size. The Group's first project in the city, R&F City, was in its 7th year of development in 2010, having cumulatively sold RMB6.29 billion or 598,000 sq.m. In addition to these four 100% owned projects, the Group also became involved in a co-operative project with three other developers during the year, when they together acquired a piece of land with a site area of 1.29 million sq.m. and a GFA of over 3 million sq.m., at a consideration of RMB7.05 billion. The project will be a mixed development of high-rise residential units, low-density housing, retail properties, offices, a hotel and a shopping mall, and will be developed over a number of years. Given its participation in this mega-project and the large scale of its other projects, the Group looks set to remain a major player in Tianjin in the years to come. Total contracted sales in Tianjin for the year includes RMB326 million in sales of commercial property at the Tianjin R&F Center.

Xian is the capital city of Shaanxi Province, and has tourism and high-tech industry as the twin pillars of its economy. During the year, the city again managed to achieve GDP growth of above the national average, at 14.5%, following similarly high growth the previous year. Increase in revenue from tourism also amounted to approximately 14%. Given these healthy economic conditions, the property market in the city was vibrant and yet avoided overheating. The Group has focused on a single project in the city, R&F City, with a total GFA of over one million sq.m.; it is in its sixth year of development. Sales of the project during the year increased by 42% over the previous year to RMB1.05 billion, with a 19% increase in the average selling price.

Shanghai and vicinity had two projects in progress until the very end of the year. Both are low-density residential developments offering a spacious environment at a moderate commuting distance of the city, but at much more affordable price than equivalent developments that are more central. R&F Bay Shore is located in Kunshan near the largest lake in the area, and its initial phase, consisting of 943 detached villas, was first put on the market in September 2008. To date, a total of 662 villas have been sold, with 162 villas being sold in 2010 generating RMB452 million in sales. The other project, R&F Peach Gardens in Qing Pu District, is a development consisting of townhouses and low-rise apartments; it sold steadily, achieving contracted sales of RMB344 million in 2010. In November 2010, the Group jointly with KWG Property Holding Limited acquired a mixed use project in Yangpu district, to be developed as a residential portion named California Place and a retail, office and hotel portion named California Square. This acquisition represents the first project of the Group in metro Shanghai.

Taiyuan returned to positive economic growth in the second quarter of 2009. The city's continuous strategic initiatives on multiple fronts–including agriculture, new industries and services–has made Taiyuan no longer simply a coal-mining based economy. The Group considers Taiyuan to be a promising market, and continued to add to its already substantial land bank in the city during the year so as to tap into its rising property market. Two projects were being sold in the year. Taiyuan R&F City, located on a site with a total GFA of approximately 2.1 million sq.m., is the largest of the Group's projects in northern China. Currently in its second phase of a total of seven phases, the project has achieved cumulative sales of RMB2.23 billion since its first launch in July 2008, with RMB964 million being achieved in 2010. Following the success of R&F City, the Group launched its second project in August 2009; this was R&F Modern Plaza, consisting of ten 32-34 storey residential blocks. This project has the advantage of a superb location, being centrally sited close to the CBD and several of Taiyuan's landmark buildings. The competitive edge gained by its location has been reflected in robust sales, which increased by 187% over last year to more than RMB1 billion.

Shenyang is a city with a more mature villa property market than most cities. The Group's entrance into Shenyang with a well-designed villa project has set new standards for villa development there. Xianhu Project is a project that on completion will consist of 528 units of detached, semi-detached or linked villas. Sales were first launched in 2008; to date 127 units have been sold, with the year's sales amounting to 103 units at RMB358 million. The average selling price increased to RMB10,400 per sq.m. in the year, from RMB9,600 per sq.m. at the project's initial launch.

LAND BANK

The Group continued to follow a disciplined and cautious approach to land bank replenishment. When considering purchases of sizeable and expensive parcels of land that require prompt payment, the Group is now frequently looking to co-operative arrangements with fellow developers in a manner similar to its successful joint venture at the Asian Games village in 2009. During the year, eight plots of land were acquired with a total attributable GFA of 3.78 million sq.m. Three of these eight acquisitions were made as joint ventures together with one or more partners: these were the land in Tianjin's Jinnan District with a GFA of over 3 million sq.m., priced at RMB7.05 billion, the Shanghai Yangpu site with a GFA of 270,000 sq.m., costing RMB3.38 billion and the Huizhou Huidong Renshan site with GFA of 1.51 million sq.m. costing RMB370 million. The Group has a 25% interest in the Tianjin project, and a 50% interest in both the Shanghai and Huizhou one. The other plots of land acquired were located in Beijing and Taiyuan, which incidentally are priority cities within the Group's overall business development planning and also Nanjing. As land replenishment exceeded land consumed in the year by approximately 490,000 sq.m., the Group's total land bank at the end of the year increased to 24.48 million sq.m. GFA.

Location	Approximate total GFA (sq.m.)	Approximate saleable area (sq.m.)
Development Properties		
Guangzhou	4,064,000	3,699,000
Huizhou	1,401,000	1,401,000
Hainan	982,000	982,000
Chongqing	6,513,000	6,467,000
Chengdu	1,266,000	1,198,000
Shanghai and vicinity	708,000	552,000
Nanjing	545,000	545,000
Beijing	1,424,000	1,003,000
Tianjin	3,033,000	2,693,000
Xian	556,000	508,000
Taiyuan	3,228,000	3,228,000
Shenyang	110,000	110,000
Investment Properties	646,000	584,000
Total	**24,476,000**	**22,970,000**

INVESTMENT PROPERTIES

The grand opening of the Group's Tianhu Mall at Chengdu Panda City took place in November 2010. This contemporarily designed shopping mall is a 'one of a kind' in Chengdu, and has attracted popular brand names that have not previously set up shop in the city. Occupancy at the time of opening was approximately 70%, and the Group continues to work on achieving the best mix of retailers and restaurants to provide balance and variety for shoppers. Its mix of tenants and its ideal location in Chengdu's fashionable CBD suggests that Tianhu Mall is destined to become the 'hot spot' for shopping and leisure in the city, and so should meet expectations for rental income levels within a reasonable time period. In the portfolio of the Group's existing investment properties, performance of its four hotels in operation further improved during the year. Average occupancy rates rose to new highs, especially in the case of the two Guangzhou hotels, the Grand Hyatt and the Ritz Carlton. Although occupancy was boosted by the holding of the Asian Games during the year, indications are that the high occupancy rate is likely to be sustained. Higher occupancy also allowed for an increase in room rates, and as a result the four hotels delivered much higher positive cash flow over the previous year. Meanwhile, although there is ample supply of office space in Pearl River New Town, the Guangzhou R&F Center has managed to command a steady rental rate and improve its occupancy levels, due to its competitive strengths in areas such as convenience of access and high standards of property management. The Group's other investment properties, especially Beijing's R&F Center and R&F Plaza, also further improved rental income in the year.

Investment properties completed or in the pipeline are as follows:

Investment properties	Location	Description	Approximate total GFA (sq.m.)
Guangzhou			
The Ritz-Carlton, Guangzhou*	Pearl River New Town J2-7	5-star hotel 351 rooms and 91 serviced apartments	104,000
Grand Hyatt, Guangzhou*	Pearl River New Town F1-2	5-star hotel 375 rooms	86,000
R&F Center*	Pearl River New Town J1-4	55-storey office building	163,000
Holiday Inn Airport Guangzhou	R&F Jing Gang City	4-star hotel 350 rooms	34,000
Park Hyatt, Guangzhou	Pearl River New Town J1-1	5-star hotel 176 rooms	27,000
Beijing			
Renaissance Beijing Capital Hotel*	Beijing R&F City	5-star hotel 543 rooms	89,000
R&F Center*	Beijing R&F City	Office building	60,000
R&F Shopping Mall*	Beijing R&F City	Shopping mall	111,000
Holiday Inn Express Temple of Heaven*	R&F Xinran Court/Plaza	4-star hotel 321 rooms	22,000
Tianjin			
Tianjin R&F City Commercial Complex	Tianjin R&F City	Office, serviced apartment, shopping mall and hotel	166,000
Chongqing			
Hyatt Regency Hotel, Chongqing	Chongqing R&F Ocean Plaza	5-star hotel 354 rooms	46,000
Holiday Inn Chongqing University Town	Chongqing R&F City	4-star hotel 390 rooms	68,000
Chengdu			
Tianhui Mall*	Chengdu Panda City	Shopping Mall	255,000
Ritz-Carlton Chengdu	Chengdu Panda City	5-star hotel 350 rooms	47,000
Huizhou			
Renaissance Huizhou Hotel	Huizhou Li Gang Center	5-star hotel 345 rooms	54,000
Hilton Hotel Longmen Huizhou Resort	Longmen Project	5-star hotel 350 rooms	45,000
Hainan			
Doubletree Resort by Hilton, Haikou-Chengmai	R&F Mangrove Bay	5-star hotel 300 rooms	38,000
Xian			
R&F Holiday Inn Xian Qujiang	Xian R&F City	4-star hotel 380 rooms	50,000

* Completed

OUTLOOK

The Group does not expect current regulatory measures to be relaxed or the credit situation to ease in the coming year; on the contrary, they are likely to see further tightening. This will definitely impact on the property market, although their precise effects cannot be clearly foreseen. The Group remains confident of seeing long-term healthy growth of the property market, driven by fundamental forces such as urbanization and higher incomes driving aspiration for better living conditions, but in the shorter term it will carefully monitor market trends and be prepared to adapt its business plan as necessary. The Group's contracted sales target for 2011 is RMB40 billion, to be achieved from sales of around 40 projects in 13 cities, and delivering 2.90 million sq.m. of properties. The details are set out below:

	To be completed in 1st half of 2011		To be completed in 2nd half of 2011	
Location	**Approximate total GFA (sq.m.)**	**Approximate total saleable area (sq.m.)**	**Approximate total GFA (sq.m.)**	**Approximate total saleable area (sq.m.)**
Guangzhou	220,000	164,000	544,000	433,000
Huizhou	–	–	53,000	53,000
Hainan	57,000	57,000	161,000	159,000
Chongqing	161,000	153,000	306,000	252,000
Chengdu	54,000	43,000	104,000	96,000
Beijing	87,000	83,000	313,000	297,000
Tianjin	109,000	101,000	311,000	293,000
Taiyuan	115,000	108,000	258,000	244,000
Xian	48,000	45,000	55,000	50,000
Shenyang	12,000	12,000	43,000	43,000
Shanghai and vicinity	29,000	22,000	139,000	137,000
Nanjing	–	–	51,000	51,000
Total	**892,000**	**788,000**	**2,338,000**	**2,108,000**

BUILDING THE SOCIAL FABRIC


BEIJING
SHENYANG
TIANJIN
TAIYUAN
XIAN
CHENGDU
CHONGQING
NANJING
SHANGHAI
GUANGZHOU
HUIZHOU
HAINAN

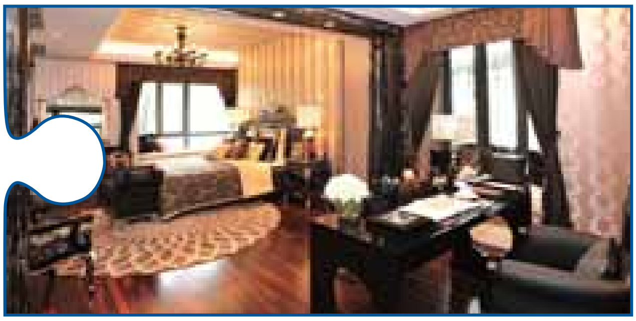
OUR PROPERTY PORTFOLIO

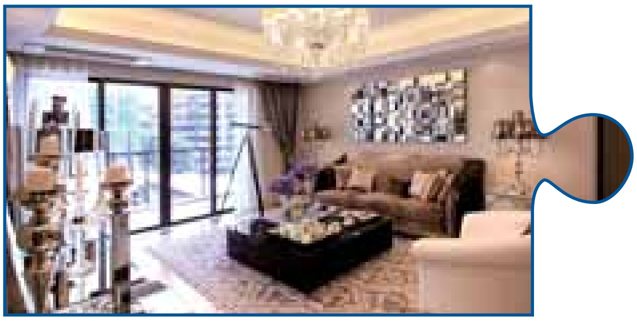
GUANGZHOU R&F YING CHENG PLAZA

This is a residential apartment development located at plot number M1-9, Pearl River New Town, Guangzhou with a site area of approximately 12,000 sq.m. and a total gross floor area of approximately 107,000 sq.m.

GUANGZHOU R&F YING ZUN PLAZA

This is a residential and serviced apartment project located at plot number M1-4, Pearl River New Town, Guangzhou with a site area of approximately 13,000 sq.m. and a gross floor area of approximately 170,000 sq.m.





GUANGZHOU R&F JUNHU PALACE

This is a residential project located at Shou Yue West, Liu Hua Road, Liwan District, Guangzhou with a site area of approximately 38,000 sq.m. and a gross floor area of approximately 146,000 sq.m.

GUANGZHOU R&F JIN GANG CITY

This project is located at Modern Avenue Huadong Town, Huadu District, Guangzhou with a site area of approximately 1,120,000 sq.m. and a total gross floor area of approximately 1,490,000 sq.m. and comprises a residential community of small high-rise and a large logistic bases.

GUANGZHOU R&F SPRING WORLD

This is a residential project located at Hot Spring Village, Hot Spring Town, Conghua City with a site area of approximately 808,000 sq.m. and a total gross floor area of approximately 520,000 sq.m.

BEIJING R&F FESTIVAL CITY

This is a residential/commercial project located at North of Da Lu Dian, Douge Village, Chaoyang District, Beijing with a site area of approximately 341,000 sq.m. and a total gross floor area of approximately 1,124,000 sq.m.

BEIJING R&F DANISH TOWN

This is a residential project located to the west of the Development Zone, Pang Ge Village, Daxing District, Beijing with a site area of approximately 607,000 sq.m. and a total gross floor area of approximately 535,000 sq.m.

BEIJING R&F VILLA

This residential project is located to the west of Beijing R&F City, being Phase IV of the Beijing R&F City development with a site area of approximately 50,000 sq.m. and a total gross floor area of approximately 80,000 sq.m.

TIANJIN R&F CITY

This project is located at Laochengxiang, South of Bei Ma Road, west of Dong Ma Road, Nankai District, Tianjin with a site area of approximately 204,000 sq.m. and a gross floor area of approximately 928,000 sq.m. The site planning is by usage and is divided into the drum tower area, a multi-storey residential area, a medium to high-rise residential area as well as a commercial and financial area.

TIANJIN R&F JINMEN LAKE

This residential project is located to the west of You Yi Nan Road, Hexi District, Tianjin with a site area of approximately 931,000 sq.m. and a total planned gross floor area of approximately 1,575,000 sq.m.

SHANGHAI R&F PEACH GARDEN

This is a residential project located at Qingpu Industrial Zone, Qing Pu District, Shanghai with a site area of approximately 232,000 sq.m. and a total gross floor area of approximately 292,000 sq.m.

KUNSHAN R&F BAY SHORE

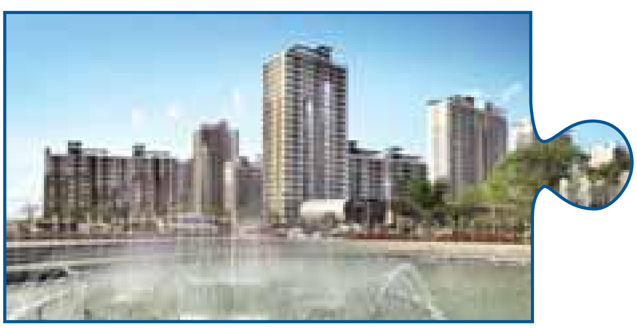
This residential project, which is being developed in two phases, is located to the west of Wan Yuan Road, Dian Shan Lake Town, Kunshan. The site area and gross floor area of Phase I are approximately 921,000 sq.m. and 402,000 sq.m. respectively.

CHENGDU R&F PEACH GARDEN

This is a residential project located at South of Zhen Hai Du Road West, Xin Du Town, Chengdu with a site area of approximately 187,000 sq.m. and a total gross floor area of approximately 1,082,000 sq.m.

CHENGDU R&F PANDA CITY PHASE II

This project is located at Shun Cheng Street, Qingyang District, Chengdu for the development of apartment, hotel and office, with a site area of approximately 16,000 sq.m. and a total gross floor area of approximately 252,000 sq.m.



XIAN R&F CITY

This residential project is located to the south of North Ring Road, Chang'an District, Xian with a site area of approximately 389,000 sq.m. and a total planned gross floor area of approximately 988,000 sq.m.

CHONGQING R&F CITY

This project, being the largest flagship project of the Group, is located at Xi Yong Unit, Sha Ping Ba District, Chongqing. The site is made up of 3 plots of land and with a site area of approximately 2,013,000 sq.m. and a total planned gross floor area of approximately 6,795,000 sq.m. and will be one of the largest residential developments in Chongqing.

HAINAN R&F YINGXI VALLEY

This project is located at Na Jia Po, Xiuying District, west Coast of Haikou, Hainan for development of tourism facilities with a site area of 453,000 sq.m. and a total gross floor area of approximately 171,000 sq.m.

HAINAN R&F BAY SHORE

This is a residential, commercial and hotel project in Zone B, Xiang Shui Bay, Lingshui Town, Sanya. It covers a site area of approximately 1,242,000 sq.m., and has a total GFA of approximately 343,000 sq.m. It will be built into a world-class tropical coastal tourist resort.

TAIYUAN R&F CITY

This residential and commercial project is located at No. 3, Jin An East Street, Xin Hua Ling District, Taiyuan with a site area of approximately 1,056,000 sq.m. and a gross floor area of approximately 2,112,000 sq.m.

SHENYANG XIANHU PROJECT

This residential project is located at Huang Shan Village, Tao Xian Town, Dongling District, Shenyang with a site area of approximately 373,000 sq.m. and a gross floor area of approximately 200,000 sq.m.

A KEY LINK IN THE SOCIAL NETWORK


R&F

INVESTOR RELATIONS 2010

Over the course of 2010, China's government introduced several stringent tightening measures in attempts to cool the property market. This appears to be the reason that investment behavior related to China property on the part of the global investment community has become more cautious. Almost all investors in the China property sector have shown concern about the changing situation; at the same time, they have been eager for information related to policy development in China, and how each of the companies in the sector is being affected as a result.

With this background, in 2010 R&F continued with its proactive investor relations program. Maintaining high transparency and good levels of communication with analysts and institutional investors has been and always will remain a top priority for our IR team.

The Company's senior management is committed to building and maintaining strong relationships with investors and shareholders, and to this end we actively participated in conferences and road shows organized by major investment banks around the world. The Chairman, Mr Li, made a point of attending analyst briefings and media meetings after the interim and annual results announcements, and also on occasions took part in conference calls and group events to ensure that communication channels with both investors and the media remained active.

Generally, the China property industry has continued to gain attention from investors worldwide. Besides participating in various conferences and forums, the Company also took part in non-deal road shows to Hong Kong, Singapore, Japan, the US and Europe. During the face-to-face meetings, the company shared with interested investors financial updates along with the latest information relating to its contracted sales, land banking strategy, performance of investment properties, and long-term goals.

Besides updating its presentation materials on a monthly basis, the Company has also been prompt in releasing monthly sales data and new land acquisition details. R&F has also worked actively with financial institutions to arrange property tours to cities where it has developments underway, so as to help investors get a better understanding of new and existing projects.

During the year, the Company attended 18 conferences and forums. These, together with non-deal road show meetings, enabled R&F representatives to meet with more than 750 investors worldwide.

Month	Conference/Road Show
Jan	• UBS GCC 2010 – Shanghai • HSBC Greater China Property Day-Hong Kong
Mar	• Hong Kong NDR with JPMorgan, Macquarie • Credit Suisse Asian Investment Conference – Hong Kong
Apr	• Europe (Holland and Germany) NDR with Macquarie • Singapore NDR with JPMorgan • Goldman Sachs China Property Corporate Day-Hong Kong • Macquarie China/Hong Kong Conference-Hong Kong • Daiwa Hong Kong China Property Forum-Hong Kong
May	• Morgan Stanley Property Track of HK Investor Summit-Hong Kong • US (Boston, New York and San Francisco) NDR with Goldman Sachs
Jun	• Japan (Tokyo) NDR with Daiwa • JPM Asia Conferences – Beijing
Jul	• CS Property Day – Hong Kong • CLSA HK/China Property Access Day-Hong Kong
Aug	• Hong Kong NDR with JPMorgan, Macquarie
Nov	• Goldman Sachs and Gao Hua China Investment Frontier Conference 2010 – Beijing • BofA Merrill Lynch China Investment Summit – Beijing • Morgan Stanley Asia Pacific Summit – Singapore • Daiwa Investment Conference Hong Kong 2010-Hong Kong • Samsung China Consumer & Property Conference – Guangzhou • Macquarie Global Property Series-Hong Kong
Dec	• Macquarie Global Property Series-New York • Macquarie Global Property Series-Tokyo

We would like to thank the investment banks for organizing these events, which have allowed R&F to reach out to investors and gain further exposure within the global investment community. We would also like to thank investors and shareholders worldwide for their interest in Guangzhou R&F and in the China property sector.

EMPLOYEE DEVELOPMENT

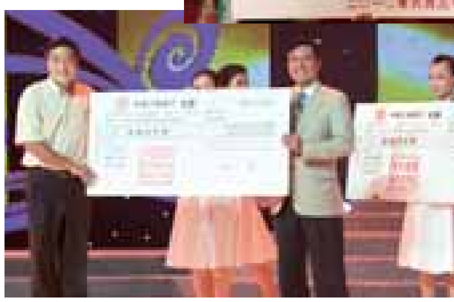
At the end of 2010, the Group had 15,278 employees (2009: 6,436).

In 2010, with the general aim to improve management process and standardize management system, the Group continued to make optimal use of its internal resources to coordinate the deployment of employees among its regional subsidiaries such that they could better adapt to their different postings and then excel. This has also enhanced communications and co-operation between the Group's regional subsidiaries to allow them to play a critical role in the Group's strategic move to become a national developer as well as laying a solid foundation for integrated management within the Group. More specifically in respect of human resources, the Group attained in the year much improvement in recruitment process, staff training and the system of staff evaluation. The Group managed to recruit sufficient talented staff in engineering, cost control, design and business to meet its current needs as well as to ensure a sustainable human organization. Various business-oriented trainings have been developed with different themes and levels broadly included echelon programs, special trainings and overseas trainings. In addition, training programs developed by internal tutors has accounted for 40% of the overall internal training programs of the Group. The Group's E-HR project was promoted companywide across the nation in 2010 and created a common information platform assessable to all users within the Group which in turn regulated procedure flow, raised efficiency and advanced corporate management and control in the arena of human resources management.

COMMUNITY SERVICE

R&F always cares about what happens in China and is ready to assume its corporate and social responsibilities while steadily growing its business in China's growing economy. Up to 31 December 2010, the Group had made various charitable donations in an aggregate amount of more than RMB168 million.

On the "Guangdong Charity Day" (廣東扶貧濟困日) which was launched on 30 June 2010, R&F donated RMB10 million to the government of Huidong County for the construction of housing for the poor in the villages of Huidong County.



When the 100-day Countdown (Charity) Party for the Guangzhou Asian Para Games was held at the Tianhe Sports Center in the evening of 3 September 2010, R&F donated RMB3 million.

During the National Day Golden Week of 2010, Hainan Province was hit by the longest heavy rain rarely seen in 50 years and the entire Hainan Province was in a haze. The Group's Hainan company immediately donated RMB6 million and delivered to the disaster area together with contributions from staff members and demonstrated a keen sense of social responsibilities of the Company as a leader in the real estate industry of China.

On 7 December 2010, R&F won the China Corporate Social Responsibility Outstanding Award (中國企業社會責任榜優秀實踐獎) at the China Corporate Social Responsibility Award Ceremony (中國企業社會責任榜頒獎典禮) held by the "First Financial Daily" at the Shanghai World Financial Center.

FINANCIAL REVIEW

The Group's net profit for the year increased by 52.6% to RMB4.456 billion, from RMB2.921 billion in the previous year. This satisfactory result was due to a general improvement across all the Group's business segments. Net profit from the Group's core business of property development rose by RMB1.082 billion on a 35.3% increase in turnover from sale of properties. Results from the Group's property investment tend to fluctuate more widely, being affected by changes in the fair value of its investment properties. This year, fair value gain on investment properties (net of income tax) amounted to RMB685 million, against RMB453 million in 2009, and was the direct cause for the 53.2% increase in net profit from property investment, which rose to RMB765 million. Due to a continued rise in occupancy rates, total revenue from the Group's hotel operations increased by 51% to RMB610 million, raising operating profit to RMB122 million. After deducting finance costs and hotel depreciation, the result was a net loss from hotel operations of RMB127 million, lower than the net loss of RMB179 million the previous year. The Group's other business segments (including construction services) recorded a net profit of RMB51 million.

CONSOLIDATED INCOME STATEMENT

2010

	Note	**Property development (RMB'000)**	**Property investment (RMB'000)**	**Hotel operation (RMB'000)**	**All other segments (RMB'000)**	**Group (RMB'000)**
Turnover	1	**22,972,494**	**375,323**	**610,096**	**683,907**	**24,641,820**
Cost of sales	2	**(14,272,979)**	**(52,051)**	**(433,457)**	**(590,145)**	**(15,348,632)**
Gross profit	3	**8,699,515**	**323,272**	**176,639**	**93,762**	**9,293,188**
Other gains – net	4	**263,952**	**1,096,013**	**6,800**	**1,474**	**1,368,239**
Selling and administrative expenses	5	**(1,310,740)**	**(15,809)**	**(194,949)**	**(25,697)**	**(1,547,195)**
Other operating expenses		**(34,772)**	**–**	**–**	**(607)**	**(35,379)**
Operatrng profit/(loss)	6	**7,617,955**	**1,403,476**	**(11,510)**	**68,932**	**9,078,853**
Finance costs		**(596,314)**	**(186,080)**	**(157,302)**	**(1,151)**	**(940,847)**
Share of results of jointly controlled entities		**(20,544)**	**–**	**–**	**–**	**(20,544)**
Share of results of associates		**(48,051)**	**–**	**–**	**831**	**(47,220)**
Profitl/(loss) before Income tax		**6,953,046**	**1,217,396**	**(168,812)**	**68,612**	**8,070,242**
Income tax expense	7	**(3,186,242)**	**(451,948)**	**42,203**	**(17,886)**	**(3,613,873)**
Profit/(loss) for the year	8	**3,766,804**	**765,448**	**(126,609)**	**50,726**	**4,456,369**

2009

	Note	Property development (RMB'000)	Property investment (RMB'000)	Hotel operation (RMB'000)	All other segments (RMB'000)	Group (RMB'000)
Turnover	1	16,984,364	278,059	404,079	529,961	18,196,463
Cost of sales	2	(11,610,620)	(53,05)	(321,467)	(461,552)	(12,446,844)
Gross profit	3	5,373,744	224,854	82,612	68,409	5,749,619
Other gains – net	4	600,881	604,235	1,777	6,562	1,213,455
Selling and administrative expenses	5	(998,492)	(11,997)	(204,607)	(134,036)	(1,349,132)
Other operating expenses		(230,784)	–	(12,692)	(4,512)	(247,988)
Operatrng profit/(loss)		4,745,349	817,092	(132,910)	(63,577)	5,365,954
Finance costs	6	(230,374)	(150,991)	(106,066)	(17,903)	(505,334)
Share of results of jointly controlled entities		(2,427)	–	–	–	(2,427)
Share of results of associates		–	–	–	434	434
Profitl/(loss) before Income tax		4,512,548	666,101	(238,976)	(81,046)	4,858,627
Income tax expense	7	(1,827,555)	(166,525)	59,744	(3,058)	(1,937,394)
Profit/(loss) for the year	8	2,684,993	499,576	(179,232)	(84,104)	2,921,233

The Group carries out its core business of property development in 12 cities. During the year, the Group made its first deliveries in Chengdu and Shenyang, which were the tenth and eleventh cities respectively in which it has launched property development projects, in addition to Guangzhou, Beijing, Tianjin, Xian, Chongqing, Hainan, Huizhou, Taiyuan and Shanghai, where the Group was completing projects. The following comments, with the exception of #6 (on financing costs) and #8 (on net profits), relate only to the results from sales of properties:

1. Turnover increased by 35.3% to RMB22.97 billion, from RMB16.98 billion in the previous year. The amount of saleable area sold increased by 30.6%, less than the percentage increase in turnover, to 2.256 million sq.m. from 1.728 million sq.m. in 2009, with an overall average selling price of RMB10,180 per sq.m. as compared to RMB9,830 per sq.m. the year before. The higher average selling price reflected the generally favorable market conditions at the time of sales of those properties completed during the year; the average selling price increased for all cities except in Beijing where it fell, being impacted by the sales mix there. As with last year, Guangzhou's turnover was highest of the 12 cities although its share of total turnover fell from 42% to 31%, on a turnover which decreased to RMB7.075 billion (2009: RMB7.085 billion). Of this turnover, 63% came from residential projects that included three new projects, R&F Golden Jubilee Garden, R&F Junhu Place and R&F Hot Spring Village, that made first deliveries during the year; their combined turnover was RMB2.54 billion. Turnover from other residential properties, amounting to RMB1.89 billion, came mainly from R&F Jin Gang City and mature projects R&F City and R&F Peach Garden. The other 37% of turnover in Guangzhou was from commercial properties sales, which included RMB2.382 billion from the year's top project, the R&F Yingxin Plaza office building in Pearl River New Town. With regard to the average selling price in Guangzhou, the Group's ongoing residential projects with comparable average selling prices in the previous year and the commercial properties projects in Pearl River New Town generally saw an increase of over 25%. The overall average selling price for Guangzhou increased to a lesser extent by approximately 11% to RMB13,660 per sq.m., mainly because of the impact of the sales mix there. Lower priced projects, such as R&F Jin Gang City with an average selling price of RMB5,710 per sq.m., accounted for 13.6% of the total Guangzhou turnover. Sales in Beijing increased by 71% to RMB5.866 billion (2009: RMB3.423 billion) and accounted for 26% (2009: 20%) of the Group's total turnover. The increase in turnover was mainly due to delivery of two new projects, R&F American Dream Island and R&F Danish Town, with turnovers of RMB1.18 billion and RMB1.00 billion respectively. The remaining portion of R&F Xinran Court completed in 2007 was largely sold during the year, generating RMB931 million in turnover. Projects continuing from the previous year, viz. R&F Festival City, R&F Peach Garden and R&F Bayshore, contributed steady turnover and made up 41% (2009: 85%) of the total turnover from Beijing. Beijing was the only city with a decrease in the overall average selling price, which dropped to RMB10,570 per sq.m. from RMB12,040 per sq.m. This was mainly due to the selling price of R&F American Dream Island, a low-income housing project. Turnover from Tianjin increased for the fifth consecutive year and by a significant percentage. The same three projects, viz. R&F City, R&F Jinmen Lake and R&F Peach Garden, generated combined turnover of RMB4.174 billion at an average selling price of RMB10,050 per sq.m., a 40% and 9% increase respectively over the 2009 figures. Ranking behind the aforementioned three cities in turnover were Chongqing, Taiyuan and Hainan, each of which accounted for approximately 5% of the Group's total turnover. Turnover from Chongqing increased by 10% from RMB1.061 billion in 2009 to RMB1.170 billion for the year. The fast maturing project R&F City almost doubled its turnover to account for approximately 90% of Chongqing's total turnover. The other 10% came from R&F Modern Plaza, which last year accounted for 39% of turnover in Chongqing. The average selling price for Chongqing as a whole increased by 24% to RMB6,340 per sq.m. As for Taiyuan and Hainan, their turnover increased by 290% and 178% respectively as more properties were completed; both cities had an additional project with first-time delivery during the year – R&F Modern Plaza with turnover of RMB417 million in Taiyuan, and R&F Yingxi Village with turnover of RMB147 million in Hainan. A significant increase in the average selling price of Hainan's main project R&F Bayshore, which rose by 62% to RMB16,140 per sq.m., was another important factor behind the increase in turnover for Hainan. The average selling price was relatively stable for Taiyuan. Chengdu contributed RMB271 million in turnover for the first time, with first delivery from its two projects in the city, R&F Peach Garden and phase I of R&F Panda City. The remaining cities including Xian, Huizhou and Shanghai had a combined turnover of RMB2.05 billion (2009: RMB1.70 billion), which made up 9% (2009: 10.0%) of the Group's turnover. Average selling prices in these cities varied from a high of RMB10,530 per sq.m. in Shanghai to a low of RMB6,220 per sq.m. in Xian.

The following table gives the breakdown of saleable area, turnover, and percentage attributable to the Group for the sale of properties during the year:

Project	Approximate saleable area sold (sq.m.)	Amount of turnover (RMB million)	Percentage attributable to the Group (%)
Guangzhou			
R&F Yingxin Plaza	88,539	2,382,484	100%
R&F Golden Jubilee Garden	114,516	1,521,755	100%
R&F Jin Gang City	168,465	961,482	100%
R&F Junhu Palace	32,092	688,967	100%
Guangzhou R&F City	33,180	353,856	100%
R&F Spring world	40,271	327,227	100%
R&F Peach Garden Phase II & III	8,479	136,391	100%
R&F Science Center	7,161	137,274	100%
R&F Cambridge Court	5,880	119,625	100%
Others	19,330	445,675	100%
	517,913	**7,074,736**	
Beijing			
R&F Festival City	89,287	1,186,620	100%
R&F American Dream Island	194,333	1,181,804	100%
R&F Danish Town	90,459	1,001,219	100%
R&F Xinran Court	56,233	931,251	100%
R&F Peach Garden	66,578	687,372	100%
R&F Bay Shore	45,663	558,149	100%
Beijing R&F City	11,862	314,866	100%
R&F Edinburgh Plaza	637	5,116	100%
	555,052	**5,866,397**	
Tianjin			
R&F Jinmen Lake	140,486	1,891,382	100%
Tianjin R&F City	167,924	1,595,337	100%
R&F Peach Garden	107,076	686,870	100%
	415,486	**4,173,589**	

Project	Approximate saleable area sold (sq.m.)	Amount of turnover (RMB million)	Percentage attributable to the Group (%)
Chongqing			
Chongqing R&F City	164,576	1,048,012	100%
R&F Modern Plaza	19,330	115,149	100%
R&F Ocean Plaza	681	6,544	100%
	184,587	**1,169,705**	
Xian			
Xian R&F City	85,666	533,062	100%
	85,666	**533,062**	
Huizhou			
R&F Ligang Center	81,893	787,775	100%
	81,893	**787,775**	
Hainan			
R&F Bay Shore	63,037	1,017,573	100%
R&F Yingxi Valley	16,321	146,794	100%
	79,358	**1,164,367**	
Shanghai			
R&F Bay Shore	53,365	573,901	100%
R&F Peach Garden	16,289	159,724	100%
	69,654	**733,625**	
Taiyuan			
Taiyuan R&F City	145,254	781,182	100%
R&F Modern Plaza	71,240	416,862	100%
	216,494	**1,198,044**	
Chengdu			
R&F Peach Garden	41,080	188,031	100%
R&F Stanley Apartment	8,623	83,163	100%
	49,703	**271,194**	
Total	**2,255,806**	**22,972,494**	

2. Cost of goods sold comprised four main components, of which land and construction costs were the most important, making up 85% of the Group's total costs. Business tax and capitalized interest made up the other 15%. Overall land and construction costs per sq.m. amounted to RMB5,360, approximately the same as the previous year. This stability reflected that fact that the effects of price increases on the main elements of construction were offset by the project mix; e.g. land and construction costs in Guangzhou fell to RMB5,320 per sq.m. from RMB6,240 per sq.m., as R&F Jin Gang City with its lower than average land and construction costs of RMB3,130 per sq.m. became a more significant part of turnover from Guangzhou. Apart from in Guangzhou, land and construction costs for most other cities experienced no notable change, except for Chongqing and Xian where there was an approximately 15% increase. Land and construction costs ranged from highs of RMB6,320 per sq.m. for Beijing to lows of RMB3,190 per sq.m. in Taiyuan. Capitalized interest made up a major part of the cost of goods sold; the amount included in cost of sales was RMB838 million (2009: RMB1.019 billion), representing approximately 5.9% (2009: 8.8%) of total costs. As a percentage of turnover from sale of properties, capitalized interest decreased to 3.6% from 6.0%. The cost of goods sold also included RMB1.352 billion in business tax, making up 9.5% of costs.

3. Overall gross margin for the year increased to 37.9%, from 31.6% in 2009. Much of the turnover recognized for the year arose from contracted sales made during a period of rising market prices, which was the main reason for the significant increase. Major projects (i.e. with turnover over RMB1 billion) continuing from last year all experienced satisfactory increases in selling price ranging from 15% for R&F City in Tianjin to 62% for R&F Bayshore in Hainan. This increase in selling prices caused the gross margin of this group of projects to increase by 10%. An outstanding gross margin of 67% achieved for the top project R&F Yingxin Plaza in Guangzhou, new for the year, further help boost overall gross margin. On the other hand, one factor negatively affecting gross margin was the inclusion of the low income housing project R&F American Dream Island in Beijing, which had a gross margin of only 12%. The negative impact of this on the Group's overall gross margin is estimated to be approximately 1.4 percentage points. Reduction of capitalized interest as a percent of turnover was another factor favorable to gross margin.

4. Other gains mainly arose from profit on the sales of certain remaining units of the office tower adjoining the Guangzhou Grand Hyatt Hotel, and interest income.

5. Selling and administrative expenses as a percentage of turnover decreased to 5.7% from 5.9% in the previous year, as the Group further benefited from economies of scale. During the year, the Group's contracted sales increased by 33% to RMB32 billion, with 40 projects on sale and 35 projects under development. In terms of amounts, selling and administration expenses for the year increased by 31% or RMB312 million, to RMB1.311 billion. The breakdown shows that selling expenses increased by RMB57 million to RMB363 million, while administrative expenses increased by RMB255 million to RMB948 million. Making up 51% of selling expenses similar to last year, advertising costs increased by 16% to RMB186 million. The Group continued to make its advertising more efficient; contracted sales per RMB million of advertising expenditure increasing to RMB173.7 million in the year from RMB151.6 million. The main component of administrative expenses was manpower costs which amounted to RMB490.2 million and made up 52% of administrative expenses.

6. Finance costs increased by 86% to RMB940.8 million (2009: RMB505.3 million). As these costs include interest expenses incurred in the year after deduction of amount capitalized to development costs, finance costs were affected by the total debt amount, the interest rate, and the amount of interest being capitalized. With outstanding loans (excluding corporate bonds) of approximately RMB22 billion and an average interest rate of 5.3%, total interest expenses for the year amounted to RMB1,217 million. This was 9% less than the interest expenses for 2009, mainly as a result of lower interest rates. However, the amount of interest capitalized also fell by RMB244.5 million, resulting in a net increase in finance costs. Capitalized interest released to cost of goods sold amounted to RMB838 million, as compared to RMB1.019 billion for the previous year. Aggregate interest costs included in this year's results amounted to RMB1.779 billion (2009: RMB1.524 billion).

7. Land appreciation tax ("LAT") of RMB1.747 billion (2009: RMB821.5 million) and Enterprise Income Tax of RMB1.439 billion brought the Group's total income tax expenses for the year to RMB3.186 billion. As a percentage of turnover, LAT increased to 7.6% from 4.8% in 2009. This increase was due to the generally higher gross profit margins and for certain projects in particular; for example, Guangzhou R&F Yingxin Plaza attracted a relatively high LAT equivalent to 2.3% of total turnover. The effective enterprise income tax rate stood at 27.6% (2009: 27.3%), deviating from the standard rate by 2.6% because of permanent differences limiting the tax deductible amount.

8. Overall the Group's net profit margin for the year was 18%, as compared to 16% in the previous year. Major factors for this increase were the substantial fair value gain for the year and the overall improvement in the Group's gross profit margin for property development.

CONSOLIDATED BALANCE SHEET

	Note	**2010 (RMB'000)**	2009 (RMB'000)	Changes (%)
ASSETS				
Non-current assets				
Land use rights	1	**670,940**	691,855	-3%
Property, plant and equipment	2	**4,119,144**	3,494,362	18%
Investment properties	3	**12,461,640**	10,331,637	21%
Intangible assets	4	**875,098**	853,098	3%
Interests in jointly controlled entities	5	**3,384,790**	876,063	286%
Investments in associates	6	**137,866**	35,348	290%
Deferred income tax assets	7	**922,503**	719,589	28%
Available-for-sale financial assets	8	**182,700**	175,000	4%
Trade and other receivables and prepayments	9	**2,610,120**	461,108	466%
Current assets				
Properties under development	10	**29,067,419**	30,324,980	-4%
Completed properties held for sale	11	**4,767,672**	4,715,325	1%
Inventories		**271,771**	285,833	-5%
Trade and other receivables and prepayments	9	**7,229,422**	4,553,132	59%
Tax prepayments		**1,547,671**	939,436	65%
Restricted cash	12	**3,514,433**	1,244,972	182%
Cash	12	**5,653,716**	6,642,279	-15%
LIABILITIES				
Non-current liabilities				
Long-term borrowings	13	**20,669,396**	17,522,790	18%
Deferred income tax liabilities		**2,154,540**	1,726,853	25%
Current liabilities				
Accruals and other payables	14	**7,845,407**	8,646,410	-9%
Deposits received on sale of properties	15	**15,479,821**	11,365,612	36%
Current income tax liabilities		**4,083,895**	2,995,887	36%
Short-term bank loans	13	**1,496,195**	853,499	75%
Current portion of long-term bank loans	13	**5,688,430**	6,013,600	-5%
SHAREHOLDERS' EQUITY		**19,999,221**	17,019,366	18%
Non-controlling interests		**211,500**	105,724	100%

1. This related to self-use assets only. Decrease represented by mainly the transfer out associated with the disposal of certain retail space in Guangzhou Grand Hyatt office tower and the amortization of land use rights. The main new additions were the land cost of a hotel and office at Chengdu Panda City.

2. The increase being the additional costs in the year of which the main items were 1) the facilities in Hua Du for logistic business, 2) the Group's offices at Tianjin R&F City and Chengdu Panda City and 3) further costs of construction in progress in respect of two hotels in Chongqing and Chengdu.

3. Completion of Chengdu's Tianhui Mall added to investment properties RMB1.125 billion of which RMB588 million was further costs and RMB537 million was fair value gain. The fair value gain of other properties existing at the beginning of the year amounted to RMB573 million equivalent to approximately 7% appreciation.

4. The increase was mainly application computer software license bought.

5. The larger new investments in the year were 1) RMB917 million for 25% interest in 天津津南新城房地產開發有限公司which is to develop a mixed project in Jinnan District in Tianjin and 2) RMB1.170 billion for 50% interest in Hines Shanghai New Jiangwan Development Co. Ltd. which is to develop a mixed project in Yangpu district of Shanghai.

6. Increase mainly being contribution to the Asian Game City joint venture and less its share of loss for the year.

7. Increase mainly related to increase in accrued development costs not yet deductible for income tax.

8. The change was increase in the fair value of 4.88% interest in Guangzhou Securities Co., Ltd.

9. Trade receivables maintained at a low level of less than 5% of the contracted sales for the year and there were no material overdue debts under efficient credit control. There were more notable increase in other receivable and prepayments, both current and non-current portion, due to various payments in relation to potential new land acquisition.

10. No significant change as the Group maintained a steady scale of development; there were 40 projects and 6.549 million sq.m. GFA under development at 31 December 2010 as compare to 35 projects and 6.729 million sq.m. GFA.

11. Approximately 750,000 sq.m. GFA. In terms of value, each of Guangzhou and Beijing accounted for 33% of the total. Apart from residential units, retail properties and car parks were together a significant part of the balance..

12. Cash on hand maintained at a level adequate for the Group's operation.

13. Refer to ''Financial resources, liquidity and liabilities''

14. Construction payables representing approximately 60% of the total and decreased by RMB296 million.

15. Increased in line with 33% increased in contracted sales and being pre-sale proceeds from 31 projects most of which will be delivered in 2011.

CASH FLOW

	Note	**2010 (RMB'000)**	2009 (RMB'000)
Net cash generated from operating activities	1	**1,895,008**	4,524,260
Net cash used in investing activities	2	**(3,512,019)**	(2,324,540)
Net cash generated from financing activities	3	**628,448**	2,992,891
Net (decrease)/increase in cash		**(988,563)**	5,192,611
Cash at 1 January		**6,642,279**	1,449,668
Cash at 31 December		**5,653,716**	6,642,279

1. Strong contracted sales generated RMB26.0 billion in pre-sale proceeds while land premium payments remain modest at RMB6.5 billion.

2. Mainly the investment in two joint ventures viz. 天津津南新城房地產開發有限公司 and Hines Shanghai New Jiangwan Development Co. Ltd. (see #5 of the Financial Review-Consolidated Balance Sheet).

3. Mainly being additional bank borrowings less dividends (2009 final and 2010 interim) paid in the year of RMB1.482 billion.

Financial resources, liquidity and liabilities At 31 December 2010, the Group's cash amounted to RMB9.17 billion and with a total borrowing at RMB27.85 billion which included the RMB5.5 billion domestic bonds issued in October 2009. Net debt to equity ratio improved to 94% from 98% the previous year mainly as a result of the cash inflow from strong sale in the year. The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB18.3 billion (2009: RMB22 billion) was unutilized giving the Group ample standby financial resources. Such credit facilities indicate that the banks are prepared to lend to the Group up to the limit of the facilities when certain conditions are met such as the production of suitable projects and specified documents e.g. construction permits. The Group is continuing to pursue a proposed A share issue which if materialize will significantly improve the capital structure of the Group. However, the soundness of the Group's financial position is not dependent on this happening.

DEBT PROFILE

	Total	Due within 1 year	2 years	3–5 years	Over 5 years	Interest	
	(RMB million)						
Long-term bank loans	20,916	5,689	4,391	6,690	4,146	Floating	RMB9,570M secured
Corporate bonds	5,442			5,442		Fixed	
Short-term bank loans	1,496	1,496	–	–	–	Floating	RMB1,438M secured
	27,854	7,185	4,391	12,132	4,146		

With the issuance in October 2009 of a RMB5.5 billion domestic corporate bond with 5 year maturity at a fixed interest rate of 6.85%, the maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 years accounted for 26% (2009: 28%) of total debts which was a reasonable level. Bank loans repaid in the year amounted to RMB8.94 billion while new bank loans of RMB12.39 billion was procured at interest rates ranging from 4.78% to 6.84%. The effective interest rate of the total bank loan portfolio at 31 December 2010 was 5.31% (2009: 5.40%). Exchange rate exposure was minimal as non-RMB loans accounted for only approximately 6.4% of total bank loans. As for interest rate, RMB bank loans were at normally stable floating interest rates benchmarked to rates published by the People's Bank of China. The fixed rate domestic bond further reduced interest rate exposure and therefore no interest rate hedging arrangements had been put in place.

Charge on assets As at 31 December 2010, assets with total carrying values of RMB13.56 billion were pledged to banks to secure bank loans amounting to RMB11.01 billion (at 31 December 2009: RMB9.89 billion).

Contingent liabilities The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties and joint liability counter-guarantees for certain bank facilities granted to the Group's jointly controlled entities and an associate for project development purpose. For guarantees provided in respect of residential properties, the guarantees are released upon the issuance of real estate ownership certificates for the properties concerned. As at 31 December 2010, such guarantees totaled RMB13.70 billion, increased 12% from RMB12.19 billion as at 31 December 2009.

MATERIAL ACQUISITIONS AND DISPOSALS

1. Beijing R&F Property Development Co. Ltd. ("Beijing R&F"), a wholly owned subsidiary of the Group, acquired 25% in Tianjin Jinnan Xincheng Real Estate Development Co. Ltd. ("Tianjin Jinnan") in August 2010. Beijing R&F contributed 25% of the registered capital of Tianjin Jinnan which amounted to RMB916,825,000. Tianjin Jinnan would develop a mixed project in Jinnan District of Tianjin.

2. The Company acquired 50% interest in Hines Shanghai New Jiangwan Development Co. Ltd. ("Hines Shanghai") in November 2010 at a consideration of US$176.75 million. Hines Shanghai held 70% interest in a PRC project company which would develop a mixed project in Yangpu District of Shanghai.

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The practices adopted by the Company place a focus upon maintaining a high-quality board, effective internal controls, a high level of transparency, and full accountability to shareholders. Throughout the year the Company complied with PRC Company Laws, the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and all other relevant laws and regulations.

THE BOARD

The board of directors (the "Board") is charged with providing overall leadership for and effective control over the Company in a way that maximizes financial performance and shareholder value. The Board formulates business policies and strategies for the Group, including dividend policy and risk management strategies. It is also responsible for implementing internal controls and monitoring their effectiveness. The day-to-day execution of the Board's policies and strategies is delegated to the Company's executive directors and management.

At 31 December 2010 the Board consisted of nine directors. This number was made up of four executive directors: Mr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and Chief Executive Officer, Mr. Zhou Yaonan, and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin and Ms. Li Helen; and three independent non-executive directors, Mr. Dai Feng, Mr. Huang Kaiwen and Mr. Lai Ming, Joseph. Biographical details of the directors and their relationships, if any, are set out on pages 52 to 55 of this annual report. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a balanced mix of skills and expertise that will continue to provide the Company with effective leadership.

All directors have entered into a service contract with the Company for a specific term of three years. All are subject once every three years to retirement from office by rotation and re-election at the annual general meeting, in accordance with the articles of association of the Company ("Articles of Association").

The Company has not established a nomination committee: instead, the Board is collectively responsible for the appointment of new directors either to fill casual vacancies or as additional Board members. The non-executive director, Ms. Helen Li and the other three independent non-executive directors, namely Mr. Huang Kaiwen, Mr. Dai Feng and Mr. Lai Ming, Joseph, will retire and offer themselves for re-election at the forthcoming 2010 annual general meeting.

All directors, including non-executive directors and independent non-executive directors, have devoted a reasonable amount of time and effort to the business affairs of the Company. All non-executive and independent non-executive directors possess appropriate academic and professional qualifications and related management experience, and have contributed advice to the Board. The Board believes that the ratio of executive directors to non-executive directors is reasonable, and provides checks and balances that are sufficient to safeguard the interests of shareholders and of the Group. The Board also believes that the independent judgments offered by non-executive directors and independent non-executive directors on issues relating to strategy, performance, conflicts of interest and management processes are valuable for taking into account and protecting the interests of the Company's shareholders.

All directors of the Company have access to timely information about the Group's business and are able to make further enquires whenever necessary. They also have unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with board papers and related materials. The Board has also agreed that any director may seek independent professional advice on issues related to the Group's business at the Company's expense.

The Company continuously updates all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, both to ensure compliance and to enhance their awareness of good corporate governance practices.

As Chairman, Mr. Li Sze Lim provides leadership and oversees the Board's workings. He ensures that all directors are properly briefed on issues arising at Board meetings, and receive comprehensive, relevant and reliable information in a timely manner. He is also responsible for the Board's effectiveness by ensuring that all key issues are discussed within the Board, and that the Board adopts good corporate governance practices and establishes effective communication channels with shareholders.

Mr. Zhang Li, the Co-chairman, is the Chief Executive Officer of the Company. He is responsible for the execution of all business policies, strategies, objectives and plans adopted by the Board. The role of the Chief Executive Officer is separate from that of the Chairman.

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence and the Company consider each of them to be independent.

The Board held four meetings during the year under review, and the attendance records of the directors are set out below:

Directors	Meetings attended/Total
Executive Directors	
Li Sze Lim	4/4
Zhang Li	3/4
Zhou Yaonan	4/4
Lu Jing	4/4
Non-executive Directors	
Zhang Lin	4/4
Li Helen	4/4
Independent Non-executive Directors	
Huang Kaiwen	4/4
Dai Feng	4/4
Lai Ming, Joseph	3/4

During these meetings, the directors discussed matters relating to business policies and strategies, corporate governance, and financial and internal control systems. They reviewed the interim and final business results and other relevant matters. All directors are urged to participate in these Board meetings in person, but those who are unable to attend in person can also participate via electronic media.

According to the Articles of Association, notice for Board meetings should be given to all directors at least 10 days prior to the date of a meeting. All directors are given the opportunity to include any matter they would like discussed in the agenda.

The company secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations are followed. He also prepares detailed minutes of each meeting. After the meeting, the draft minutes are circulated to all directors for comment as soon as practicable. All Board members are given a copy of the final approved minutes.

Should a matter being considered involve a potential conflict of interest for a director, the director concerned will abstain from voting. Independent non-executive directors with no conflicts of interest will be present at meetings dealing with such issues. The Board's audit committee and remuneration committee both adopt the practices used in the general Board meetings.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code"), laid out in Appendix 10 to the Listing Rules, as the code of conduct for directors in any dealings in the Company's securities. The Company has made specific enquiries of each director, each of whom has confirmed their compliance with the Model Code during the financial year ended 31 December 2010.

SUPERVISORY COMMITTEE

The supervisory committee of the Company consists of three members, including two supervisors who represent shareholders, Mr. Zheng Ercheng and Ms. Liang Yingmei, and one who represents employees, Mr. Feng Xiangyang. The supervisors effectively performed their supervisory duties relating to the Company's operations.

AUDIT COMMITTEE AND ACCOUNTABILITY

The audit committee was established on 27 June 2005 with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee reports to the Board and has held regular meetings to review and make recommendations for improving the Group's financial reporting processes and its internal controls. The committee is made up of three members: a non-executive director, Ms. Li Helen, and two independent non-executive directors, Mr. Dai Feng and Mr. Lai Ming, Joseph. The chairman of the committee is Mr. Lai Ming, Joseph, who has professional accounting qualifications and expertise in financial management.

The Board is responsible for presenting a clear and balanced assessment of the Group's performance, results and prospects. It is also responsible for preparing financial statements of accounts that give a true and fair view of the Company's finances. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control and financial reporting matters of the Group. It is also tasked with coordinating with external auditors in respect of the annual audit on matters such as the scope of the audit and any issues arising from it; make recommendations to the Board on appointing or removing external auditors; and consider their remuneration and terms of engagement.

The audit committee held two meetings during the year. Following Board practice, minutes of these meetings were circulated to all members for comment, approval and record as soon as practicable after each meeting. There was no disagreement between the Board and the audit committee regarding the selection and appointment of external auditors. The audit committee has reviewed the annual results for the year ended 31 December 2010 and discussed with the management and the Company's auditors the accounting policies and practices adopted, internal control and financial reporting matters of the year.

The attendance records of the committee members are set out as below:

Committee members	Meetings attended/Total
Lai Ming, Joseph	2/2
Dai Feng	2/2
Li Helen	2/2

REMUNERATION OF AUDITOR

PricewaterhouseCoopers is the Company's external auditor. During the year the firm was not been engaged to perform any other work that could have conflicted with its role as auditor of the Company or otherwise compromised its independence.

The audit committee has recommended to the Board, and the Board has accordingly agreed, to propose the reappointment of PricewaterhouseCoopers as the external auditors of the Group until the date of the next annual general meeting, pending approval by shareholders at the forthcoming 2010 annual general meeting. During the year, the total remuneration paid in respect of audit services was RMB5.2 million.

INTERNAL CONTROLS

The Board is responsible for maintaining a system of effective internal controls to protect the Group's assets and its shareholders' interests. The Board closely monitors the implementation of the Company's internal controls and risk management systems, assessing their effectiveness based on discussions with the management of the Company and its external auditors, as well as reviews conducted by the audit committee.

The Company's internal controls and audit functions are embedded within its various operational departments. The Group's system of internal controls includes a well-established corporate structure and an organization with clearly defined lines of responsibility and authority, which are set out in writing in an operation manual where appropriate. Each department is responsible for its daily operations, and is required to implement and monitor the strategies and policies adopted by the Board. Each department has a responsibility to effectively use Company resources so as to avoid misappropriation or damage to assets, and to prevent errors and fraud. Every department is given defined goals, which have been discussed in Board meetings and passed on to management through the executive directors. The executive directors will closely monitor the efforts to meet these goals, reviewing operational and financial results from time to time and taking any necessary actions for improving the Company's business activities.

These internal control and audit functions are reviewed and assessed on an on-going basis by the executive directors, and will be further reviewed and assessed at least once each year by the audit committee.

The Board believes that the existing system of internal controls is adequate and effective.

REMUNERATION COMMITTEE

The remuneration committee was established on 27 June 2005, with written terms of reference. The committee comprises three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Dai Feng and Mr. Huang Kaiwen. Mr. Li Sze Lim is the chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board policy on remuneration-related matters including, among others, bonus structures and provident funds. The Company's remuneration policy is designed to ensure that the remuneration offered to employees, including executive directors and senior management, is based on factors such as levels of skill, knowledge, responsibility and involvement in the Company's affairs. The committee determines the remuneration packages of executive directors and members of senior management. The remuneration of executive directors is linked to the Company's business performance and profitability in the context of current market conditions. Individual directors and senior management are not involved in determining their own levels of remuneration.

During the year the remuneration committee held one meeting, in which it reviewed the Company's remuneration policies, its terms of service contracts, and the performance of executive directors and senior managers. It reported that the compensation payable to each director and senior manager was in accordance with contractual terms, and that such compensation was fair and not excessive.

The attendance records of individual committee members are set out below:

Committee members	Meetings attended/Total
Li Sze Lim	1/1
Dai Feng	1/1
Huang Kaiwen	1/1

Details of emoluments paid to the directors for the year are set out in the notes to the financial statement on page 134.

INVESTOR AND SHAREHOLDER RELATIONS

The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. It disseminates information about its business operations to investors and shareholders in a timely manner using a variety of channels and methods. In addition to publishing interim and annual reports, the Company occasionally meets with analysts and holds press conferences. Enquiries and suggestions from shareholders, investors, media and the general public are followed up by executive directors or appropriate management staff. The corporate website is another channel through which the Company provides up-to-date information.

The Company takes every precaution in its handling of price-sensitive information. During the period as prescribed by the Listing Rules before its financial results are released, the Company's directors and senior management staff are prohibited from dealing in the Company's shares. Interviews with financial analysts and media are restricted.

The annual general meeting also serves as an important channel of communication between directors and shareholders. The chairman personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. During the annual general meeting, the chairman of the Board and its committees are present to answer any queries from shareholders. The chairman will also propose separate resolutions for each issue to be considered at the annual general meeting.

The proceedings of the annual general meeting are reviewed periodically to ensure that shareholders' rights are maintained. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 45 days prior to the date of the meeting.

The directors are pleased to submit their report, together with the audited financial statements of the Group, for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group's principal activity is the development of quality residential and commercial properties for sale in China, and its target customers are members of China's large and growing middle class. The Group also develops hotels, office buildings and shopping malls in Beijing, Guangzhou, and other cities, which are held as investment properties.

An analysis of the Group's turnover and total assets during the financial year, by business segment, is set out in note 5 to the financial statements.

PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

A list of principal subsidiaries, jointly controlled entities and associated companies together with their places of operation and incorporation, their issued capital and registered capital, is set out in notes 10, 11 and 12 to the financial statements.

RESULTS

The profit of the Group for the year ended 31 December 2010 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 58 to 145 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 148 of this annual report. The summary of results is for comparative purposes only, and does not form an integral part of the audited financial statements.

INTERIM DIVIDEND

The Board declared an interim dividend for the six months ended 30 June 2010 of RMB0.1 per share, or a Hong Kong dollar equivalent of HK$0.114391 per share.

FINAL DIVIDEND

The Board has passed a resolution proposing the distribution of final dividends for 2010 at RMB0.4 per share. The proposed final dividend, if approved by shareholders at the annual general meeting (the "AGM") to be held on 27 May 2011, will be paid to shareholders (including holders of both domestic shares and H shares) whose names appear on the register of members on 27 May 2011. The proposed dividend has not been reflected in the financial statements as at 31 December 2010.

According to the Articles of Association, dividends payable to shareholders are calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares are paid in RMB, whereas dividends payable to holders of the Company's H shares are paid in Hong Kong dollars. The exchange rate to be adopted is the average closing exchange rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividends.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from 26 April 2011 to 27 May 2011 (both days inclusive). In order to establish entitlement to the proposed final dividend to be approved at the AGM, and entitlement to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's H share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Thursday, 21 April 2011.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries nor its jointly controlled entity purchased, redeemed or sold any of the Company's listed securities.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers combined was less than 30% of the Group's total turnover.

DONATIONS

During the year, the total amount of charitable donations made by the Group was approximately RMB39.24 million (2009: RMB5.75 million).

PROPERTY, PLANT AND EQUIPMENT

The detailed changes in property, plant and equipment of the Group for the year are set out in note 7 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2010 are set out in note 24 to the financial statements.

CAPITALIZED BORROWING COSTS

Borrowing costs capitalized by the Group during the year amounted to approximately RMB666 million (2009: approximately RMB910 million).

MAJOR PROPERTIES

Major properties of the Group as at 31 December 2010 are set out on pages 149 to 154 of this annual report.

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Company during the year up to 31 December 2010 are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

In accordance with the Articles of Association, distribution of dividends should be made out of distributable reserves, this being the lower amount either as determined under China Accounting Standard for Business Enterprises ("CAS") or as determined under the Hong Kong Financial Reporting Standards ("HKFRS"). As at 31 December 2010, the Company's distributable reserves were approximately RMB19.63 billion, being the smaller of the distributable reserves as determined under CAS and HKFRS.

CAPITAL

Details of movements in the share capital of the Company during the year up to 31 December 2010 are set out in the statement of changes in equity on pages 65 of this annual report.

DIRECTORS AND SUPERVISORS

The directors of the Company during the year were:

Executive Directors
Mr. Li Sze Lim
Mr. Zhang Li
Mr. Zhou Yaonan
Mr. Lu Jing

Non-executive Directors
Ms. Zhang Lin
Ms. Li Helen

Independent Non-executive Directors
Mr. Huang Kaiwen
Mr. Dai Feng
Mr. Lai Ming, Joseph

Supervisors
Mr. Feng Xiangyang
Ms. Liang Yingmei
Mr. Zheng Ercheng

In accordance with Article 92 of the Articles of Association, Ms. Li Helen, non-executive director and the Independent non-executive directors, Mr. Huang Kaiwen, Mr. Dai Feng and Mr. Lai Ming, Joseph retire by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and supervisors of the Company has entered into a service contract with the Company for a term of three years. None of the directors or supervisors has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries or jointly controlled entities was a party, and in which a director or a supervisor of the Company was materially interested, whether directly or indirectly, subsisted at any time during the year or as at 31 December 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year the following directors had interests in the following businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group, (other than those businesses where the directors were appointed as director of the businesses concerned to represent the interests of the Company/Group):

Name of Director	Businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group		
	Name of Entity	Description of Business	Nature of the interest of the director in the entity
Mr. Li Sze Lim	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli")	Owns an office building in Beijing for rental income	Shareholder
	Huizhou Golden Swan Hotspring Co., Ltd ("Golden Swan")	Spa Hotel	Shareholder
Mr. Zhang Li	Beijing Fushengli Investment Consulting Co., Ltd.	Owns an office building in Beijing for rental income	Shareholder
	Huizhou Golden Swan Hotspring Co., Ltd.	Spa Hotel	Shareholder

Mr. Li Sze Lim and Mr. Zhang Li have confirmed that Fushengli and Golden Swan has no intention of engaging in any business (save as disclosed) which competes or is likely to compete with the Group. The Company's directors are of the view that the Company is capable of carrying on its business independently of Fushengli and Golden Swan.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2010, the beneficial interests and short positions of the directors and supervisors of the Company and any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 31 December 2010 were as follows:

		Number of Shares				
Director	**Nature of Interest**	**Personal**	**Spouse or child under 18**	**Corporate Interest**	**Total**	**Percentage of the total number of issued shares**
Li Sze Lim	Domestic shares	1,045,092,672				
	H shares	10,000,000	5,000,000	13,500,000	1,073,592,672	33.32%
Zhang Li	Domestic shares	1,005,092,672	20,000,000			
	H shares	3,074,400	200,000		1,028,367,072	31.91%
Lu Jing	Domestic shares	35,078,352			35,078,352	1.09%
Zhou Yaonan	Domestic shares	22,922,624			22,922,624	0.71%
Li Helen	H shares	1,003,600			1,003,600	0.03%

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Director	Name of associated corporation	Type	No. of shares	Percentage of total issued capital
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35.0%
Zhang Li	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35.0%

Note:

1. Guangzhou Tianfu Property Development Co., Ltd. is 15% owned by Century Land Properties Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

2. Beijing Fushangli Investment Consulting Co., Ltd. is 70% owned by Well Bright International Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2010, so far as the directors are aware, only the following persons (other than the directors, supervisors and chief executive officer of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under division 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

Name of shareholder	Type of share	Number of shares (Note)	Percentage of H shares
Morgan Stanley	"H" share	99,934,406 (L) 39,821,469 (S)	9.84% 3.92%
UBS AG	"H" share	92,858,762 (L) 124,250,187 (S)	9.15% 12.24%
Blackrock. Inc.	"H" share	54,072,412 (L) 18,830,227 (S)	5.33% 1.85%
Citigroup Inc.	"H" share	51,632,698 (L) 16,875,656 (S) 19,094,845 (P)	5.09% 1.66% 1.88%
Lehman Brothers Holdings Inc.	"H" share	51,049,240 (L) 67,663,183 (S)	5.03% 6.66%

Note: The letters "L", "S" and "P" respectively denote a long position, short position and lending pool in the shares.

SHARE OPTION SCHEME

The Group did not adopt any share option scheme during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Company has not provided any financial assistance to or guarantee for facilities granted to affiliated companies (within the definition under chapter 13 of the Listing Rules) which together in aggregate would exceed the relevant percentage of 8%, requiring disclosure under the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2010, the Group entered into transactions with related parties as disclosed in note 40 "Significant related-party transactions" to the consolidated financial statements. These related-party transactions included the following transactions which constituted connection transactions under the Listing Rules but exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31 of the Listing Rules:

1. Purchase of restaurant services from Fuligong Restaurant Co. Ltd.;
2. Purchase of restaurant services from Huizhou Golden Swan Hotspring Co. Ltd.;
3. Lease of property and provision of property management services to 廣州金貝殼投資有限公司; and
4. Purchase of environment drinking water system from Guangzhou Canton-Rich Environment Inc.

Save for the above exempted connected transactions, there were no other connected transactions in the year.

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

MANAGEMENT CONTRACTS

No contract for the management and administration of the Group was entered into or was subsisting during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements of the Group have been audited by PricewaterhouseCoopers and it has indicated its willingness to be continuously in office. A resolution will be proposed by the Board at the AGM to re-appoint the firm as the auditor of the Company until the close of the next annual general meeting.

By order of the Board
Li Sze Lim
Chairman

Guangzhou, China
24 March 2011

REPORT OF THE SUPERVISORY COMMITTEE

DEAR SHAREHOLDERS,

During 2010, the Supervisory Committee (the "Committee") carried out its supervisory duties conscientiously and diligently to protect the interests of shareholders, in accordance with PRC Company Law and the Company's Articles of Association.

The Committee consists of three members: Mr. Feng Xiangyang, who was elected from amongst the Company's employees; and Ms. Liang Yingmei and Mr. Zheng Ercheng, both independent supervisors representing shareholders' interests. A member of the Committee attended the meeting of the Board of Directors at which the Company's final 2010 results were approved, and one will also attend the upcoming 2010 annual general meeting.

Throughout the year, members of the Committee monitored the performance of the Company's directors and senior management, and reviewed all material policies formulated and important decisions taken. The Committee considers that the directors and senior management have conducted the Company's business diligently and honestly with the aim of advancing its stated corporate goals, and that they have acted in the best interests of the Company and its shareholders and in compliance with the laws and regulations of the PRC and the Company's Articles of Association.

The Committee has reviewed the financial statements for the year ended 31 December 2010, prepared in accordance with Hong Kong Financial Reporting Standards and audited by the Company's auditor, PricewaterhouseCoopers. The Committee has also reviewed the report of the directors and the profit appropriation proposal to be presented by the Board at the forthcoming 2010 annual general meeting. The Committee considers that the financial statements reflect a true and fair view of the Company's financial position and the results of its operations, and that they comply with all regulations applicable to the Company.

The Committee is satisfied with the business performance and achievement of the Company in 2010, and has great confidence in its future.

By order of the Supervisory Committee
Feng Xiangyang
Convenor

Guangzhou, China
24 March 2011

EXECUTIVE DIRECTORS

Li Sze Lim（李思廉）aged 53, is the Chairman of the Company

Mr. Li obtained his bachelor degree in mathematics in 1978 from the Chinese University of Hong Kong and was a merchant when starting his career in the real estate business in 1993. In August 1994, Mr. Li Sze Lim and Mr. Zhang Li together founded Guangzhou R&F Properties. He is now taken on the position of Executive Director and Chairman of the Company. He is also responsible for managing the sales and financial backbone of the company. Mr. Li is the Chairman of the Council of Guangdong Chamber of Real Estate, a part-time professor of the Lingnan College of Sun Yat-Sen University. He is also a director and a part-time professor of Jinan University. Mr. Li is the brother of Ms. Li Helen who is a non-executive director of the Company.

Mr. Li did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a controlling shareholder of the Company. Save as disclosed, Mr. Li does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,045,092,672 domestic shares, 15,000,000 H shares and a corporate interest of 13,500,000 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Li and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Li will be determined by the Board with reference to job responsibilities and the Group’s performance and profitability.

Zhang Li（張 力）aged 57, is the Co-chairman and Chief Executive Officer of the Company

Mr. Zhang started his career in the construction and renovation business. Prior to joining the Company, he was the Secretary of Youth League Committee of Guangzhou 2nd Light Industry Bureau and the Head of production department of Guangzhou Baiyun District Township Enterprise Administration. In 1993, Mr. Zhang began to engage in real estate development and in August 1994, together with Mr. Li, founded Guangzhou R&F Properties. He is now taken on the positions of Executive Director, Co-chairman and Chief Executive Officer of the Company. Mr. Zhang is responsible for land acquisition, engineering, construction, cost control and managing daily operations. Mr. Zhang is a member of the 11th National Committee of the Chinese People’s Political Consultative Conference, the Vice Chairman of China Real Estate Chamber of Commerce and, a director and a part-time professor of Jinan University. Mr. Zhang is the brother of Ms. Zhang Lin who is a non-executive director of the Company.

Mr. Zhang did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a controlling shareholder of the Company. Save as disclosed, Mr. Zhang does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,025,092,672 domestic shares and 3,274,400 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhang will be determined by the Board with reference to job responsibilities and the Group’s performance and profitability.

EXECUTIVE DIRECTORS

Zhou Yaonan（周耀南）aged 56, is an Executive Director of the Company and General Manager

Mr. Zhou is primarily responsible for coordinating and monitoring the construction and development of property projects and project management. He was appointed as a Deputy General Manager when he joined the Group in October 1995 and was made General Manager in 2005. He was elected as an Executive Director of the Board in October 2001. Prior to joining the Group, he held various teaching and administrative positions with a number of middle schools in Guangzhou from 1970 to 1990, after graduating from South China Normal University with a bachelor's degree.

Mr. Zhou did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co. Ltd. and a shareholder of the Company. Mr. Zhou does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 22,922,624 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhou and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhou will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

Lu Jing（呂勁）aged 50, is an Executive Director of the Company and Deputy General Manager

Mr. Lu has been with the Company since the formation of Tianli Properties Development Co., Ltd. in August 1994, and has been serving as Deputy General Manager since then. He was elected as Executive Director of the Board in October 2001. He was the General Manager of Beijing R&F Properties Development Co., Ltd. and R&F (Beijing) Properties Development Co., Ltd., the Vice Chairman of Shanghai R&F Properties Development Co. Ltd., both subsidiaries of the Company, and was responsible for the Company's development projects in Beijing and Eastern China. He is currently the executive director and Deputy General Manager of the Company. He graduated from the Guangdong University of Mining in 1982 with a bachelor's degree in industrial automation. He has also been awarded an EMBA degree from Peking University. Prior to joining the Company, Mr. Lu was deputy manager of a pharmaceutical factory in Guangzhou.

Mr. Lu did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co. Ltd. and a shareholder of the Company. Mr. Lu does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 35,078,352 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Lu and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Lu will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

NON-EXECUTIVE DIRECTORS

Zhang Lin（張琳）aged 62

Ms. Zhang served as a lecturer at the South China University of Technology from 1982 to 1993 and as an associate professor from 1993 to 2003, teaching electrical and electronic engineering technology. Ms. Zhang graduated from the South China University of Technology having majored in electrical engineering. Ms. Zhang is the sister of Mr. Zhang Li.

Ms. Zhang did not hold any directorship in any other listed public company within the last three years. There is a service contract signed between the Company and Ms. Zhang and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Zhang will be determined by the Board.

Li Helen（李海倫）aged 59

Ms. Li has over 25 years of experience in international trade and has held various senior executive positions with several international companies. From 1986 to 1987 she was the Managing Director of Sunrise Knitwear Ltd., a knitwear manufacturing company in Hong Kong and a subsidiary of Hong Kong Sales Knitwear Ltd. From 1988 to 2005 she was the president of Great Seas Marketing Inc., a Canadian garment wholesale and distribution company. Ms. Li is the sister of Mr. Li Sze Lim.

Ms. Li did not hold any directorship in any other listed public company within the last three years. She has a personal interest of 1,003,600 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Ms. Li and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Li will be determined by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Huang Kaiwen（黃開文）aged 77

Mr. Huang held senior administrative positions with various schools and colleges from 1963 to 1979. From 1979 to 1996 he was a division chief, deputy director general and director general of the Guangzhou Bureau of Land Resources and Housing Administration. Mr. Huang became one of the Company's independent non-executive directors in May 2005.

Mr. Huang did not hold any directorship in any other listed public company within the last three years. There is a service contract signed between the Company and Mr. Huang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Huang will be determined by the Board.

Dai Feng（戴逢）aged 68

Mr. Dai has over 40 years of experience in urban planning and administration, specializing in urban planning, design and related information technology. Currently, he is a member of the Expert Committee of Ministry of Urban Planning of China. Since 2000, he has been a part-time professor at a number of universities and was a consultant to the China Association of City Planning, an association which studies issues concerning the reform of urban planning in China and assists the government in the drafting of development plans. He is also a fellow of the Euroasian Academy of Sciences. Since 1985, he has won various prizes in urban planning and the application of advanced technology. His achievements in applying advanced technology in urban planning have been recognized by China's Ministry of Construction. Mr. Dai became an independent non-executive director of the Company in May 2005.

Mr. Dai is a consultant of Poly Real Estate Group Limited, an independent director of Guangzhou Donghua Enterprise Co., Ltd. and the independent non-executive director of KWG Property Holding Limited. There is a service contract signed between the Company and Mr. Dai and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Dai will be determined by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lai Ming, Joseph（黎明）aged 66

Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors. He co-founded the Hong Kong Centre of CIMA and was its president from 1974 to 1975 and from 1979 to 1980. He was the president of the HKICPA in 1986. Mr. Lai is also an advisor to the Corporate Governance Committee of the Hong Kong China Division of CPA Australia. Mr. Lai became an independent non-executive director of the Company in May 2005.

Until his retirement in 2004, Mr. Lai served several Hong Kong listed companies in key management positions with particular emphasis on corporate finance and organization and management information. He is an independent non-executive director of Jolimark Holdings Ltd., Shinhint Acoustic Holdings Limited and Country Garden Holdings Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He was also an independent non-executive director of Dynasty Fine Wines Group Limited but resigned with effect from 1st January, 2011. Mr. Lai is also a director of Hong Kong University of Science and Technology R and D Corporation Limited. He is also an independent non-executive directors of Chen's Holdings Limited and Sheng Fung Company Limited.

SUPERVISORS

Feng Xiangyang（馮向陽）aged 63

Mr. Feng held various positions in the government of the Tianhe District of Guangzhou, including those of deputy director of the Transportation Bureau and the director of the Bureau of Township Enterprises of the Tianhe District from 1985 to 1990; and vice district governor of the Tianhe District from 1990 to 1996. He joined the Group in August 2001 as a manager in the Engineering Department, and was appointed a deputy general manager in 2005. He was elected as a Supervisor in June 2004 to act as a representative of the Company's employees.

Liang Yingmei（梁英梅）aged 70

Ms. Liang has over 40 years of experience in the construction industry. She has been the chairman of the Association of the Construction Materials Industry of Guangzhou since 2000. Prior to 2000, she served as an engineer, a deputy general manager and finally chairman and general manager of Guangzhou Construction Materials Group Corporation. Ms. Liang received a bachelor's degree in chemistry from the South China University of Technology in 1964. She was appointed as a Supervisor of the Company in June 2004 to act as a representative of the Company's shareholders.

Zheng Ercheng（鄭爾城）aged 53

Mr. Zheng has extensive experience in the China banking industry and financial sector. He was sub-branch deputy governor and then governor of China Construction Bank, Guangzhou Branch, Tianhe Sub-branch from 1987 to 1997 and general manager of the International Business Department of the Guangzhou Branch of the China Construction Bank from 1997 to 1999. He was the general manager of the Guangzhou Branch of Cinda Asset Management Company from 1999 to 2000. He became a Supervisor of the Company in June 2004, to act as a representative of the Company's shareholders.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the shareholders of Guangzhou R&F Properties Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 146, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report (Continued)
To the shareholders of Guangzhou R&F Properties Co., Ltd. (Continued)
(Incorporated in the People's Republic of China with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2011

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

ASSETS	Note	As at 31 December 2010	2009
Non-current assets			
Land use rights	6	**670,940**	691,855
Property, plant and equipment	7	**4,119,144**	3,494,362
Investment properties	8	**12,461,640**	10,331,637
Intangible assets	9	**875,098**	853,098
Interests in jointly controlled entities	11	**3,384,790**	876,063
Interests in associates	12	**137,866**	35,348
Deferred income tax assets	26	**922,503**	719,589
Available-for-sale financial assets	13	**182,700**	175,000
Trade and other receivables and prepayments	17	**2,610,120**	461,108
		25,364,801	17,638,060
Current assets			
Properties under development	14	**29,067,419**	30,324,980
Completed properties held for sale	15	**4,767,672**	4,715,325
Inventories	16	**271,771**	285,833
Trade and other receivables and prepayments	17	**7,229,422**	4,553,132
Tax prepayments	25	**1,547,671**	939,436
Restricted cash	18	**3,514,433**	1,244,972
Cash	19	**5,653,716**	6,642,279
		52,052,104	48,705,957
Total assets		**77,416,905**	66,344,017
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	**805,592**	805,592
Other reserves	22	**4,320,628**	4,314,853
Retained earnings			
– Proposed final dividend	35	**1,288,948**	1,160,052
– Others		**13,372,553**	10,633,145
		19,787,721	16,913,642
Non-controlling interests		**211,500**	105,724
Total equity		**19,999,221**	17,019,366

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
LIABILITIES	Note	**2010**	2009
Non-current liabilities			
Long-term borrowings	24	**20,669,396**	17,522,790
Deferred income tax liabilities	26	**2,154,540**	1,726,853
		22,823,936	19,249,643
Current liabilities			
Accruals and other payables	23	**7,845,407**	8,846,410
Deposits received on sale of properties		**15,479,821**	11,365,612
Current income tax liabilities	27	**4,083,895**	2,995,887
Short-term bank loans	24	**1,496,195**	853,499
Current portion of long-term bank loans	24	**5,688,430**	6,013,600
		34,593,748	30,075,008
Total liabilities		**57,417,684**	49,324,651
Total equity and liabilities		**77,416,905**	66,344,017
Net current assets		**17,458,356**	18,630,949
Total assets less current liabilities		**42,823,157**	36,269,009

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 67 to 146 are an integral part of these financial statements.

BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

ASSETS	Note	As at 31 December 2010	2009
Non-current assets			
Land use rights	6	**39,906**	21,365
Property, plant and equipment	7	**538,892**	311,367
Investment properties	8	**218,426**	259,879
Intangible assets	9	**26,744**	3,936
Investments in subsidiaries	10	**10,986,471**	10,400,932
Interests in jointly controlled entities	11	**697,369**	495,797
Interests in associates	12	**134,464**	–
Deferred income tax assets	26	**39,513**	66,860
Available-for-sale financial assets	13	**182,700**	175,000
Trade and other receivables and prepayments	17	**1,436,698**	173,820
		14,301,183	11,908,956
Current assets			
Properties under development	14	**1,884,603**	2,687,480
Completed properties held for sale	15	**1,060,943**	1,184,614
Trade and other receivables and prepayments	17	**7,835,671**	9,816,126
Tax prepayments	25	**50,746**	150,520
Restricted cash	18	**1,655,674**	643,785
Cash	19	**897,177**	937,001
		13,384,814	15,419,526
Total assets		**27,685,997**	27,328,482
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	**805,592**	805,592
Other reserves	22	**4,320,628**	4,314,853
Retained earnings			
– Proposed final dividend	35	**1,288,948**	1,160,052
– Others		**928,613**	1,403,501
Total equity		**7,343,781**	7,683,998

BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
LIABILITIES	Note	**2010**	2009
Non-current liabilities			
Long-term borrowings	24	**8,470,161**	7,522,319
Deferred income tax liabilities	26	**68,970**	100,149
		8,539,131	7,622,468
Current liabilities			
Accruals and other payables	23	**8,438,564**	6,620,682
Deposits received on sale of properties		**587,984**	1,827,393
Current income tax liabilities	27	**921,787**	1,037,941
Current portion of long-term bank loans	24	**1,854,750**	2,536,000
		11,803,085	12,022,016
Total liabilities		**20,342,216**	19,644,484
Total equity and liabilities		**27,685,997**	27,328,482
Net current assets		**1,581,729**	3,397,510
Total assets less current liabilities		**15,882,912**	15,306,466

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 67 to 146 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2010	2009
Revenue	5	**24,641,820**	18,196,463
Cost of sales	29	**(15,348,632)**	(12,446,844)
Gross profit		**9,293,188**	5,749,619
Other gains – net	28	**1,368,239**	1,213,455
Selling and marketing costs	29	**(425,921)**	(370,888)
Administrative expenses	29	**(1,121,274)**	(978,244)
Other operating expenses	29	**(35,379)**	(247,988)
Operating profit		**9,078,853**	5,365,954
Finance costs	31	**(940,847)**	(505,334)
Share of results of jointly controlled entities	11	**(20,544)**	(2,427)
Share of results of associates	12	**(47,220)**	434
Profit before income tax		**8,070,242**	4,858,627
Income tax expenses	32	**(3,613,873)**	(1,937,394)
Profit for the year		**4,456,369**	2,921,233
Profit attributable to:			
– Owners of the parent		**4,350,593**	2,899,500
– Non-controlling interests		**105,776**	21,733
		4,456,369	2,921,233
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in RMB Yuan per share)	34	**1.3501**	0.8998
Dividends	35	**1,611,185**	1,160,052

The notes on pages 67 to 146 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2010	2009
Profit for the year		**4,456,369**	2,921,233
Other comprehensive income			
Fair value gain on available-for-sale financial assets released to profit and loss accounts, net of tax	22	**–**	(67,217)
Fair value gain on available-for-sale financial assets, net of tax	22	**5,775**	31,573
Other comprehensive income for the year, net of tax		**5,775**	(35,644)
Total comprehensive income for the year		**4,462,144**	2,885,589
Total comprehensive income attributable to:			
– Owners of the parent		**4,356,368**	2,863,856
– Non-controlling interests		**105,776**	21,733
		4,462,144	2,885,589

The notes on pages 67 to 146 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the parent					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2009	805,592	4,350,497	9,795,960	14,952,049	93,049	15,045,098
Comprehensive income						
Profit for the year	–	–	2,899,500	2,899,500	21,733	2,921,233
Other comprehensive income						
Fair value gain on available-for-sale financial assets released to profit and loss accounts, net of tax	–	(67,217)	–	(67,217)	–	(67,217)
Fair value gain on available-for-sale financial assets, net of tax	–	31,573	–	31,573	–	31,573
Total other comprehensive income	–	(35,644)	–	(35,644)	–	(35,644)
Total comprehensive income	–	(35,644)	2,899,500	2,863,856	21,733	2,885,589
Transactions with owners						
Acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	(40,000)	(40,000)
Acquisition of subsidiaries	–	–	–	–	52,326	52,326
Dividend paid to non-controlling interests	–	–	–	–	(21,384)	(21,384)
Dividend relating to 2008 final	–	–	(902,263)	(902,263)	–	(902,263)
Total transactions with owners	–	–	(902,263)	(902,263)	(9,058)	(911,321)
Balance at 31 December 2009	805,592	4,314,853	11,793,197	16,913,642	105,724	17,019,366
Balance at 1 January 2010	**805,592**	**4,314,853**	**11,793,197**	**16,913,642**	**105,724**	**17,019,366**
Comprehensive income						
Profit for the year	**–**	**–**	**4,350,593**	**4,350,593**	**105,776**	**4,456,369**
Other comprehensive income						
Fair value gain on available-for-sale financial assets, net of tax	**–**	**5,775**	**–**	**5,775**	**–**	**5,775**
Total other comprehensive income	**–**	**5,775**	**–**	**5,775**	**–**	**5,775**
Total comprehensive income	**–**	**5,775**	**4,350,593**	**4,356,368**	**105,776**	**4,462,144**
Transactions with owners						
Dividends relating to 2009 final and 2010 interim	**–**	**–**	**(1,482,289)**	**(1,482,289)**	**–**	**(1,482,289)**
Total transactions with owners	**–**	**–**	**(1,482,289)**	**(1,482,289)**	**–**	**(1,482,289)**
Balance at 31 December 2010	**805,592**	**4,320,628**	**14,661,501**	**19,787,721**	**211,500**	**19,999,221**

The notes on pages 67 to 146 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2010	2009
Cash flows from operating activities			
Cash generated from operations	36	**6,168,385**	7,534,051
Interest paid		**(1,596,704)**	(1,400,134)
Enterprise income tax and land appreciation tax paid		**(2,676,673)**	(1,609,657)
Net cash generated from operating activities		**1,895,008**	4,524,260
Cash flows from investing activities			
Business combinations		**–**	33,577
Payment of remaining consideration for a business combination in 2007		**(100,000)**	(500,000)
Purchases of property, plant and equipment		**(1,109,128)**	(291,546)
Purchases of intangible assets		**(93,550)**	(481)
Increase in investment properties under construction		**(148,420)**	–
Proceeds on disposal of property, plant and equipment and land use rights	36	**234,589**	569,513
Proceeds on disposal of investment properties	36	**62,851**	34,275
Proceeds on disposal of available-for-sale financial assets		**–**	114,918
Acquisition of additional interests in a subsidiary		**–**	(40,000)
Capital contributions made to jointly controlled entities		**(2,541,460)**	(249,492)
Capital contributions made to associates		**(142,464)**	–
Cash advanced to jointly controlled entities and associates being established		**(12,500)**	(2,044,200)
Cash received from jointly controlled entities and associates		**241,590**	–
Dividend income from available-for-sale financial assets		**18,900**	–
Interest received		**77,573**	48,896
Net cash used in investing activities		**(3,512,019)**	(2,324,540)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs and guarantee deposits for bank borrowings		**11,045,936**	17,220,927
Repayments of borrowings		**(8,935,199)**	(13,304,389)
Dividend paid to non-controlling interests		**–**	(21,384)
Dividends paid to owners of the parent		**(1,482,289)**	(902,263)
Net cash generated from financing activities		**628,448**	2,992,891
Net (decrease)/increase in cash		**(988,563)**	5,192,611
Cash at beginning of year		**6,642,279**	1,449,668
Cash at end of year	19	**5,653,716**	6,642,279

The notes on pages 67 to 146 are an integral part of these financial statements.

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") mainly engages in the development and sale of properties, property investment, hotel operations and other property development related service in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company were listed on The Main Board of Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July 2005.

These consolidated financial statements are presented in RMB Yuan thousands (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 24 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) New and amended standards, interpretation and annual improvements published by Hong Kong Institute of Certified Public Accountants ("HKICPA") adopted by the Group

The following new standards and amendments, interpretations to standards and annual improvements published by HKICPA are mandatory for the first time for the financial year beginning 1 January 2010.

- HKAS 7 (Amendment), 'Classification of expenditures on unrecognised assets' (effective 1 January 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment to HKAS 7 has no material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards, interpretation and annual improvements published by Hong Kong Institute of Certified Public Accountants ("HKICPA") adopted by the Group (Continued)

- HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the PRC remained as operating lease. As a result of the reassessment, the Group has not reclassified any leasehold land from operating lease to finance lease.

- HKAS 36 (Amendment), 'Unit of accounting for goodwill impairment test' (effective 1 January 2010). This amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of HKFRS 8).

  When the amendment becomes effective, entities use aggregated operating segments to determine their cash-generating units should disaggregate. As this amendment is effective prospectively, any resulting impairment should be recognised in profit and loss in the year the amendment is adopted. The amendment to HKAS 36 has no material impact on the Group's financial statements.

- HKAS 38 (Amendment), 'Additional consequential amendments arising from HKFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination' (effective 1 July 2009). This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The amendment to HKAS 38 has no material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards, interpretation and annual improvements published by Hong Kong Institute of Certified Public Accountants ("HKICPA") adopted by the Group (Continued)

- HKFRS 3 (Revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. HKFRS 3 (revised) has no material impact on the Group's financial statements.

  HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HKFRS 8 (Amendment), 'Disclosure of information about segment assets' (effective 1 January 2010). Minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. The amendment to HKFRS 8 has no material impact on the Group's financial statements.

- HK Int-5 – The HKICPA issued on 29 November 2010 HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet. This Interpretation did not have a material impact on the Group's financial statements.

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards, interpretation and annual improvements published by HKICPA effective for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations:

Standards/Interpretation	Key contents of amendments	Effective date (Annual period beginning on or after)
HKAS 1 (Amendment)	Current/non-current classification of convertible instruments	1 January 2010
HKAS 18 (Amendment)	Determining whether an entity is acting as a principal or as an agent	1 January 2010
HKAS 39 (Amendment)	Eligible hedge items	1 July 2009
HKAS 39 (Amendment)	Treating loan prepayment penalties as closely related derivates	1 January 2010
HKAS 39 (Amendment)	Cash flow hedge accounting	1 January 2010
HKAS 39 (Amendment)	Scope exemption for business combination contracts	1 January 2010
HKFRS 1 (Revised)	First time adoption of HKFRS	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first time adopters	1 January 2010
HKFRS 2 (Amendment)	Scope of HKFRS 2 and HKFRS 3 (revised)	1 July 2009
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction	1 January 2010
HKFRS 5	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1 "First-time adoption")	1 July 2009
HKFRS 5	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
HK(IFRIC) – Int 9 and HKFRS 3 (revised)	Scope amended	1 July 2009
HK(IFRIC) – Int 16 (Amendment)	Hedge of a net investment in a foreign operation	1 July 2009
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) – Int 18	Transfer of assets from customers	1 July 2009

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards, interpretation and annual improvements have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group

- HKAS 12 (Amendment), 'Deferred tax: Recovery of underlying assets Income taxes'. The amendment provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when investment property is measured at fair value. The amendment is effective for annual periods on or after 1 January 2012. This amendment is not expected to have a material impact on the Group's financial statements.

- HKAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (Revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011 and the adoption of this revised standard did not have a material impact on the Group's financial statements.

- HKFRS 9, 'Financial Instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. This new standard is not expected to have a material impact on the Group's financial statements.

- Third improvements to HKFRSs (2010) were issued in May 2010 by the HKICPA which will be effective for accounting periods beginning on or after 1 July 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvement:

HKFRS	Subject of amendments
HKAS 1 Presentation of financial statements	Clarification of statement of changes in equity
HKAS 27 Consolidated and separate financial statements	Transition requirements for amendments made as a result of HKAS 27 'Consolidated and Separate Financial Statements'
HKAS 34 Interim financial reporting	Provide guidance to illustrate how to apply disclosure principles in HKAS 34 and add disclosure requirements
HKFRS 3 Business combinations	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS • Measurement of non-controlling interests • Un-replaced and voluntarily replaced share-based payment awards
HKFRS 7 Financial instruments: Disclosures	Clarifications of disclosures

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards, interpretation and annual improvements have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group (Continued)

- Since October 2010, the IASB has published Amendments to HKFRS 7, 'Financial instruments: Disclosures on derecognition, Additions to HKFRS 9', 'Financial instruments-Classification and measurement' for financial liability accounting and Amendments to HKAS 12, 'Income taxes' on Deferred tax: Recovery of underlying assets.

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill(note 2.8). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss (See Note 2.9 for the impairment of non-financial assets including goodwill).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in jointly controlled entities are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (See Note 2.9 for the impairment of non-financial assets including goodwill).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'other gains-net'.

2.5 Property, plant and equipment

Buildings comprise mainly office premises and hotel buildings. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Buildings	20-30 years
–	Furniture, fixtures and equipment	5 years
–	Motor vehicles	6 years
–	Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net' in the income statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and capitalised finance costs.

After initial recognition at cost, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by independent valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of other gains.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is under construction or development for future use as investment property is classified as investment property under construction. Where fair value of investment properties under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation under HKAS16. The resulting increase in the carrying amount is recognised in other comprehensive income and increases revaluation surplus within equity. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement, and the remaining part of the increase is recognised in other comprehensive income and increases revaluation surplus within equity.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (Note 2.9). Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose according to operating segment.

(b) Construction licence

Construction licence is acquired in a business combination and is recognised at fair value at the acquisition date. Construction licence is renewable annually at minimal cost. The Directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at cost less accumulated impairment losses (Note 2.9).

(c) Customer contracts

Customer contracts are acquired in a business combination and are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, jointly controlled entities and associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and restricted cash' in the balance sheet (Notes 2.18 and 2.19).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; or
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate income statement.

2.13 Land use rights

All land in the PRC is stated-owned and no individual ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expense and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. Property under development for future use as investment property is classified as investment property under construction.

2.15 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

2.16 Inventories

Inventories principally comprise construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Construction contracts

Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and other receivables.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties and provision of construction service performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash

Cash includes cash on hand and deposits held at call with banks.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash included in the cash flow statements.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Borrowing costs cease to be capitalised when substantially all the activities necessary to prepare the asset for its intended use or sale are completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,000. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(a) Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as deposits received on sale of properties under current liabilities.

(b) Construction services

Revenue arising from construction services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided (Note 2.17).

(c) Rental income

Operating lease rental income is recognised on a straight-line basis over the lease term.

(d) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(e) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(f) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(1) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(2) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.29 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities, which are recognised in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee contracts are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee contracts. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantees are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain borrowings denominated in HK dollars ("HKD") and US dollars ("USD") respectively (Note 24) and certain receivables denominated in USD (Note 17), as well as dividends to equity holders of H Shares declared in RMB and paid in HKD. The Group has not hedged its foreign exchange rate risk. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The table below summarises the impact of changes in foreign exchange rate at 31 December 2010 with all other variables held at constant on the Group's post-tax profit for the year.

	RMB against the foreign currency	
	weaken by 1%	strengthen by 1%
	impact on post-tax profit for the year	
Denominated in HKD		
Cash	145	(145)
Restricted cash	33	(33)
Borrowings	(2,170)	2,170
Denominated in USD		
Cash	25	(25)
Trade and other receivables	723	(723)
Borrowings	(8,617)	8,617

(ii) Price risk

The Group is exposed to equity securities price risk because available-for-sale financial assets held by the Group, which are not publicly traded, would be influenced by market price. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

The table below summarises the impact of changes in interest rate at 31 December 2010 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	**25 basis points lower**
	Impact on post-tax profit for the year	
Borrowings at variable rates	(41,562)	41,562

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables except for prepayments. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are with good reputation. For credit rating of banks and financial institutions, please refer to Note 19. The Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2010, three single customers accounted for more than 5% of the Group's trade receivables (31 December 2009: one).

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit lines, for which the Group has received non binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2010					
Borrowings	**8,514,038**	**5,817,294**	**14,407,115**	**4,349,230**	**33,087,677**
Accrual and other payables	**7,845,407**	**–**	**–**	**–**	**7,845,407**
At 31 December 2009					
Borrowings	8,224,365	7,119,601	12,488,328	3,629,465	31,461,759
Accrual and other payables	8,165,448	118,792	488,287	376,519	9,149,046
Company					
At 31 December 2010					
Borrowings	**2,438,914**	**1,931,527**	**7,794,993**	**–**	**12,165,434**
Accrual and other payables	**8,438,564**	**–**	**–**	**–**	**8,438,564**
At 31 December 2009					
Borrowings	3,148,935	2,081,424	7,033,991	–	12,264,350
Accrual and other payables	6,620,682	–	–	–	6,620,682

Note: Interest on borrowings is calculated on borrowings held as at 31 December 2010 and 2009. Floating-rate interest is estimated using the current interest rate as at 31 December 2010 and 2009 respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and restricted cash. Total capital is equity attributable to owners of the parent.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The gearing ratio is calculated as follows:

	2010	2009
Total borrowings (Note 24)	**27,854,021**	24,389,889
Less: Cash and restricted cash	**(9,168,149)**	(7,887,251)
Net debt	**18,685,872**	16,502,638
Equity attributable to owners of the parent	**19,787,721**	16,913,642
Gearing ratio	**94.4%**	97.6%

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments, including unlisted equity investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The Group's financial instruments measured at fair value are available-for-sale financial assets, which are unlisted equity investments that are not traded in an active market. As significant inputs required to fair value the equity investments are observable, the available-for-sale financial assets are grouped in level 2.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Estimated impairment of goodwill (Continued)

A sensitivity analysis on key assumptions used in the calculation has been carried out. Were the gross margin or growth rate lower than management estimates by 20%, or discount rate higher than management estimates by 20% with other variables held at constant, the Group would not suffer any impairment in goodwill as at 31 December 2010.

(b) Estimated impairment of construction licences

Useful life of construction licences is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

Were the royalty rate applied in the calculation lower than management estimates by 10% with other variables held at constant, the Group would have recognised an impairment by RMB56,807,000. Were the growth rate lower than management estimates by 10% with other variables held at constant, the Group would have recognised an impairment by RMB7,229,000. Were the discount rate higher than management estimates by 10% with other variables held at constant, the Group would have recognised an impairment by RMB34,602,000.

(c) Current taxation and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expense of the Group. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and provisions of land appreciation taxes in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market. The valuations are reviewed annually by external valuers.

Were the discount rate higher than management estimates by 10% with other variables held at constant, the Group would have decreased its gross profit by RMB951,473,000.

(f) Estimate of fair value of available-for-sale financial assets

The fair value of the Group's available-for-sale financial assets that is not quoted in active markets is determined by using valuation techniques. The Group uses a variety of analysis and methods. To the extent practical, models use only observable data; however, areas such as market price of comparable financial assets, credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of available-for-sale financial assets.

Were the market price lower than 5% from management estimates, it is estimated that the balance of available-for-sale financial assets would decrease by RMB9,135,000.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from operation perspective. The Group is principally engaged in the property development, property investment and hotel operations.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2010 and the segment assets and liabilities at 31 December 2010 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	22,972,494	425,362	634,280	699,287	24,731,423
Inter-segment revenue	–	(50,039)	(24,184)	(15,380)	(89,603)
Revenue from external customers	22,972,494	375,323	610,096	683,907	24,641,820
Profit/(loss) for the year	3,766,804	765,448	(126,609)	50,726	4,456,369
Finance costs	(596,314)	(186,080)	(157,302)	(1,151)	(940,847)
Share of results of jointly controlled entities	(20,544)	–	–	–	(20,544)
Share of results of associates	(48,051)	–	–	831	(47,220)
Income tax expense	(3,186,242)	(451,948)	42,203	(17,886)	(3,613,873)
Depreciation and amortisation	105,939	–	149,387	4,917	260,243
Provision for/(reversal of) impairment losses	4,466	–	(113)	25	4,378
Fair value gain on investment properties	–	1,109,713	–	–	1,109,713
Segment assets	60,160,167	12,461,640	3,349,558	340,337	76,311,702
Segment assets includes:					
Interests in jointly controlled entities	3,384,790	–	–	–	3,384,790
Interests in associates	94,413	–	–	43,453	137,866
Additions to non-current assets (other than financial instruments and deferred tax assets)	354,935	588,090	115,191	69,670	1,127,886
Segment liabilities	22,776,460	–	221,746	327,022	23,325,228

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

The segment information for the year ended 31 December 2009 and the segment assets and liabilities at 31 December 2009 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	16,984,364	328,098	420,383	529,961	18,262,806
Inter-segment revenue	–	(50,039)	(16,304)	–	(66,343)
Revenue from external customers	16,984,364	278,059	404,079	529,961	18,196,463
Profit/(loss) for the year	2,684,993	499,576	(179,232)	(84,104)	2,921,233
Finance costs	(230,374)	(150,991)	(106,066)	(17,903)	(505,334)
Share of results of jointly controlled entities	(2,427)	–	–	–	(2,427)
Share of results of associates	–	–	–	434	434
Income tax expense	(1,827,555)	(166,525)	59,744	(3,058)	(1,937,394)
Depreciation and amortisation	164,638	–	146,478	2,034	313,150
Provision for/(reversal of) impairment losses	3,036	–	326	(2,288)	1,074
Fair value gain on investment properties	–	604,235	–	–	604,235
Segment assets	51,286,881	10,331,637	3,578,505	252,405	65,449,428
Segment assets includes:					
Interests in jointly controlled entities	876,063	–	–	–	876,063
Interests in associates	–	–	–	35,348	35,348
Additions to non-current assets (other than financial instruments and deferred tax assets)	147,322	1,969,830	267,482	1,860	2,386,494
Segment liabilities	19,589,626	–	339,255	283,141	20,212,022

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the income statement.

The total assets amounts provided to the Executive Directors are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Deferred tax and available-for-sale financial assets held by the Group are not considered to be segment assets but rather are managed on a central basis.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

Reportable segments' assets are reconciled to total assets as follows:

	31 December 2010	31 December 2009
Segment assets for reportable segments	**76,311,702**	65,449,428
Deferred income tax assets	**922,503**	719,589
Available-for-sale financial assets	**182,700**	175,000
Total assets per balance sheet	**77,416,905**	66,344,017

The total liabilities amounts provided to the Executive Directors are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 December 2010	31 December 2009
Segment liabilities for reportable segments	**23,325,228**	20,212,022
Deferred income tax liabilities	**2,154,540**	1,726,853
Current income tax liabilities	**4,083,895**	2,995,887
Current borrowings	**7,184,625**	6,867,099
Non-current borrowings	**20,669,396**	17,522,790
Total liabilities per balance sheet	**57,417,684**	49,324,651

(All amounts in RMB Yuan thousands unless otherwise stated)

6. LAND USE RIGHTS

The Group's and the Company's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	31 December 2010	31 December 2009
Outside Hong Kong in the PRC, held on lease of:		
Between 10 to 50 years	**670,940**	691,855

	Company	
	31 December 2010	31 December 2009
Outside Hong Kong in the PRC, held on lease of:		
Between 10 to 50 years	**39,906**	21,365

	Group		Company	
	31 December 2010	31 December 2009	**31 December 2010**	31 December 2009
Opening	**691,855**	625,463	**21,365**	–
Additions	**69,445**	124,637	**19,089**	–
Transfer (to)/from properties under development	**(65,212)**	25,519	**–**	21,960
Disposals (Note 36)	**(6,863)**	(62,714)	**–**	–
Amortisation of prepaid operating lease payment	**(18,285)**	(21,050)	**(548)**	(595)
	670,940	691,855	**39,906**	21,365

Land use rights are amortised in the following category:

	Group	
	2010	2009
Selling and administrative expenses	**3,421**	2,490
Cost of sales	**11,200**	13,013
Capitalised in property, plant and equipment	**3,664**	5,547
	18,285	21,050

(All amounts in RMB Yuan thousands unless otherwise stated)

6. LAND USE RIGHTS (Continued)

Land use rights pledged as collateral are as follows:

	Group	
	31 December 2010	31 December 2009
Land use rights (Note 24)	**82,606**	74,363

7. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Office buildings	**Hotel buildings**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Machinery**	**Assets under construction**	**Total**
At 1 January 2009							
Cost	383,189	2,476,753	305,298	139,427	231,845	96,365	3,632,877
Accumulated depreciation	(24,009)	(48,385)	(58,321)	(57,955)	(76,871)	–	(265,541)
Net book amount	359,180	2,428,368	246,977	81,472	154,974	96,365	3,367,336
Year ended 31 December 2009							
Opening net book amount	359,180	2,428,368	246,977	81,472	154,974	96,365	3,367,336
Business combination	–	–	321	–	–	–	321
Additions	46,814	99,745	6,239	15,951	27,688	95,109	291,546
Transfers from properties under development	239,891	–	–	–	–	48,507	288,398
Transfers	8,754	–	–	–	–	(8,754)	–
Disposals (Note 36)	(1,898)	(237,236)	(2,138)	(306)	(12,949)	–	(254,527)
Depreciation (Notes 29 and 36)	(15,064)	(78,220)	(53,070)	(22,106)	(30,252)	–	(198,712)
Closing net book amount	637,677	2,212,657	198,329	75,011	139,461	231,227	3,494,362
At 31 December 2009							
Cost	672,604	2,330,164	298,507	154,852	250,346	231,227	3,937,700
Accumulated depreciation	(34,927)	(117,507)	(100,178)	(79,841)	(110,885)	–	(443,338)
Net book amount	637,677	2,212,657	198,329	75,011	139,461	231,227	3,494,362

(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group						
	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Motor vehicles	Machinery	Assets under construction	Total
Year ended 31 December 2010							
Opening net book amount	637,677	2,212,657	198,329	75,011	139,461	231,227	3,494,362
Additions	300,109	–	14,604	24,968	60,472	46,099	446,252
Transfer from properties under development	372,752	85,778	–	–	–	59,448	517,978
Transfer to properties under development	–	–	–	–	–	(76,557)	(76,557)
Disposals (Note 36)	(4,696)	(30,906)	(37)	(128)	(222)	–	(35,989)
Depreciation (Notes 29 and 36)	(44,294)	(78,444)	(63,645)	(22,813)	(17,706)	–	(226,902)
Closing net book amount	1,261,548	2,189,085	149,251	77,038	182,005	260,217	4,119,144
At 31 December 2010							
Cost	1,333,627	2,382,760	311,919	178,826	308,260	260,217	4,775,609
Accumulated depreciation	(72,079)	(193,675)	(162,668)	(101,788)	(126,255)	–	(656,465)
Net book amount	1,261,548	2,189,085	149,251	77,038	182,005	260,217	4,119,144

For the year ended 31 December 2010, the Group disposed certain hotel buildings with the gain recognised in 'other gains – net' (Note 28).

Bank borrowings are secured on buildings for the value of RMB2,191,771,000 (2009: RMB2,738,113,000) for the Group (Note 24).

Assets under construction mainly represent building costs and other costs incurred for the construction of hotels. For the year ended 31 December 2010, interest capitalised in assets under construction amounted to RMB4,392,000 (31 December 2009: Nil). The capitalisation rate of borrowings for assets under construction was 6.37% for the year ended 31 December 2010 (2009: Nil).

(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Office buildings	Furniture, fixtures and equipment	Motor vehicles	Total
At 1 January 2009				
Cost	61,224	15,240	38,956	115,420
Accumulated depreciation	(8,280)	(9,077)	(21,422)	(38,779)
Net book amount	52,944	6,163	17,534	76,641
Year ended 31 December 2009				
Opening net book amount	52,944	6,163	17,534	76,641
Additions	56,601	1,532	3,039	61,172
Transfer from property under development	186,065	–	–	186,065
Disposals	–	(337)	–	(337)
Depreciation	(5,752)	(1,824)	(4,598)	(12,174)
Closing net book amount	289,858	5,534	15,975	311,367
At 31 December 2009				
Cost	303,890	11,541	41,995	357,426
Accumulated depreciation	(14,032)	(6,007)	(26,020)	(46,059)
Net book amount	289,858	5,534	15,975	311,367
Year ended 31 December 2010				
Opening net book amount	**289,858**	**5,534**	**15,975**	**311,367**
Additions	**241,935**	**3,323**	**3,632**	**248,890**
Disposals	**(4,596)**	**(4)**	**–**	**(4,600)**
Depreciation	**(9,380)**	**(2,877)**	**(4,508)**	**(16,765)**
Closing net book amount	**517,817**	**5,976**	**15,099**	**538,892**
At 31 December 2010				
Cost	**539,171**	**14,846**	**45,624**	**599,641**
Accumulated depreciation	**(21,354)**	**(8,870)**	**(30,525)**	**(60,749)**
Net book amount	**517,817**	**5,976**	**15,099**	**538,892**

No property, plant and equipment is secured for bank borrowings as at 31 December 2010 (2009: Nil) for the Company (Note 24).

(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation was expensed in the following category in the consolidated income statement:

	Group	
	2010	2009
Selling and administrative expenses	**73,431**	43,753
Cost of sales	**153,471**	154,959
	226,902	198,712

8. INVESTMENT PROPERTIES

	Group					
	2010			2009		
	Completed properties	**Properties under construction**	**Total**	Completed properties	Properties under construction	Total
Opening balance at 1 January	**8,126,513**	**2,205,124**	**10,331,637**	7,360,581	–	7,360,581
Additions	**–**	**588,090**	**588,090**	–	1,969,830	1,969,830
Transfer from properties under development	**508,751**	**–**	**508,751**	419,762	–	419,762
Disposal (Note 36)	**(76,551)**	**–**	**(76,551)**	(22,771)	–	(22,771)
Fair value gain – net (including in other gains – net) (Notes 28 and 36)	**572,870**	**536,843**	**1,109,713**	368,941	235,294	604,235
Transfer to completed properties	**3,330,057**	**(3,330,057)**	**–**	–	–	–
Closing balance at 31 December	**12,461,640**	**–**	**12,461,640**	8,126,513	2,205,124	10,331,637

	Company	
	2010 Completed properties	2009 Completed properties
Opening balance at 1 January	**259,879**	220,920
Disposal	**(75,600)**	–
Fair value gain – net (including in other gains – net)	**34,147**	38,959
Closing balance at 31 December	**218,426**	259,879

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (Continued)

(a) The investment properties are located in the PRC and are held on lease of between 10 to 50 years.

(b) Amounts recognised in the consolidated income statement for investment properties

	Group	
	2010	2009
Rental income	**375,323**	278,059
Direct operating expenses arising from investment properties that generate rental income	**31,410**	24,251
Direct operating expenses that did not generate rental income	**15,809**	11,996

(c) Valuation basis

The completed investment properties were revalued on 31 December 2010 by independent, professionally qualified valuers, either Vigers Appraisal & Consulting Limited or Yangcheng Appraisal Co., Ltd. Valuations were performed using income approach based on the terms of any existing leases and other external evidence such as current market rents or sales for similar types of properties in the locality, and using capitalisation rates that reflect current market expectation for the assets being valued.

(d) Investment properties pledged as security

Investment properties pledged as collateral are as follows:

	Group		Company	
	2010	2009	**2010**	2009
Investment properties (Note 24)	**6,140,383**	7,392,086	**88,100**	83,572

(e) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are shown in Note 39.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

	Group					Company
	Goodwill (Note a)	Construction licence (Note b)	Customer contracts	Software and others	Total	Software and others
At 1 January 2009						
Cost	542,611	282,000	322,000	15,141	1,161,752	4,873
Accumulated amortisation and impairment	(2,983)	–	(281,006)	(1,435)	(285,424)	(818)
Net book amount	539,628	282,000	40,994	13,706	876,328	4,055
Year ended 31 December 2009						
Opening net book amount	539,628	282,000	40,994	13,706	876,328	4,055
Business combinations	18,855	–	–	–	18,855	–
Additions	–	–	–	481	481	394
Amortisation charge	–	–	(40,994)	(1,572)	(42,566)	(513)
Closing net book amount	558,483	282,000	–	12,615	853,098	3,936
At 31 December 2009						
Cost	561,466	282,000	322,000	15,622	1,181,088	5,267
Accumulated amortisation and impairment	(2,983)	–	(322,000)	(3,007)	(327,990)	(1,331)
Net book amount	558,483	282,000	–	12,615	853,098	3,936
Year ended 31 December 2010						
Opening net book amount	**558,483**	**282,000**	**–**	**12,615**	**853,098**	**3,936**
Additions	**–**	**–**	**–**	**24,099**	**24,099**	**23,874**
Amortisation charge	**–**	**–**	**–**	**(2,099)**	**(2,099)**	**(1,066)**
Closing net book amount	**558,483**	**282,000**	**–**	**34,615**	**875,098**	**26,744**
At 31 December 2010						
Cost	**561,466**	**282,000**	**322,000**	**39,721**	**1,205,187**	**29,141**
Accumulated amortisation and impairment	**(2,983)**	**–**	**(322,000)**	**(5,106)**	**(330,089)**	**(2,397)**
Net book amount	**558,483**	**282,000**	**–**	**34,615**	**875,098**	**26,744**

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

Intangible assets are amortised in the following category:

	Group	
	2010	2009
Selling and administrative expenses	**1,093**	1,572
Cost of sales	**1,006**	31,856
Capitalised in properties under development	**–**	9,138
	2,099	42,566

Note a:

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segment of the construction service of property development. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2010	2009
Gross margin	**13%**	12%
Growth rate for the five-year period	**3%-12%**	3%-12%
Terminal growth rate	**3%**	3%
Discount rate	**12%**	16.1%

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

Note b:

Impairment test for construction licence

The recoverable amount is determined by estimating the value of royalty which the company is exempted from by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	2010	2009
Royalty rate	**1%**	1%
Growth rate for the five-year period	**3%-12%**	3%-12%
Terminal growth rate	**3%**	3%
Discount rate	**12.5%**	16.6%

Management determined royalty rate based on past performance and the industry factor. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
Investments, at cost:		
Unlisted shares	**10,986,471**	10,400,932

The following is a list of principal subsidiaries at 31 December 2010:

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:						
廣州市東圜房地產開發有限公司	29 October 1997	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州市吉浩源房地產開發有限公司	3 March 2000	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州市金鼎房地產開發有限公司	31 August 1994	Limited liability company	RMB8,000,000	90%	10%	Property development in the PRC
廣州天富房地產開發有限公司	8 July 2002	Sino-foreign joint venture with limited liability	USD21,000,000	85%	–	Property development in the PRC
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of office buildings in the PRC
廣州富力恒盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of hotel buildings in the PRC
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of hotel buildings in the PRC
廣州富力億盛置業發展有限公司	31 August 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力嘉盛置業發展有限公司	29 September 2005	Limited liability company	RMB400,000,000	97.5%	2.5%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
廣州富力創盛置業發展有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力智盛置業發展有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力超盛置業發展有限公司	8 December 2005	Limited liability company	RMB600,000,000	100%	–	Property development in the PRC
廣州中嘉房地產開發有限公司	13 March 2006	Limited liability company	RMB10,000,000	90%	5%	Property development in the PRC
廣州市花都富力房地產開發有限公司	30 June 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州永富房地產開發有限公司	19 December 2006	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
廣州楊帆房地產開發有限公司	10 September 2007	Limited liability company	RMB100,000,000	40%	60%	Property development in the PRC
廣州德和投資發展有限公司	10 January 2006	Limited liability company	RMB300,000,000	98.67%	1.33%	Property development in the PRC
廣州市華維裝飾材料有限公司	2 April 2004	Limited liability company	RMB500,000	100%	–	Provision of interior design service in the PRC
廣州富力廣告公司	14 August 2002	Limited liability company	RMB1,010,000	90%	10%	Advertising agency in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB5,000,000	93.84%	6.16%	Residential architecture design in the PRC
廣州天富建設工程監理有限公司	29 December 2001	Limited liability company	RMB3,010,000	–	100%	Construction supervision and consultancy in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
廣州恒富擔保有限公司	24 October 2003	Limited liability company	RMB60,000,000	–	100%	Finance and consultancy in the PRC
廣州天力建築工程有限公司	20 May 1993	Limited liability company	RMB50,000,000	90%	10%	Construction company in the PRC
廣東恒力建設工程有限公司	12 June 2001	Limited liability company	RMB15,000,000	–	100%	Construction company in the PRC
廣州天盈園林工程有限公司	28 August 2009	Limited liability company	RMB5,000,000	–	100%	Gardening and virescence construction in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	Property leasing in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	Property management in the PRC
富力地產集團有限公司	8 July 1994	Limited liability company	RMB120,000,000	100%	–	Investment holdings in the PRC
廣州富力國際空港綜合物流園有限公司	11 June 2006	Limited liability company	RMB10,000,000	95%	5%	Storage and logistics in the PRC
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	Provision of interior design service in the PRC
廣州富力百貨商貿有限公司	24 August 2006	Limited liability company	RMB10,000,000	90%	10%	Retail business in the PRC
廣州市駿熹物業管理有限公司	13 August 2007	Limited liability company	RMB500,000	–	100%	Property management in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
深圳市奔望實業發展有限公司	20 May 1997	Limited liability company	RMB6,000,000	–	100%	Investment holding in the PRC
深圳市鼎力創業投資有限公司	4 August 2003	Limited liability company	RMB100,000,000	90%	10%	Investment holdings in the PRC
佛山富力房地產開發有限公司	7 November 2007	Limited liability company	RMB20,000,000	95%	5%	Property development in the PRC
惠州富力房地產開發有限公司	10 April 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
博羅縣紅中實業發展有限公司	27 April 2004	Limited liability company	RMB50,000,000	95%	5%	Property development in the PRC
北京富力城房地產開發有限公司	24 April 2002	Limited liability company	RMB1,394,781,578	96%	4%	Property development in the PRC
富力(北京)地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	Property development in the PRC
北京華恩房地產開發有限公司	5 September 2000	Limited liability company	RMB30,000,000	52%	48%	Property development in the PRC
北京地源達房地產開發有限公司	7 February 2002	Sino-foreign joint venture with limited liability	USD5,000,000	–	100%	Property development in the PRC
北京鴻高置業發展有限公司	8 June 1999	Limited liability company	RMB300,000,000	–	100%	Property development in the PRC
北京龍熙順景房地產開發有限責任公司	20 August 2001	Limited liability company	RMB29,000,000	–	100%	Property development in the PRC
北京東方長安房地產開發有限公司	6 December 2001	Limited liability company	RMB50,000,000	–	100%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
富力(香河)房地產開發有限公司	5 November 2009	Limited liability company	RMB200,000,000	–	100%	Property development in the PRC
北京恒富物業管理有限公司	12 December 2002	Limited liability company	RMB5,000,000	–	100%	Property management for self-developed properties in the PRC
北京富力天創廣告有限公司	24 October 2002	Limited liability company	RMB1,000,000	–	100%	Advertising agency in the PRC
富力南京地產開發有限公司	8 September 2010	Limited liability company	RMB300,000,000	–	100%	Property development in the PRC
北京京城市政工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	–	100%	Construction sub-contracting in the PRC
北京富力歐美園林綠化工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	–	100%	Gardening and virescence construction in the PRC
北京天越門窗制造有限公司	8 August 2003	Limited liability company	RMB2,000,000	–	100%	Manufacture of aluminium frame and sales of construction and decoration materials in the PRC
北京富力會康體俱樂部有限公司	15 October 2004	Limited liability company	RMB3,000,000	–	100%	Operation of a recreational club in the PRC
北京極富房地產開發有限公司	30 August 2007	Limited liability company	RMB30,000,000	100%	–	Property development in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
天津鴻富房地產開發有限公司	30 June 2006	Limited liability company	RMB300,000,000	–	100%	Property development in the PRC
天津耀華投資發展有限公司	27 September 2002	Limited liability company	RMB320,000,000	–	100%	Property development in the PRC
天津濱海投資有限公司	25 December 2007	Limited liability company	RMB50,000,000	–	100%	Property development in the PRC
天津富景投資發展有限公司	30 December 2008	Limited liability company	RMB10,000,000	–	100%	Property development in the PRC
天津富力新城投資有限公司	19 February 2009	Limited liability company	RMB10,000,000	–	100%	Property development in the PRC
天津富力會休閒健身娛樂有限公司	23 October 2008	Limited liability company	RMB100,000	–	100%	Operation of a recreational club in the PRC
西安富力房地產開發有限公司	26 September 2005	Limited liability company	RMB502,507,000	80.1%	19.9%	Property development in the PRC
西安保德信房地產開發有限公司	8 August 2005	Limited liability company	RMB65,000,000	–	100%	Property development in the PRC
西安濱湖花園房地產開發有限公司	8 August 2005	Limited liability company	RMB55,000,000	–	100%	Property development in the PRC
西安富力灣房地產開發有限公司	14 September 2010	Limited liability company	RMB100,000,000	–	100%	Property development in the PRC
太原富力城房地產開發有限公司	14 August 2007	Limited liability company	RMB350,000,000	–	100%	Property development in the PRC
重慶永富房地產開發有限公司	18 December 2007	Limited liability company	RMB10,000,000	–	100%	Property development in the PRC
重慶富力城房地產開發有限公司	30 December 2005	Limited liability company	RMB660,000,000	32.35%	67.65%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
廣州富力地產(重慶)有限公司	26 January 2007	Limited liability company	RMB330,000,000	93.94%	6.06%	Property development in the PRC
成都富力房地產開發有限公司	27 March 2007	Limited liability company	RMB300,000,000	98.33%	1.67%	Property development in the PRC
成都熊貓萬國商城有限公司	29 October 1997	Limited liability company	RMB80,000,000	85%	–	Property development in the PRC
成都富力熊貓城項目開發有限公司	15 August 2006	Limited liability company	RMB30,000,000	65%	–	Property development in the PRC
四川富力百貨商貿有限公司	12 March 2008	Limited liability company	RMB10,000,000	–	100%	Property operation in the PRC
上海富力房地產開發有限公司	25 April 2007	Limited liability company	RMB200,000,000	95%	5%	Property development in the PRC
上海浦衛房地產開發有限公司	18 July 2006	Limited liability company	RMB320,000,000	–	100%	Property development in the PRC
昆山新延房地產開發有限公司	16 November 2000	Limited liability company	RMB8,000,000	–	100%	Property development in the PRC
昆山國銀置業有限公司	9 July 2002	Limited liability company	RMB200,000,000	95%	5%	Property development in the PRC
海南三林發展有限公司	17 January 1995	Limited liability company	RMB25,210, 000	–	100%	Property development in the PRC
海南朝陽房地產發展有限公司	4 April 1995	Limited liability company	RMB11,060,000	–	100%	Property development in the PRC
海南三林旅業開發有限公司	7 March 1995	Limited liability company	RMB24,900,000	–	100%	Property development in the PRC
海南紅樹林度假村有限公司	24 March 1995	Limited liability company	RMB11,650,000	–	100%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries – incorporated in the PRC: (Continued)						
海南明强房地產發展有限公司	26 April 1995	Limited liability company	RMB11,700,000	–	100%	Property development in the PRC
海南易通生態科技有限公司	27 January 1994	Limited liability company	HKD15,000,000	–	100%	Property development in the PRC
海南怡豐房地產發展(香港)公司	27 January 1994	Limited liability company	HKD15,000,000	100%	–	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB300,000,000	100%	–	Property development in the PRC
海南富力房地產開發有限公司	29 March 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB100,000,000	99.8%	0.2%	Property development in the PRC
海南協興地產發展(香港)有限公司	26 January 1994	Limited liability company	HKD15,000,000	100%	–	Property development in the PRC
海南天力建築工程有限公司	9 July 2010	Limited liability company	RMB20,000,000	–	100%	Construction company in the PRC
Subsidiaries – incorporated in Hong Kong:						
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	–	Investment holding in Hong Kong
Subsidiaries – incorporated in British Virgin Islands(BVI):						
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	–	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	–	100%	Investment holding in BVI

(All amounts in RMB Yuan thousands unless otherwise stated)

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2010	2009
At 1 January	**876,063**	628,998
Additional interest in 廣州市富景房地產開發有限公司 (“廣州富景”)	**201,572**	133,360
Additional interest in 廣州聖景房地產開發有限公司(“廣州聖景”)	**–**	116,132
Interests in 天津和安房地產開發有限公司(“天津和安”)	**2,500**	–
Interest in 天津津南新城房地產開發有限公司(“津南新城”)	**916,825**	–
Interest in 惠州富茂房地產開發有限公司(“惠州富茂”)	**250,000**	–
Interest in Hines Shanghai New Jiangwan Development Co., Ltd (“Hines Shanghai”)	**1,170,563**	–
Down-stream elimination of unrealised profits (Note 36)	**(12,189)**	–
Share of results (Note 36)	**(20,544)**	(2,427)
At 31 December	**3,384,790**	876,063

	Company	
	2010	2009
At 1 January	**495,797**	246,305
Additional interest in 廣州富景	**201,572**	133,360
Additional interest in 廣州聖景	**–**	116,132
At 31 December	**697,369**	495,797

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The results of the Group's principal jointly controlled entities, all of which are unlisted and its aggregated assets and liabilities are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Profit/(loss)	% interest held at 31 December 2010	
			RMB'000	RMB'000	RMB'000	Direct	Indirect
Maxview Investments Limited ("Maxview")	USD50,000	BVI	803,222	206,720	(1,038)	–	82.80%
Value Success Investments Limited ("Value Success")	USD10,000	BVI	730,907	712,624	38,765	–	66.67%
Henic International Limited	HKD10,000	HK	16	21	(1)	–	82.80%
廣州聖景	USD80,000,000	PRC	782,991	207,457	(211)	25.00%	62.10%
富力(瀋陽)商務資詢有限公司 ("富力(瀋陽)")	USD20,000,000	PRC	137,930	96	(413)	–	66.67%
瀋陽富力會餐飲服務有限公司("瀋陽富力會")	RMB500,000	PRC	438	286	(348)	–	66.67%
瀋陽億隆房屋開發有限公司("瀋陽億隆")	RMB20,000,000	PRC	715,713	695,154	35,520	–	66.67%
惠州富茂	RMB500,000,000	PRC	889,830	400,006	(10,175)	–	50%
廣州富景	HKD1,533,000,000	PRC	4,943,370	3,421,229	–	33.34%	–
津南新城	RMB3,673,000,000	PRC	7,531,383	3,971,177	(107,094)	–	25%
天津和安	RMB10,000,000	PRC	3,610,040	3,600,000	40	–	25%
Hines Shanghai	USD50,000	Cayman Islands	901,078	96,338	12,103	–	50%
上海城投悦城置業有限公司("城投悦城")	RMB855,000,000	PRC	2,003,736	708,003	487,803	–	35%

Pursuant to the joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities by obtaining more than one half of the voting rights.

The proportionate interest in commitments relating to the Group's interests in jointly controlled entities are RMB1,165,288,000 at 31 December 2010 (2009: RMB799,862,000).

There are no other contingent liabilities relating to the Group's interests in jointly controlled entities.

12. INTERESTS IN ASSOCIATES

	Group	
	2010	2009
At 1 January	**35,348**	43,028
Interests in 廣州利合房地產開發有限公司("廣州利合")	**134,464**	–
Interests in 山西非遺園投資管理有限公司("山西非遺園")	**8,000**	–
Interests in 廣州中昊投資發展有限公司("中昊投資")	**7,274**	–
Disposal of interest in 廣州溢富投資有限公司	**–**	(8,114)
Share of results (Note 36)	**(47,220)**	434
At 31 December	**137,866**	35,348

The Company's interests in associates represent its equity interests in 廣州利合

12. INTERESTS IN ASSOCIATES (Continued)

The results of the Group's principal associates, all of which are unlisted and its aggregated assets and liabilities are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenues	Profit/(loss)	% Interest held at 31 December 2010
			RMB'000	RMB'000	RMB'000	RMB'000	Indirect
北京富盛利房地產經紀有限公司("北京富盛利")	RMB91,913,000	PRC	291,127	163,213	76,830	15,043	30%
廣州富力城信信息科技有限公司("富力城信")*	RMB3,010,000	PRC	5,532	5,532	–	–	50%
廣州利合	HKD750,000,000	PRC	26,905,725	26,486,602	–	(240,254)	20%
廣州超力混凝土有限公司("超力混凝土")	RMB20,000,000	PRC	110,268	86,086	182,831	(2,297)	21%
山西非遺園	RMB20,000,000	PRC	20,000	–	–	–	40%
中昊投資	RMB14,000,000	PRC	16,936	6	–	(2,930)	30%

* Pursuant to the Articles of Association of the entity, the Group has the power to participate in the financial and operating policy decisions but not control or jointly control over the entity.

There are no other contingent liabilities or capital commitments relating to the Group's interests in associates.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2010	2009
At 1 January	**175,000**	304,000
Disposal	**–**	(171,097)
Fair value gain recognised in comprehensive income before tax	**7,700**	42,097
At 31 December	**182,700**	175,000

As at 31 December 2010 and 2009, available-for-sale financial assets represented the Group's equity investments in Guangzhou Securities Co., Ltd. ("Guangzhou Securities"), which are not quoted in active market.

As at 31 December 2010, the Group holds 4.88% of equity interests in Guangzhou Securities (2009: 4.88%).

There were no impairment provisions on available-for-sale financial assets during the year (2009: Nil).

The carrying amounts of the Group's available-for-sale financial assets are denominated in RMB.

The fair value of the Group's available-for-sale financial assets was revalued on 31 December 2010 by independent, qualified valuer Yangcheng Appraisals Co., Ltd. Respective fair value gain on the equity investments was credited to the reserve account. Valuation was performed based on the market approach, which was by reference to fair value of another instrument that is substantially the same, maximising the use of observable market data and rely as little as possible on entity specific estimates.

(All amounts in RMB Yuan thousands unless otherwise stated)

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	31 December 2010	31 December 2009
To be recovered after more than 12 months	**11,529,179**	10,335,241
To be recovered within 12 months	**17,538,240**	19,989,739
	29,067,419	30,324,980
Amount comprises:		
Land use rights	**14,001,002**	11,391,124
Construction costs and capitalised expenditures	**14,344,559**	17,965,363
Finance costs capitalised	**721,858**	968,493
	29,067,419	30,324,980

	Company	
	31 December 2010	31 December 2009
To be recovered after more than 12 months	**477,624**	506,161
To be recovered within 12 months	**1,406,979**	2,181,319
	1,884,603	2,687,480
Amount comprises:		
Land use rights	**569,310**	715,314
Construction costs and capitalised expenditures	**1,181,489**	1,686,308
Finance costs capitalised	**133,804**	285,858
	1,884,603	2,687,480

The Group had made payments for land use rights of RMB4,237,626,000 as at 31 December 2010 (2009: RMB3,625,230,000), for which the Group was in the process of applying for formal land use rights certificates.

The Company had made payments for land use rights of RMB260,051,000 as at 31 December 2010 (2009: RMB234,220,000), for which the Company was in the process of applying for formal land use rights certificates.

(All amounts in RMB Yuan thousands unless otherwise stated)

14. PROPERTIES UNDER DEVELOPMENT (Continued)

The capitalisation rate of borrowings is as follows:

	Group		Company	
	2010	2009	**2010**	2009
Capitalisation rate	**5.30%**	6.02%	**5.12%**	5.56%

Properties under development pledged as collateral is as follows:

	Group		Company	
	2010	2009	**2010**	2009
Properties under development (Note 24)	**2,712,987**	2,052,655	**–**	–

All properties under development are located in the PRC.

15. COMPLETED PROPERTIES HELD FOR SALE

	Group	
	31 December 2010	31 December 2009
Land use rights	**1,403,395**	1,022,082
Construction costs and capitalised expenditures	**3,146,998**	3,471,415
Finance costs capitalised	**217,279**	221,828
	4,767,672	4,715,325

	Company	
	31 December 2010	31 December 2009
Land use rights	**255,961**	197,737
Construction costs and capitalised expenditures	**718,669**	883,405
Finance costs capitalised	**86,313**	103,472
	1,060,943	1,184,614

Completed properties held for sale pledged as collateral is as follows:

	Group		Company	
	2010	2009	**2010**	2009
Completed properties held for sale (Note 24)	**836,101**	482,627	**50,478**	99,634

All completed properties held for sale are located in the PRC and are stated at cost.

(All amounts in RMB Yuan thousands unless otherwise stated)

16. INVENTORIES

	Group	
	2010	2009
Construction materials	**263,369**	275,013
Inventories for hotel operations	**8,402**	10,820
	271,771	285,833

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010	2009	**2010**	2009
Trade receivables				
– Due from jointly controlled entities (Notes (a) and 40 (xii))	**47,367**	41,844	**–**	–
– Due from third parties (Note (a))	**1,314,134**	850,675	**156,026**	225,503
	1,361,501	892,519	**156,026**	225,503
Less: provision for impairment of trade receivables (Note (a))	**(2,756)**	(2,756)	**(1,941)**	(1,941)
Trade receivables – net	**1,358,745**	889,763	**154,085**	223,562
Other receivables (Note (b))	**3,069,930**	517,650	**2,661,220**	123,611
Prepayments (Note (c))	**2,465,938**	2,405,522	**8,120**	2,121,616
Due from subsidiaries (Note (d))	**–**	–	**3,573,750**	6,790,556
Due from jointly controlled entities (Note 40 (xii))	**1,454,788**	1,222,250	**1,365,050**	737,776
Due from associates (Note 40 (xii))	**1,516,866**	1,402	**1,515,443**	–
Less: provision for impairment of other receivables (Note (f))	**(26,725)**	(22,347)	**(5,299)**	(7,175)
Total (Note (e))	**9,839,542**	5,014,240	**9,272,369**	9,989,946
Less: non-current portion	**(2,610,120)**	(461,108)	**(1,436,698)**	(173,820)
Current portion	**7,229,422**	4,553,132	**7,835,671**	9,816,126

The carrying amounts of trade and other receivables and prepayments approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sales and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables at 31 December 2010 is as follows:

	Group		Company	
	2010	2009	**2010**	2009
0 to 90 days	**946,600**	629,426	**57,983**	120,687
91 to 180 days	**124,747**	50,766	**10,543**	13,846
181 to 365 days	**68,628**	67,735	**23,069**	10,570
1 year to 2 years	**143,350**	83,987	**23,783**	51,821
Over 2 years	**78,176**	60,605	**40,648**	28,579
	1,361,501	892,519	**156,026**	225,503

Trade receivables are analysed as below:

	Group		Company	
	2010	2009	**2010**	2009
Fully performing under credit terms	**1,342,845**	873,863	**154,085**	223,562
Past due but not impaired	**15,900**	15,900	**–**	–
Non-performing and impaired	**2,756**	2,756	**1,941**	1,941
Trade receivables	**1,361,501**	892,519	**156,026**	225,503
Less: provision for impairment	**(2,756)**	(2,756)	**(1,941)**	(1,941)
Trade receivables – net	**1,358,745**	889,763	**154,085**	223,562

As at 31 December 2010, trade receivables of RMB2,756,000 were impaired and fully provided for (31 December 2009: 2,756,000). The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations.

For past due but not impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title and possession of the underlying properties for re-sales. Therefore, the Directors consider that the receivables would be recovered and no provision was made against these receivables as at 31 December 2010 (31 December 2009: Nil).

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2010	2009	**2010**	2009
At 1 January	**2,756**	–	**1,941**	–
Provision for doubtful debts (Notes 29 and 36)	**–**	2,756	**–**	1,941
At 31 December	**2,756**	2,756	**1,941**	1,941

(b) Other receivables

The ageing analysis of other receivables at 31 December 2010 is as follows:

	Group		Company	
	2010	2009	**2010**	2009
0 to 1 year	**2,916,704**	307,634	**2,590,729**	111,534
1 year to 2 years	**100,857**	36,812	**61,809**	4,906
2 year to 3 years	**21,163**	159,707	**2,065**	752
Over 3 years	**31,206**	13,497	**6,617**	6,419
	3,069,930	517,650	**2,661,220**	123,611

It mainly represents deposits for acquisitions of land use rights through tendering system. Such deposits will be transferred to prepayments when the tender is successful. Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 38).

Other receivables are analysed as below:

	Group		Company	
	2010	2009	**2010**	2009
Performing under normal business	**3,043,205**	399,638	**2,655,921**	115,328
Past due but not impaired	**–**	90,000	**–**	–
Non-performing and impaired	**26,725**	28,012	**5,299**	8,283
Other receivables	**3,069,930**	517,650	**2,661,220**	123,611
Less: provision for impairment	**(26,725)**	(22,347)	**(5,299)**	(7,175)
Other receivables – net	**3,043,205**	495,303	**2,655,921**	116,436

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(c) It mainly represents prepayments for investments in or acquisitions of certain project companies and prepayments for purchases of construction materials.

(d) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(e) The carrying amounts of the Group's trade and other receivables and prepayments are denominated in RMB, except for balance due from a jointly controlled entity amounted to RMB96,338,000 as at 31 December 2010 which is denominated in USD (31 December 2009: Nil).

(f) Movements on the provision for impairment of other receivables are as follows:

	Group		Company	
	2010	2009	**2010**	2009
At 1 January	**22,347**	24,029	**7,175**	7,214
Reversal of provision for doubtful debts (Notes 29 and 36)	**(9,315)**	(12,363)	**(3,601)**	(2,274)
Provision for doubtful debts (Notes 29 and 36)	**13,693**	10,681	**1,725**	2,235
At 31 December	**26,725**	22,347	**5,299**	7,175

18. RESTRICTED CASH

	Group		Company	
	2010	2009	**2010**	2009
Guarantee deposits for construction of pre-sold properties (Note (a))	**1,727,423**	490,270	**204,162**	274,969
Guarantee deposits for resettlement costs (Note (b))	**54,917**	123,217	**10,938**	18,454
Guarantee deposits for construction payable (Note (c))	**160,590**	48,414	**1,863**	285
Guarantee deposits for bank borrowings (Note (d))	**1,448,647**	157,018	**1,438,711**	150,077
Guarantee deposits for mortgage loans provided to customers (Note (e))	**17,100**	25,307	**–**	–
Guarantee deposits for salary payments for construction workers (Note (f))	**5,756**	5,746	**–**	–
Guarantee deposits for bank acceptance notes Note (g))	**100,000**	395,000	**–**	200,000
	3,514,433	1,244,972	**1,655,674**	643,785

Notes:

(a) In accordance with relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) In accordance with relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings which are subject to demolition for development. The deposits can only be used for such resettlement costs according to the payment schedule.

(All amounts in RMB Yuan thousands unless otherwise stated)

18. RESTRICTED CASH (Continued)

Notes: (Continued)

(c) According to relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payable as deposits for potential default in payment. Such guarantee deposits will only be released after settlement of the construction payables.

(d) Pursuant to the relevant bank loan agreement, the Group is required to place at a designated bank account certain amount as deposits for securing the borrowings provided to a subsidiary. Such guarantee deposits will only be released after full repayment of borrowings.

Pursuant to a bank loan agreement, the Group is required to place all proceeds from lease of a property, which has been pledged to the bank as collateral of the loan, in a designated bank account. The deposit can be drawn out only after obtaining approval from the bank. As at 31 December 2010, the guarantee deposits amounted to RMB4,417,000 (31 December 2009: 6,941,000).

(e) According to relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount as deposits for potential default in payment of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

(f) In accordance with relevant documents issued by the Guangzhou Municipal Labour & Social Security Bureau, certain construction companies of the Group are required to place deposits at designated bank accounts for potential default in salary payments to construction workers. Such guarantee deposits will only be released after completion of the construction projects and full payment of salaries.

(g) According to the relevant contract, the Group is required to place certain cash deposits at a designated bank account as security for bank acceptance notes. Such guarantee deposits will only be released after fully payment of the notes.

The restricted cash is denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
RMB	**3,510,016**	1,238,031	**1,655,674**	643,785
HKD	**4,417**	6,941	**–**	–
	3,514,433	1,244,972	**1,655,674**	643,785

The Directors of the Group are of the view that the restricted cash listed as above will be released within one year.

19. CASH

	Group		Company	
	2010	2009	**2010**	2009
Cash at bank and on hand	**5,653,716**	6,642,279	**897,177**	937,001

	Group		Company	
	2010	2009	**2010**	2009
Denominated in:				
– RMB	**5,631,106**	5,754,634	**892,385**	759,838
– USD	**3,306**	6,203	**29**	–
– HKD	**19,304**	881,442	**4,763**	177,163
	5,653,716	6,642,279	**897,177**	937,001

The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

19. CASH (Continued)

The table below shows the restricted cash and cash at bank balances of the major counterparties with external credit ratings as at 31 December 2010 and 2009.

Counterparties with external credit rating (Note)	Group 2010	Group 2009	Company 2010	Company 2009
A1	**5,215,447**	3,142,511	**536,853**	237,081
A3	**467,630**	–	**–**	–
Baa1	**–**	1,100,540	**–**	119
Baa2	**125,849**	902,826	**52,388**	722,871
Baa3	**761,253**	1,812,391	**202,745**	189,757
Ba1	**25,457**	–	**160**	–
Ba2	**87,070**	11	**10,311**	–
Others and cash in hand	**2,485,443**	928,972	**1,750,394**	430,958
	9,168,149	7,887,251	**2,552,851**	1,580,786

Note: The source of credit rating is from Moody's.

20. SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 31 December 2010 and 2009				
– domestic shares	2,207,108	551,777	–	551,777
– H shares	1,015,259	253,815	3,636,625	3,890,440
	3,222,367	805,592	3,636,625	4,442,217

At 31 December 2010 and 2009, the registered, issued and fully paid capital of the Company was RMB805,592,000, divided into 3,222,367,000 shares of RMB0.25 each, comprising 2,207,108,000 domestic shares and 1,015,259,000 H shares.

21. RETAINED EARNINGS

	Group 2010	Group 2009	Company 2010	Company 2009
Balance at 1 January	**11,793,197**	9,795,960	**2,563,553**	2,330,727
Profit for the year	**4,350,593**	2,899,500	**1,136,297**	1,135,089
Dividends (Note 35)	**(1,482,289)**	(902,263)	**(1,482,289)**	(902,263)
Balance at 31 December	**14,661,501**	11,793,197	**2,217,561**	2,563,553

(All amounts in RMB Yuan thousands unless otherwise stated)

22. OTHER RESERVES

	Share premium	Available-for-sale financial assets	Statutory reserve fund	Total
Group and Company				
Balance at 1 January 2009	3,636,625	174,728	539,144	4,350,497
Fair value gain on available-for-sale financial assets released to profit and loss accounts, net of tax	–	(67,217)	–	(67,217)
Fair value gain of available-for-sale financial assets, net of tax	–	31,573	–	31,573
Balance at 31 December 2009	3,636,625	139,084	539,144	4,314,853
Balance at 1 January 2010	**3,636,625**	**139,084**	**539,144**	**4,314,853**
Fair value gain of available-for-sale financial assets, net of tax	**–**	**5,775**	**–**	**5,775**
Balance at 31 December 2010	**3,636,625**	**144,859**	**539,144**	**4,320,628**

Notes:

(a) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries shall set aside 10% of their net profits as reported in their statutory accounts for the statutory reserve fund until the balance of such fund has reached 50% of its registered capital.

(b) Statutory reserve fund forms part of the shareholders' funds and is not distributable other than on liquidation.

(c) Dividends will be distributed out of the Group's distributable reserves, which represent the lower amount as determined in accordance with CAS and HKFRS. As at 31 December 2010, the Company's distributable reserves were approximately RMB1,963 million (31 December 2009: RMB2,556 million), being the smaller of the distributable reserves as determined under CAS and HKFRS.

(d) Share premium can be utilised for increasing paid-up capital as approved by the Directors.

(All amounts in RMB Yuan thousands unless otherwise stated)

23. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
Amounts due to subsidiaries (Note (a))	**–**	–	**6,167,471**	3,910,859
Amounts due to jointly controlled entities (Notes (a) and 40 (xii))	**106,024**	16,682	**–**	–
Amounts due to associates (Notes (a) and 40 (xii))	**40,457**	40,852	**–**	–
Construction payables (Note (b))	**4,684,124**	4,980,885	**880,174**	1,087,991
Other payables and accrued charges (Note (c))	**2,914,802**	3,412,991	**1,390,919**	1,421,832
Notes payables	**100,000**	395,000	**–**	200,000
	7,845,407	8,846,410	**8,438,564**	6,620,682

All payable and accrual balances are denominated in RMB.

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade and other payables is presented.

(c) The balance mainly represents payables arising from acquisitions of equity interests in certain companies and other tax payables excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

24. BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
Non-current				
Long-term bank loans				
– Secured	**9,569,805**	9,266,921	**1,262,750**	1,263,000
– Unsecured	**11,345,860**	8,840,150	**3,620,000**	3,366,000
	20,915,665	18,107,071	**4,882,750**	4,629,000
Less: current portion of long-term bank loans	**(5,688,430)**	(6,013,600)	**(1,854,750)**	(2,536,000)
	15,227,235	12,093,471	**3,028,000**	2,093,000
Corporate bonds				
– Unsecured	**5,442,161**	5,429,319	**5,442,161**	5,429,319
	20,669,396	17,522,790	**8,470,161**	7,522,319
Current				
Short-term bank loans				
– Secured	**1,438,195**	625,499	**–**	–
– Unsecured	**58,000**	228,000	**–**	–
	1,496,195	853,499	**–**	–
Total borrowings	**27,854,021**	24,389,889	**10,324,911**	10,058,319

(All amounts in RMB Yuan thousands unless otherwise stated)

24. BORROWINGS (Continued)

(a) Bank loans

The exposure of the Group's bank loans to interest-rate changes and the contractual repricing dates are all within one year.

At 31 December 2010, bank loans of RMB11,008,000,000 (31 December 2009: RMB9,892,420,000) of the Group and RMB1,262,750,000 (31 December 2009: RMB1,263,000,000) of the Company were secured by the following:

	Group		Company	
	2010	2009	**2010**	2009
Land use rights (Note 6)	**82,606**	74,363	**–**	–
Properties under development (Note 14)	**2,712,987**	2,052,655	**–**	–
Property, plant and equipment (Note 7)	**2,191,771**	2,738,113	**–**	–
Investment properties (Note 8)	**6,140,383**	7,392,086	**88,100**	83,572
Completed properties held for sale (Note 15)	**836,101**	482,627	**50,478**	99,634
Restricted cash	**1,444,230**	150,077	**1,438,711**	150,077
Equity investments in subsidiaries	**153,419**	325,333	**–**	–
	13,561,497	13,215,254	**1,577,289**	333,283

The majority of unsecured bank loans are supported by guarantees. Details are as follows:

	Group		Company	
	2010	2009	**2010**	2009
Guarantors				
The Company	**7,723,860**	5,702,150	**–**	–
Subsidiaries	**2,020,000**	3,366,000	**1,960,000**	3,366,000
	9,743,860	9,068,150	**1,960,000**	3,366,000

At 31 December 2010, bank loans of RMB1,660,000,000 (31 December 2009: Nil) of the Group and RMB1,660,000,000 (31 December 2009: Nil) of the Company are credit loans.

The maturity of bank loans is as follows:

	Group		Company	
	2010	2009	**2010**	2009
Within one year	**7,184,625**	6,867,099	**1,854,750**	2,536,000
Between one and two years	**4,391,180**	5,591,290	**1,438,000**	1,635,000
Between two and five years	**6,690,000**	3,854,070	**1,590,000**	458,000
Over five years	**4,146,055**	2,648,111	**–**	–
Total bank loans	**22,411,860**	18,960,570	**4,882,750**	4,629,000

(All amounts in RMB Yuan thousands unless otherwise stated)

24. BORROWINGS (Continued)

(a) Bank loans (Continued)

The carrying amounts of bank loans are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
RMB	**20,973,665**	18,535,072	**4,882,750**	4,629,000
HKD	**289,306**	425,498	**–**	–
USD	**1,148,889**	–	**–**	–
	22,411,860	18,960,570	**4,882,750**	4,629,000

Interests are charged based on floating rates on outstanding principals and the weighted average effective interest rates at the balance sheet date are as follows:

	2010	2009
RMB bank loans – floating rates	**5.34%**	5.46%
HKD bank loans – floating rates	**2.23%**	2.78%
USD bank loans – floating rates	**1.62%**	Nil

The carrying amounts and fair value of the non-current bank loans are as follows:

	Group			
	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
Bank loans	**15,227,235**	12,093,471	**15,350,803**	12,210,623

	Company			
	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
Bank loans	**3,028,000**	2,093,000	**3,028,126**	2,092,284

The carrying amounts of non-current bank loans approximate their fair values as all such bank loans are with floating interest rate. The fair values are based on cash flows discounted at the borrowing rate of 5.30% (2009: 5.26%).

The carrying amounts of short-term bank loans approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

24. BORROWINGS (Continued)

(b) Corporate bonds

The Company issued 55,000,000 corporate bonds at a par value of RMB5.5 billion in the PRC on 23 October 2009. The bonds will mature after five years from the issue date at their nominal value of RMB5.5 billion.

On 12 November 2009, the corporate bonds are listed on Shanghai Stock Exchange.

The principal terms of the corporate bonds are as follows:

(i) Interest rate

The interest rate of the corporate bonds is fixed at 6.85% per annum. On the third anniversary of the issue date, the Company has an option to increase the interest rate by up to 100 basic points for the remaining periods.

(ii) Maturity

The corporate bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The economic characteristics and risks of the put option embedded in the debt instrument is closely related to the host contract as the option's exercise price is approximately equal on the exercise date to the amortised cost of the host debt instrument. Therefore, the embedded derivative is not separately accounted for from the host contract.

The movement of the corporate bonds is set out below:

	Group and Company
Corporate bonds issued on 23 October 2009	5,500,000
Transaction costs	(73,110)
Initial cost as at 23 October 2009	5,426,890
Interest charged (Note 31)	74,683
Interest included in other payables	(72,254)
Amortised cost as at 31 December 2009	5,429,319
Amortised cost as at 1 January 2010	5,429,319
Interest charged (Note 31)	389,592
Interest paid	(376,750)
Amortised cost as at 31 December 2010	5,442,161

The fair value of the corporate bonds at 31 December 2010 amounted to RMB5,511,227,000 (2009: RMB5,497,539,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.18% (2009:7.18%).

(All amounts in RMB Yuan thousands unless otherwise stated)

25. TAX PREPAYMENTS

Tax prepayment amounts are as follows:

	Group		Company	
	2010	2009	**2010**	2009
Enterprise income tax prepayments	**454,720**	202,856	**9,710**	37,723
Land appreciation tax prepayments	**242,098**	113,566	**11,534**	22,709
Business tax prepayments	**837,672**	615,071	**28,016**	89,393
Other tax prepayments	**13,181**	7,943	**1,486**	695
	1,547,671	939,436	**50,746**	150,520

Tax prepayments are calculated based on certain percentage of cash received from pre-sale of properties.

26. DEFERRED INCOME TAX

There were no offsettings of deferred income tax assets and liabilities in 2009 and 2010.

	Group	
	31 December 2010	31 December 2009
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**502,596**	385,926
– Deferred tax assets to be recovered within 12 months	**419,907**	333,663
	922,503	719,589
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(2,073,607)**	(1,692,490)
– Deferred tax liabilities to be recovered within 12 months	**(80,933)**	(34,363)
	(2,154,540)	(1,726,853)

(All amounts in RMB Yuan thousands unless otherwise stated)

26. DEFERRED INCOME TAX (Continued)

	Company	
	31 December 2010	31 December 2009
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**10,896**	2,280
– Deferred tax assets to be recovered within 12 months	**28,617**	64,580
	39,513	66,860
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(55,095)**	(76,916)
– Deferred tax liabilities to be recovered within 12 months	**(13,875)**	(23,233)
	(68,970)	(100,149)

The gross movement on the deferred income tax account is as follows:

	Group	
	31 December 2010	31 December 2009
At 1 January	**(1,007,264)**	(1,364,397)
Income statement (charge)/credit (Note 32)	**(222,848)**	345,252
Tax (charge)/credit relating to components of other comprehensive income (Note 32)	**(1,925)**	11,881
At 31 December	**(1,232,037)**	(1,007,264)

	Company	
	31 December 2010	31 December 2009
At 1 January	**(16,927)**	(119,449)
Income statement (charge)/credit	**(10,605)**	90,641
Tax (charge)/credit relating to components of other comprehensive income	**(1,925)**	11,881
At 31 December	**(29,457)**	(16,927)

(All amounts in RMB Yuan thousands unless otherwise stated)

26. DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax liabilities:

	Group					
	Timing difference in sales recognition	Fair value gain on investment properties	Revaluation gain arising from business combinations	Revaluation of available-for-sale financial assets	Others	Total
At 1 January 2009	25,019	1,211,411	317,576	39,809	55,096	1,648,911
Charged/(credited) to the income statement	9,344	148,904	(46,622)	–	(21,803)	89,823
Credited to other comprehensive income	–	–	–	(11,881)	–	(11,881)
At 31 December 2009	34,363	1,360,315	270,954	27,928	33,293	1,726,853
Charged/(credited) to the income statement	46,570	437,483	(58,291)	–	–	425,762
Charged to other comprehensive income	–	–	–	1,925	–	1,925
At 31 December 2010	80,933	1,797,798	212,663	29,853	33,293	2,154,540

	Company				
	Timing difference in sales recognition	Fair value gain on investment properties	Revaluation of available-for-sale financial assets	Others	Total
At 1 January 2009	16,454	34,262	39,809	41,620	132,145
Charged/(credited) to the income statement	6,779	9,740	–	(36,634)	(20,115)
Credited to other comprehensive income	–	–	(11,881)	–	(11,881)
At 31 December 2009	23,233	44,002	27,928	4,986	100,149
Credited to the income statement	(9,358)	(23,746)	–	–	(33,104)
Charged to other comprehensive income	–	–	1,925	–	1,925
At 31 December 2010	13,875	20,256	29,853	4,986	68,970

(All amounts in RMB Yuan thousands unless otherwise stated)

26. DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Group				
	Accruals	**Tax losses**	**Unrealised profit on intra-group transactions**	**Others**	**Total**
At 1 January 2009	31,915	151,506	88,187	12,906	284,514
Credited/(charged) to the income statement	281,681	147,798	10,229	(4,633)	435,075
At 31 December 2009	313,596	299,304	98,416	8,273	719,589
Credited/(charged) to the income statement	179,730	(21,706)	42,216	2,674	202,914
At 31 December 2010	493,326	277,598	140,632	10,947	922,503

	Company		
	Accruals	**Others**	**Total**
At 1 January 2009	10,892	1,804	12,696
Credited to the income statement	53,689	475	54,164
At 31 December 2009	64,581	2,279	66,860
Charged to the income statement	(26,878)	(469)	(27,347)
At 31 December 2010	37,703	1,810	39,513

27. CURRENT INCOME TAX LIABILITIES

	Group		Company	
	2010	2009	**2010**	2009
Land appreciation tax payable	**3,125,385**	2,191,069	**944,313**	935,746
Income tax payable	**958,510**	804,818	**(22,526)**	102,195
	4,083,895	2,995,887	**921,787**	1,037,941

(All amounts in RMB Yuan thousands unless otherwise stated)

28. OTHER GAINS – NET

	2010	2009
Fair value gain on investment properties – net (Notes 8 and 36)	**1,109,713**	604,235
Gain on disposal of available-for-sale financial assets (Note 36)	**–**	140,653
Gain on disposals of property, plant and equipment and land use rights (Note 36)	**122,737**	384,185
(Loss)/gain on disposals of investment properties (Note 36)	**(13,700)**	11,504
Interest income (Note 36)	**77,573**	48,896
Dividend income from available-for-sale financial assets (Note 36)	**18,900**	–
Others	**53,016**	23,982
	1,368,239	1,213,455

29. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	2010	2009
Crediting:		
Reversal of provision for doubtful debts (Notes 17 and 36)	**(9,315)**	(12,363)
Charging:		
Cost of completed properties sold	**13,720,230**	11,076,374
Employee benefit expense (Note 30)	**556,068**	490,995
Amortisation of land use rights, software and customer contracts (Note 36)	**33,341**	114,438
Office expenses	**78,060**	65,221
Depreciation (Notes 7 and 36)	**226,902**	198,712
Business taxes and other levies	**1,445,192**	1,095,581
Auditors' remuneration	**7,414**	6,977
Operating lease payments	**6,732**	9,219
Provision for doubtful debts (Notes 17 and 36)	**13,693**	13,437
Advertising cost	**193,308**	168,651
Default payment for termination of land acquisitions	**–**	240,000
Others	**659,581**	576,722
	16,940,521	14,056,327
	16,931,206	14,043,964

(All amounts in RMB Yuan thousands unless otherwise stated)

30. EMPLOYEE BENEFIT EXPENSE

The employee benefit expense, including Directors' emoluments is as follows:

	2010	2009
Wages and salaries	**407,893**	389,004
Retirement scheme contributions	**39,409**	34,266
Other allowances and benefits	**108,766**	67,725
	556,068	490,995

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	**Salary**	**Other benefits (i)**	**Total**
Executive Directors			
Mr. Li Sze Lim	**2,665**	**676**	**3,341**
Mr. Zhang Li	**2,665**	**676**	**3,341**
Mr. Zhou Yaonan	**2,960**	**236**	**3,196**
Mr. Lu Jing	**2,260**	**274**	**2,534**
Non-executive Directors			
Ms. Zhang Lin	**357**	**–**	**357**
Ms. Li Helen	**357**	**–**	**357**
Independent non-executive Directors			
Mr. Huang Kaiwen	**336**	**–**	**336**
Mr. Dai Feng	**286**	**–**	**286**
Mr. Lai Ming, Joseph	**286**	**–**	**286**

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Salary	Other benefits (i)	Total
Executive Directors			
Mr. Li Sze Lim	2,665	169	2,834
Mr. Zhang Li	2,665	169	2,834
Mr. Zhou Yaonan	2,960	118	3,078
Mr. Lu Jing	2,260	137	2,397
Non-executive Directors			
Ms. Zhang Lin	349	–	349
Ms. Li Helen	349	–	349
Independent non-executive Directors			
Mr. Huang Kaiwen	317	–	317
Mr. Dai Feng	279	–	279
Mr. Lai Ming, Joseph	279	–	279

(All amounts in RMB Yuan thousands unless otherwise stated)

30. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2009: four) Directors whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining one (2009: one) individual during the year is as follows:

	2010	2009
Salaries	**4,160**	4,160
Retirement scheme contributions and other benefits	**236**	118
	4,396	4,278

The emolument of the individual fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
RMB 4,000,001 to RMB 5,000,000	**1**	1

Notes:

(i) Other benefits mainly include welfare and transportation expenses.

(ii) Nil Directors of the Company waived or agreed to waive any remuneration for the year ended 31 December 2010 (2009: Nil).

(iii) During the year, no emolument was paid by the Group to any of the above Directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

31. FINANCE COSTS

	2010	2009
Interest on bank loans	**1,217,073**	1,341,018
Interest on corporate bonds (Note 24 (b))	**389,592**	74,683
Less: interest capitalised	**(665,818)**	(910,367)
	940,847	505,334

The average interest rate applied for capitalisation of funds borrowed and used for the development and sale of properties, investment properties and property, plant and equipment is 5.29% per annum for the year ended 31 December 2010 (2009: 5.91%).

(All amounts in RMB Yuan thousands unless otherwise stated)

32. INCOME TAX EXPENSES

	2010	2009
Current income tax		
– PRC enterprise income tax (Note (b))	**1,644,053**	1,461,171
Deferred income tax (Note 26)	**222,848**	(345,252)
	1,866,901	1,115,919
Current PRC land appreciation tax (Note (c))	**1,746,972**	821,475
Total income tax expenses (Note (d))	**3,613,873**	1,937,394

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2009: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2010, the applicable income tax rate for the profits generated from property construction by a subsidiary was 2.5% (2009: 2.5%) based on the revenue throughout the year; the applicable income tax rate for the profits generated from other business was 25% (2009: 25%) based on taxable profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(All amounts in RMB Yuan thousands unless otherwise stated)

32. INCOME TAX EXPENSES (Continued)

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2010	2009
Profit before income tax	**8,070,242**	4,858,627
Less: Land appreciation tax	**(1,746,972)**	(821,475)
	6,323,270	4,037,152
Calculated at tax rate of 25% (2009: 25%)	**1,580,818**	1,009,288
Effect of different income tax regime of certain companies	**(29,860)**	7,167
Development costs not deductible for taxation purposes	**264,174**	88,250
Others	**51,769**	11,214
PRC enterprise income tax	**1,866,901**	1,115,919
Land appreciation tax	**1,746,972**	821,475
Tax charge (Note 36)	**3,613,873**	1,937,394

(e) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2010			**2009**		
	Before tax	**Tax charge**	**After tax**	**Before tax**	**Tax (charge)/ credit**	**After tax**
Fair value gain of available-for-sale financial assets	**7,700**	**(1,925)**	**5,775**	42,097	(10,524)	31,573
Fair value gain on available-for-sale financial assets released to profit and loss accounts	**–**	**–**	**–**	(89,622)	22,405	(67,217)
	7,700	**(1,925)**	**5,775**	(47,525)	11,881	(35,644)

33. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent is dealt with in the financial statements of the Company to the extent of RMB1,136,297,000 (2009: RMB1,135,089,000).

34. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit attributable to owners of the parent	**4,350,593**	2,899,500
Weighted average number of ordinary shares in issue (thousands)	**3,222,367**	3,222,367
Earnings per share (RMB per share)	**1.3501**	0.8998

There were no dilutive potential shares during the years presented above.

35. DIVIDENDS

	2010	2009
Interim dividend paid of RMB0.10 (2009:Nil) per ordinary share	**322,237**	–
Proposed final dividend of RMB0.40 (2009: RMB0.36) per ordinary share	**1,288,948**	1,160,052
	1,611,185	1,160,052

A 2009 final dividend of RMB0.36 per ordinary share, totaling RMB1,160,052,000 was paid in June 2010.

An interim dividend of RMB0.10 per ordinary share, totalling RMB322,237,000 was proposed by the board of directors and paid in October 2010 (in respect of six months ended 30 June 2009: Nil).

2010 final dividend of RMB0.40 (2009: RMB0.36) per ordinary share, amounting to a total dividend of RMB1,288,948,000 which is based on the number of shares as at 31 December 2010 is to be approved by the shareholders at the Annual General Meeting ("AGM") on 27 May 2011 which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2011. These financial statements do not reflect this dividend payable.

The aggregate amounts of the dividends paid and proposed during 2010 and 2009 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

(All amounts in RMB Yuan thousands unless otherwise stated)

36. CASH USED IN OPERATIONS

	2010	2009
Profit for the year	**4,456,369**	2,921,233
Adjustments for:		
– Tax (Note 32)	**3,613,873**	1,937,394
– Interest income (Note 28)	**(77,573)**	(48,896)
– Interest expense (Note 31)	**940,847**	505,334
– Depreciation (Notes 7 and 29)	**226,902**	198,712
– Gain on disposal of available-for-sale financial assets (Note 28)	**–**	(140,653)
– Gain on disposals of property, plant and equipment and land use rights (Note 28)	**(122,737)**	(384,185)
– Loss/(gain) on disposals of investment properties (Note 28)	**13,700**	(11,504)
– Provision for doubtful debts (Notes 17 and 29)	**13,693**	13,437
– Reversal of provision for doubtful debts (Notes 17 and 29)	**(9,315)**	(12,363)
– Share of results of jointly controlled entities (Note 11)	**20,544**	2,427
– Share of results of associates (Note 12)	**47,220**	(434)
– Fair value gain on investment properties-net (Notes 8 and 28)	**(1,109,713)**	(604,235)
– Amortisation of land use rights, software and customer contracts (Note 29)	**33,341**	114,438
– Dividend income from available-for-sale financial assets (Note 28)	**(18,900)**	–
– Down-stream elimination of unrealised profits (Note 11)	**12,189**	–
Operating profit before changes in working capital	**8,040,440**	4,490,705
Changes in working capital:		
– Land use rights, properties under development and completed properties held for sale	**(565,790)**	(2,705,505)
– Trade receivables	**(468,981)**	309,371
– Other receivables, deposits and prepayments	**(5,271,224)**	1,045,600
– Restricted cash	**(977,831)**	(641,684)
– Deposits received on sale of properties	**4,114,209**	5,248,295
– Accruals and other payables	**1,187,660**	(350,381)
– Business tax payable	**109,902**	137,650
Net cash generated from operations	**6,168,385**	7,534,051

(All amounts in RMB Yuan thousands unless otherwise stated)

36. CASH USED IN OPERATIONS (Continued)

In the statement of cash flows, proceeds from disposals of property, plant and equipment and land use rights comprise:

	2010	2009
Net book amount of property, plant and equipment (Note 7)	**35,989**	254,527
Net book amount of land use rights (Note 6)	**6,863**	62,714
Gain on disposals of property, plant and equipment and land use rights (Note 28)	**122,737**	384,185
Receivables for disposal of property, plant and equipment and land use rights	**69,000**	(131,913)
Proceeds from disposal of property, plant and equipment and land use rights	**234,589**	569,513

In the statement of cash flows, proceeds from disposal of investment properties comprise:

	2010	2009
Net book amount (Note 8)	**76,551**	22,771
(Loss)/gain on disposals of investment properties (Note 28)	**(13,700)**	11,504
Proceeds from disposals of investment properties	**62,851**	34,275

37. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group and the Company as at 31 December 2010 are analysed as below:

	Group		**Company**	
	2010	2009	**2010**	2009
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**12,326,826**	12,189,315	**3,357,885**	3,231,611
Guarantees given to banks for bank loans of subsidiaries (Note (b))	**–**	–	**2,257,000**	3,952,450
Guarantees given to banks for bank loans of jointly controlled entities and an associate (Notes (c) and 40(xi))	**1,374,638**	–	**1,374,638**	–
	13,701,464	12,189,315	**6,989,523**	7,184,061

Notes:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the real estate ownership certificate for the mortgagees. The Directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) It represents guarantees provided to subsidiaries of the Group to obtain bank loans. The Directors consider that the fair value of these contracts at the date of inception was minimal and understand the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

(c) It represents the maximum exposure of the guarantee provided for jointly controlled entities and an associate for their bank borrowings.

(All amounts in RMB Yuan thousands unless otherwise stated)

38. COMMITMENTS

(a) Expenditure commitments for properties under development

	2010	2009
Authorised but not contracted for	**5,670,567**	8,669,380
Contracted but not provided for	**12,862,943**	11,784,199
	18,533,510	20,453,579

(b) Operating lease commitments

At 31 December 2010, the Group had future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

	2010	2009
Not later than one year	**3,416**	3,018
Later than one year and not later than five years	**4,334**	4,408
Over five years	**22,561**	23,282
	30,311	30,708

(c) Other commitments

The Group had commitments for investments in a number of PRC companies in various major cities in the PRC. Payment obligations of the Group are established when the other contracting parties have fulfilled their respective contractual obligations as specified in the contracts. The total commitments at 31 December 2010 were as follows:

	2010	2009
Contracted but not provided for	**480,163**	5,202,000

(All amounts in RMB Yuan thousands unless otherwise stated)

39. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2010, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Group		Company	
	2010	2009	**2010**	2009
Not later than one year	**388,350**	359,694	**38,621**	49,089
Later than one year and not later than five years	**937,108**	888,143	**80,866**	135,076
Over five years	**955,501**	811,120	**20,011**	49,734
	2,280,959	2,058,957	**139,498**	233,899

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Li Sze Lim and Zhang Li (both are national of PRC), who owns 33.32% and 31.91% of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Provision of restaurant services

	2010	2009
Common shareholders:		
廣州富力宮酒家有限公司(“富力宮酒家”)	**4,112**	7,626
惠州市金鵝溫泉實業有限公司	**6,584**	–
	10,696	7,626

ii) Lease of properties

	2010	2009
Common shareholders:		
志鏗有限公司	**–**	158
Lancaster – Toprich Ltd.	**–**	158
	–	316

(All amounts in RMB Yuan thousands unless otherwise stated)

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

iii) Provision of lease of properties

	2010	2009
Common shareholders:		
廣州金貝殼投資有限公司 (“廣州金貝殼”)	**1,224**	612
Associates:		
廣州利合	**1,932**	–

iv) Drinking water system charges

	2010	2009
Common shareholders:		
廣州越富環保科技有限公司	**8,782**	12,557

v) Key management compensation

	2010	2009
Salaries and welfare benefits	**16,807**	15,668

vi) Provision of property management services

	2010	2009
Associates:		
北京富盛利	**852**	852
廣州利合	**324**	–
	1,176	852
Common shareholders:		
廣州金貝殼	**222**	–

vii) Purchases of property, plant and equipment

	2010	2009
Shareholders:		
Mr. Li Sze Lim and Mr. Zhang Li	**–**	11,456

(All amounts in RMB Yuan thousands unless otherwise stated)

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

viii) Purchases of construction materials

	2010	2009
Associates:		
超力混凝土	88,594	78,689

ix) Provision of design services

	2010	2009
Common shareholders:		
廣州金貝殼	–	103
Jointly controlled entities:		
廣州富景	12,570	–

x) Provision of construction services

	2010	2009
Jointly controlled entities:		
瀋陽億隆	113,223	53,237
廣州富景	1,738	–
廣州聖景	340	121
	115,301	53,358

xi) Provision of guarantees for bank loans

The Group provided joint liability counter-guarantees for certain bank facilities granted to the Group's jointly controlled entities and an associate for project development purpose. Such guarantees are limited to the proportionate interest of the Group in the jointly controlled entities and an associate. As at 31 December 2010, the Group's proportionate guarantees for bank loans provided to its jointly controlled entities and an associate are shown as follows:

	2010	2009
Jointly controlled entities:		
瀋陽億隆	50,000	–
廣州富景	300,060	–
	350,060	–
Associates:		
廣州利合	1,024,578	–
	1,374,638	–

(All amounts in RMB Yuan thousands unless otherwise stated)

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

xii) Balances with related parties

As at 31 December 2010, the Group had the following significant balances with related parties:

	2010	2009
Due from:		
Jointly controlled entities		
– Non-trade balances		
Value Success (Note (b))	89,148	92,133
廣州富景(Note (a))	589,950	703,125
惠州富茂(Note (a))	200,000	–
天津津南新城	58,175	–
富力(瀋陽)	–	20,000
瀋陽富力會	286	–
瀋陽億隆		
– consideration receivable (Note (c))	141,500	141,500
– prepayments of construction costs (Note (d))	73,632	155,930
	215,132	297,430
廣州聖景 (Note (d)	205,759	109,562
Hines Shanghai	96,338	–
	1,454,788	1,222,250
– Trade balances		
廣州聖景(Note (e))	261	236
瀋陽億隆(Note (e))	47,106	41,608
	47,367	41,844
Associates		
– Non-trade balance		
北京富盛利	1,423	1,402
廣州利合(Note (a))	1,515,443	–
	1,516,866	1,402
	3,019,021	1,265,496
Due to:		
Jointly controlled entities		
– Non-trade balances		
Maxview	16,024	16,682
城投悦城	90,000	–
	106,024	16,682

(All amounts in RMB Yuan thousands unless otherwise stated)

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

xii) Balances with related parties (Continued)

	2010	2009
Due to:		
Associates		
– Non-trade balances		
超力混凝土	–	4,200
富力城信	5	5
	5	4,205
– Trade balance		
超力混凝土 (Note (f))	40,452	36,647
	40,457	40,852
	146,481	57,534

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and settled according to contract terms.

(a) It represents prepayments for purchases of land use rights on behalf of the Group's jointly controlled entities and the associate.

(b) It represents borrowings to the jointly controlled entities in proportion to the controlling interest pursuant to the joint venture agreement.

(c) It represents the consideration receivable for disposal of certain equity interests in the jointly controlled entities in 2007.

(d) It represents construction costs paid by the Group on behalf of the jointly controlled entities.

(e) It represents receivables relating to construction services provided by the Group which will be settled in various construction stages.

(f) It represents payables relating to purchases of construction materials by the Group, of which monthly settlements are made based on contract terms.

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2010 in accordance with China Accounting Standards for Business Enterprises ("CAS"). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to owners of the parent for the year ended 31 December		**Equity attributable to owners of the parent as at 31 December**	
	2010	2009	**2010**	2009 Restated
As stated in accordance with CAS	**4,589,761**	2,837,945	**19,928,286**	16,815,038
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gain arising from business combinations	**(100,775)**	(20,697)	**123,220**	223,995
2. Amortisation of customer contracts	**(16,621)**	(97,364)	**(322,000)**	(305,379)
3. Fair value of investment properties under construction	**(235,294)**	235,294	**–**	235,294
4. Deferred taxation	**88,434**	(30,590)	**58,215**	(30,218)
5. Non-controlling interests	**25,088**	(25,088)	**–**	(25,088)
As stated in accordance with HKFRS	**4,350,593**	2,899,500	**19,787,721**	16,913,642

Notes:

1. The Group adopted SSAP 27 "Accounting for Group Reconstructions" for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" in November 2005 effective upon issue. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.

2. The Group acquired the entire equity interests in Guangzhou Tianli Construction Co., Ltd. on 5 June 2007 and recognised an intangible asset for the customer contracts on hand upon acquisition, as an identifiable asset distinguished from goodwill.

   Under HKFRS, such customer contracts which have a finite useful life, are amortised using the straight-line method over the execution of the customer contracts. These customer contracts, considered as goodwill under CAS, do not require any amortisation but are subject to annual impairment test assessment.

3. In 2009, the Group applied HKAS 40 (Amendment) 'Investment property', resulted in a fair value gain for investment properties under construction. Such gain was recognised under CAS upon completion of the construction in the current year.

4. It refers to the effects of deferred tax arising from the above adjustments.

5. It mainly refers to the effects of non-controlling interests arising from fair value gain of investment properties under construction.

FIVE-YEAR FINANCIAL SUMMARY

(All amounts in RMB Yuan thousands)

Consolidated Balance Sheet (as at 31 December)

	2010	2009	2008	2007	2006
Non-current assets	**25,364,801**	17,638,060	13,684,690	12,361,505	2,799,570
Current assets	**52,052,104**	48,705,957	41,362,335	41,928,669	23,833,233
Total assets	**77,416,905**	66,344,017	55,047,025	54,290,174	26,632,803
Non-current liabilities	**22,823,936**	19,249,643	12,767,411	14,243,928	4,987,258
Current liabilities	**34,593,748**	30,075,008	27,234,516	27,252,083	13,086,001
Total liabilities	**57,417,684**	49,324,651	40,001,927	41,496,011	18,073,259
Total equity	**19,999,221**	17,019,366	15,045,098	12,794,163	8,559,544

Consolidated Income Statement (year ended 31 December)

	2010	2009	2008	2007	2006
Turnover	**24,641,820**	18,196,463	15,360,151	14,771,919	10,186,765
Cost of sales	**(15,348,632)**	(12,446,844)	(10,201,681)	(9,148,146)	(6,490,854)
Gross profit	**9,293,188**	5,749,619	5,158,470	5,623,773	3,695,911
Other gains – net	**1,368,239**	1,213,455	1,520,892	3,385,097	381,969
Selling and marketing costs	**(425,921)**	(370,888)	(295,282)	(188,268)	(160,375)
Administrative expenses	**(1,121,274)**	(978,244)	(1,010,851)	(483,038)	(270,245)
Other operating (expenses)/income	**(35,379)**	(247,988)	30,752	(43,227)	(15,636)
Operating profit	**9,078,853**	5,365,954	5,403,981	8,294,337	3,631,624
Finance costs	**(940,847)**	(505,334)	(341,202)	(102,929)	(49,741)
Share of results of jointly controlled entities	**(20,544)**	(2,427)	7,812	(3,866)	—
Share of results of associates	**(47,220)**	434	(479)	(52)	—
Profit before income tax	**8,070,242**	4,858,627	5,070,112	8,187,490	3,581,883
Income tax expense	**(3,613,873)**	(1,937,394)	(1,931,903)	(2,810,012)	(1,421,396)
Profit for the year	**4,456,369**	2,921,233	3,138,209	5,377,478	2,160,487
Attributable to:					
Owners of the parent	**4,350,593**	2,899,500	3,119,499	5,365,025	2,150,419
Non-controlling interests	**105,776**	21,733	18,710	12,453	10,068

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Properties for sale (under-development)							
Guangzhou							
R&F Jin Gang City (excluding Holiday Inn Airport Hotel Guangzhou)	100%	Modern Avenue, Huadu Town, Huadu District	Residential, Industrial and Storage	1,119,211	1,491,229	110,778	Pending
R&F Junhu Palace	100%	Shou Yue West, Liu Hua Road, Liwan District	Residential	38,358	146,459	102,692	2012
R&F Garden Pearl River Park View (formerly R&F Ying Zun Plaza)	100%	Zone M, Pearl River New Town, Tianhe District	Apartment & Commerical	13,182	169,611	169,611	2011
R&F International Apartment (formerly R&F Ying Cheng Plaza)	100%	Zone M, Pearl River New Town, Tianhe District	Apartment & Commerical	11,523	107,235	107,235	2011
R&F Spring World	100%	Hot Spring Village, Hot Spring Town, Conghua City	Residential	808,018	520,000	481,756	Pending
R&F Jinyu Garden	100%	Zone F, Jin Sha Zhou, Baiyun District	Residential	101,355	218,608	218,608	Pending
R&F Tangning Garden	100%	North of Xi Wan Road, Liwan District	Residential	71,554	122,678	122,678	Pending
Huadu Huawei Co. Project	100%	Modern Avenue, Hua Du District	Industrial & Storage	142,571	187,299	187,299	Pending
R&F Ying Kai Plaza (Office & Shopping Mall)	87.1%	Zone J, Pearl River New Town, Tianhe District	Commerical & Office	7,944	143,000	124,553	Pending
Lie De Project	33.34%	Lie De Village, Lie De Road, Tianhe District	Apartment, Commerical and Office	114,176	523,230	174,445	Pending
Asian Games City Project	20%	Asia Game City, Panyu District	Residential & Commerical	2,639,520	4,380,000	876,000	Pending
Huizhou							
Longquan Project	100%	Ma Qiao Re Shui Village, Yong Han Town, Longmen County	Residential & Commerical	930,754	353,379	353,379	2011
Fumao Venice Bay	50%	Dapu Tun, Renshan Town, Rendong County,	Residential & Commerical	741,868	1,508,918	754,459	Pending
Boluo Project	100%	Hui Bo Yan Jiang Exit, Luoyang Town, Boluo County	Residential & Commerical	73,352	293,408	293,408	Pending
Hainan							
R&F Bay Shore	100%	Zone B, Xiang Shui Bay, Lingshui Town, Sanya	Residential, Commerical and Hotel	1,242,062	342,612	208,704	2015
R&F Yingxi Valley	100%	Na Jia Po, Xiuying District, West Coast, Haikou	Residential	453,000	171,000	154,207	2012
R&F Mangrove Bay	100%	San Lin Exit,Huan Dao West Line High-way, Chengmai Town	Residential & Commerical	4,352,042	619,158	619,158	2018

PROPERTY LIST

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Chongqing							
R&F Ocean Plaza (excluding Hyatt Hotel Chongqing)	100%	Yang He New Area, (the former Yang He Reservoir), Guan Yin Qiao Street, Jiangbei District	Residential & Commerical	39,078	227,036	68,134	Pending
Chongqing R&F City (excluding Holiday Inn @ University City Chongqing)	100%	Xi Yong Unit, Sha Ping Ba District	Residential & Commerical	1,981,995	6,727,351	6,413,175	Pending
Chengdu							
R&F Panda City Phase II (excluding Ritz-Carlton Chengdu)	100%	Shun Cheng Street, Qingyang District	Residential & Commerical	16,177	252,048	252,048	2012
R&F Peach Garden	100%	South of Zhen Hai Du Road West, Xin Du Town	Residential	186,650	1,081,774	1,014,242	2016
Kunshan							
R&F Bay Shore Phase I	100%	West of Wan Yuan Road, Dian Shan Lake Town, Kunshan	Residential	921,333	402,138	297,917	2013
Shanghai							
R&F Peach Garden	100%	Qingpu Industrial Zone, Qingpu District	Residential	231,983	291,933	241,312	2012
Beijing							
R&F Xinran Court/Plaza (excluding Express by Holiday Inn Temple of Heaven Beijing)	100%	Residential Area, No.35 Court, Nan Wei Road, Xuanwu District	Residential, Commerical and Office	51,009	238,573	8,199	2011
R&F Festival City	100%	North of Da Lu Dian, Douge Village, Chaoyang District	Residential, Commercial and Storage	341,249	1,123,616	356,203	2012
R&F Bay Shore	100%	Ma Po Town, Shunyi District	Residential and Commercial	226,805	158,000	77,705	2011
R&F Peach Garden	100%	Zone East III, High Building Material City, Xi San Qi, De Sheng Men Wai, Shunyi District	Residential and Commercial	125,750	351,968	96,452	2012
R&F Danish Town	100%	Jin Nan Green and Ecology Community, West of the Development Zone, Pang Ge Village, Daxing District	Residential, Commercial and Storage	607,333	535,130	445,598	2012
R&F No. 10	100%	No.10, Guang Qu Men Wai, Chaoyang District	Residential	32,300	94,500	94,500	2012
R&F Golden Jubilee Garden (Luhe Mingyuan)	100%	South of Xincheng Street, Tongzhou District	Residential	44,608	154,185	154,185	Pending

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Tianjin							
Tianjin R&F City (excluding Commercial Complex)	100%	South of Bei Ma Road, West of Dong Ma Road, Nankai District	Residential and Commercial	180,692	760,902	89,142	2011
R&F Bay Shore	100%	Wang Chun Village, Zhong Bei Town, Xiqing District	Residential	101,355	334,286	114,506	2011
R&F Peach Garden	100%	North of Li Shuang Road, West of Wei Shan Road, Shuang Gang Town, Jinnan District	Residential and Commercial	166,400	620,320	456,266	2012
R&F Jinmen Lake	100%	West of You Yi Nan Road, Hexi District	Residential	930,932	1,574,698	1,101,199	2015
R&F Center	100%	East of Nan Chang Road, Hexi District	Commerical & Office	9,588	180,217	180,217	2013
R&F Guangdong Building	100%	South of Tuo Chang Road, West of Bin He Xi Road, Tanggu District	Office	23,070	338,654	338,654	Pending
Jinnan Xincheng Project	25%	Xian Shui Gu Town, Jinnan District	Residential, Commerical, Office, Hotel & Shopping Mall	1,289,227	3,010,901	752,725	Pending
Xian							
Xian R&F City (excluding R&F Holiday Inn Xian)	100%	South of North Ring Road, Chang'an District	Residential, Commerical and Office	381,814	938,034	555,940	2014
Taiyuan							
Taiyuan R&F City	100%	No.3, Jin An East Street, Xin Hua Ling District	Residential & Commerical	1,056,200	2,112,400	1,905,039	2016
R&F Modern Plaza	100%	South of Dong Er Xiang, Yi Jing Xi Road, West of He Ping Nan Road, Xiaodian District	Residential	87,022	301,840	230,600	2012
Shenyang							
Xianhu Project	66.67%	Huang Shan Village, Tao Xian Town, Dongling District	Residential	373,406	200,015	109,955	Pending

PROPERTY LIST

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Properties for sale (under planning)							
Guangzhou							
Haizhu Cheng Project	100%	Southwest of the Interchange of Jiang Nan Xi Road and Jiang Nan Avenue, Haizhu District	Commerical & Office	18,816	145,395	145,395	Pending
R&F International Commercial Center	100%	Zone J, Pearl River New Town, Tianhe District	Commerical & Office	7,918	155,244	155,244	Pending
Pearl River New Town B1-3 Project	100%	East of Hua Xia Road, Tianhe District	Office	7,008	120,000	120,000	Pending
Chongqing							
Nanshan Villa	100%	No.99 Nan Shan Road, Nan'an District	Residential & Commerical	79,583	31,540	31,540	Pending
Kunshan							
R&F Bay Shore Phase II	100%	West of Wan Yuan Road, Dian Shan Hu Town, Kunshan	Residential	142,390	34,946	34,946	Pending
Shanghai							
California Place/Square	50%	New Jiangwan Town, Yangpu District	Residential, Commerical, Office & Hotel	142,664	267,419	133,710	Pending
Nanjing							
Qi Lin Science & Technology Parks Project	100%	Qi Lin Science & Technology Parks, Jiangning District, Nanjing	Residential, Office & Hotel	571,864	545,000	545,000	Pending
Beijing							
Yizhuang Old Donggong Project	100%	No. 4 Yizhuang Old Dongong, Daxing District	Residential & Commerical	88,911	190,861	190,861	Pending
Taiyuan							
R&F Peach Garden	100%	No.5, Jin An Dong Street, Xing Hua Ling District	Residential	195,827	332,924	332,924	Pending
Kuang Ji Project	100%	No. 9 Jiefang Road North	Residential & Commerical	237,601	758,987	758,987	Pending

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Properties for investment (completed)							
Guangzhou							
R&F Cambridge Terrace Shopping Mall	100%	Dong Guan Zhuang Road, Tianhe District	Commerical	–	42,993	42,993	N/A
R&F West Garden Shopping Mall	100%	Huan Shi Xi Road, Liwan District	Commercial	–	3,570	3,570	N/A
R&F King's Court (Commerical)	100%	Xiao Mei Street, Liwan District	Office	–	9,184	9,184	N/A
R&F Square (North Court) Shopping Mall	100%	Zhong Shan Eighth Road, Liwan District	Commercial	–	8,455	8,455	N/A
R&F Children World	100%	Zhong Shan Eighth Road, Liwan District	Commercial	–	16,307	16,307	N/A
R&F Square Zone B Shopping Mall	100%	Zhong Shan Eighth Road, Liwan District	Commercial	–	2,213	2,213	N/A
R&F Modern Plaza - Jiaxin Commerical Center	100%	Ge Xin Road, Haizhu District	Commercial	–	29,000	29,000	N/A
R&F Center	100%	Zone J, Pearl River New Town, Tianhe District	Office	8,117	162,605	162,605	N/A
Grand Hyatt Guangzhou	100%	Zone F, Pearl River New Town, Tianhe District	Hotel	10,291	114,498	85,596	N/A
The Ritz-Carlton, Guangzhou	100%	Zone J, Pearl River New Town, Tianhe District	Hotel	6,895	104,322	104,322	N/A
Beijing							
Renaissance Beijing Capital Hotel	100%	North of Guang Qu Men Wai Street, Chaoyang District	Hotel, Office & Commercial	43,703	120,349	120,349	N/A
Beijing R&F City Shopping Mall	100%	North of Guang Qu Men Wai Street, Chaoyang District	Commerical	–	110,636	110,636	N/A
Beijing R&F Centre	100%	North of Guang Qu Men Wai Street, Chaoyang District	Office	–	59,600	59,600	N/A
Express by Holiday Inn Temple of Heaven Beijing	100%	No.35 Court, Nan Wei Road, Xuanwu District	Hotel	6,190	22,302	22,302	N/A
Chongqing							
R&F Ocean Plaza (Commercial)	100%	Yang He New Area, Guan Yin Qiao Street, Jiangbei District	Commercial	–	72,675	72,675	N/A
Chengdu							
R&F Panda City Tianhui Mall	100%	Shun Cheng Street, Qingyang District	Commercial	–	254,626	254,626	N/A

PROPERTY LIST

Property	The Group's Interest (%)	Location	Use	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Properties for investment (under-development)							
Guangzhou							
Park Hyatt Guangzhou	87.1%	Zone J, Pearl River New Town, Tianhe District	Hotel	7,944	24,631	21,454	2013
Conrad Guangzhou	33.34%	Lie De Village, Lie De Road, Tianhe District	Hotel	–	45,000	15,003	2013
Tianjin							
Tianjin R&F City Commercial Complex	100%	South of Bei Ma Road, West of Dong Ma Road, Nankai District	Commerical	23,000	166,638	166,638	Pending
Chongqing							
Hyatt Regency Chongqing	100%	Yang He New Area, Guan Yin Qiao Street, Jiangbei District	Hotel	16,137	46,439	46,439	Pending
Huizhou							
Renaissance Huizhou Hotel	100%	Yan Jiang Economic Circle, Jiang Bei New District	Hotel	15,000	54,321	54,321	2011
Chengdu							
Ritz-Carlton Chengdu	100%	Shun Cheng Street, Qingyang District	Hotel	–	47,117	47,117	2012
Properties for investment (under planning)							
Guangzhou							
Holiday Inn Airport Hotel Guangzhou	100%	Modern Avenue, Huadu District	Hotel	4,405	34,215	34,215	Pending
Chongqing							
Holiday Inn @ University City Chongqing	100%	Xi Yong Unit, Sha Ping Ba District	Hotel	30,893	67,612	67,612	Pending
Xian							
R&F Holiday Inn Xian	100%	North Ring Road, Chang'an District	Hotel	6,880	50,000	50,000	2014
Huizhou							
Hilton Huizhou Longmen Huizhou Resort	100%	Ma Qiao Re Shui Village, Yong Han Town, Longmen County	Hotel	–	45,000	45,000	2013
Hainan							
Doubletree Resort by Hilton Haikou-Chengmai	100%	San Lin Exit, Huan Dao West Line High-way, Chengmai Town	Hotel	–	38,000	38,000	2013

CORPORATE INFORMATION

Executive Directors	Li Sze Lim, Zhang Li, Zhou Yaonan, Lu Jing
Non-executive Directors	Zhang Lin, Li Helen
Independent Non-executive Directors	Huang Kaiwen, Dai Feng, Lai Ming, Joseph
Supervisors	Feng Xiangyang, Liang Yingmei, Zheng Ercheng
Authorized Representatives	Li Sze Lim, Chow Oi Wah, Fergus
Company Secretary	Chow Oi Wah, Fergus
Registered Office in the PRC	45-54/F, R&F Center, No.10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Place of Business in Hong Kong	Room 1103, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong
Auditor	PricewaterhouseCoopers 22/F Prince's Building, Central, Hong Kong
Legal Advisor as to Hong Kong Law	Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Hong Kong H share Registrar	Computershare Hong Kong Investor Services Limited 17M/F., Hopewell Centre, 183 Queen's Road, East, Wanchai, Hong Kong
Website	www.rfchina.com

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' CALENDAR

Interim results announcement	26 August 2010
Interim dividend paid	15 October 2010
Final results announcement	24 March 2011
Closure of register of members	26 April 2011 to 27 May 2011 (both days inclusive)
Annual general meeting	27 May 2011
Final dividend payable date	To be announced

LISTING INFORMATION

The Company's H shares were listed on The Stock Exchange of Hong Kong Limited on 14 July 2005.

Stock Code

Hong Kong Stock Exchange	2777
Reuters	2777.HK
Bloomberg	2777HK

Board Lot Size	400 shares

Share Information

	Stock Price*	
Year	**High** HK$	**Low** HK$
2005 (from 14 July to 31 Dec)	6.9375	2.7
2006	17.14	6.675
2007	45.6	12.8
2008	28.3	2.3
2009	18.98	5.31
2010	14.14	8.55

* 4-for-1 share sub-division adjusted

廣州富力地產股份有限公司
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* for identification purpose only