建業地產股份有限公司

Central China Real Estate Limited

Stock Code: 0832.HK

www.centralchina.com

2009 Annual Report

Contents

Corporate Profile

Central China Real Estate Limited ("Central China" or the "Company", together with its subsidiaries, collectively the "CCRE Group"; stock code: 832.HK) was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2008. The Group has been granted the First Class Honor of Real Estate Developer in the People's Republic of China (the "PRC" or "China").

Adhering to the corporate philosophy of "Perseverance for Excellence" since its establishment, the Company is determined to contribute to the development of the industry and private investment, the growth of our nation, and the prosperity of our country.

The Company has consistently integrated its mission with its development. Through our architectural projects, we mark our presence in each city we enter, and create new lifestyles for local people. Together with other local developers, the Company helps improve the standard of constructions, increases tax collections of local governments and creates more job opportunities for local citizens. Our relentless efforts in driving urbanization process and promoting economic growth of the society have won the accolades of government authorities, professionals, peer competitors, customers as well as our staff.

Dedicated to its philosophy of "providing customers with zero-defect products and the highest quality services", the Company as a market leader has focused on the middle to upper market segment in the region. A portfolio of products including the "Green Garden", the "Forest Peninsula" and the "U-Town" has been developed. The "U-Town" project has become the milestone in the urban development of Zhengzhou. The project not only enhances the living standards in the city, but also improves the standards of real estate development in Henan which is comparable to other first-tier cities in the country.

Since its establishment 18 years ago, the Company has been committed to developing the highest quality residences, creating a brand name embedded with a sense of social responsibility, and building an outstanding management team.

The Company has extended its presence into 18 prefecture-level cities and 4 county-level cities in Henan, and developed an aggregate completed GFA of approximately 4.30 million sq.m.. As at end 2009, the Company had 26 projects/phases under construction with total GFA of approximately 1.30 million sq.m., and had land reserves of 9.86 million sq.m..

The full integration of "economic benefits and social benefits, material pursuit and spiritual pursuit, corporate interests and staff interests, strategic goals and execution process"— the Company's long-term goal has started to take shape. In early 2009, the Group's "CCRE" logo was recognized as the "Famous Trademark of Henan Province" by the Administration for Industry & Commerce of Henan Province. In March 2010, the Group ranked 35th (36th in 2009) among the 2010 China Top 100 Real Estate developers, according to the Top 100 China Real Estate Enterprises Research Report published by the China Real Estate Top 10 Research Team. The Group was also among the "Top 10 Prudent Enterprises" for its sound operation and financial performance. For three consecutive years since 2007, the Company stood unrivalled and ranked first among the "Top 10 Real Estate Enterprises by Brand Value in Midwestern China".

Bearing in mind its vision of "realising its mighty goals and depicting its glorious history", the Company has adhered to its corporate philosophy of "Perseverance for Excellence" and its core value of "taking root in central China, contributing to society". It aspires to provide customers with zero-defect products and quality of services, and urges its staff to strive for a brighter future ahead!

Chairman's Statement

Dear Shareholders,

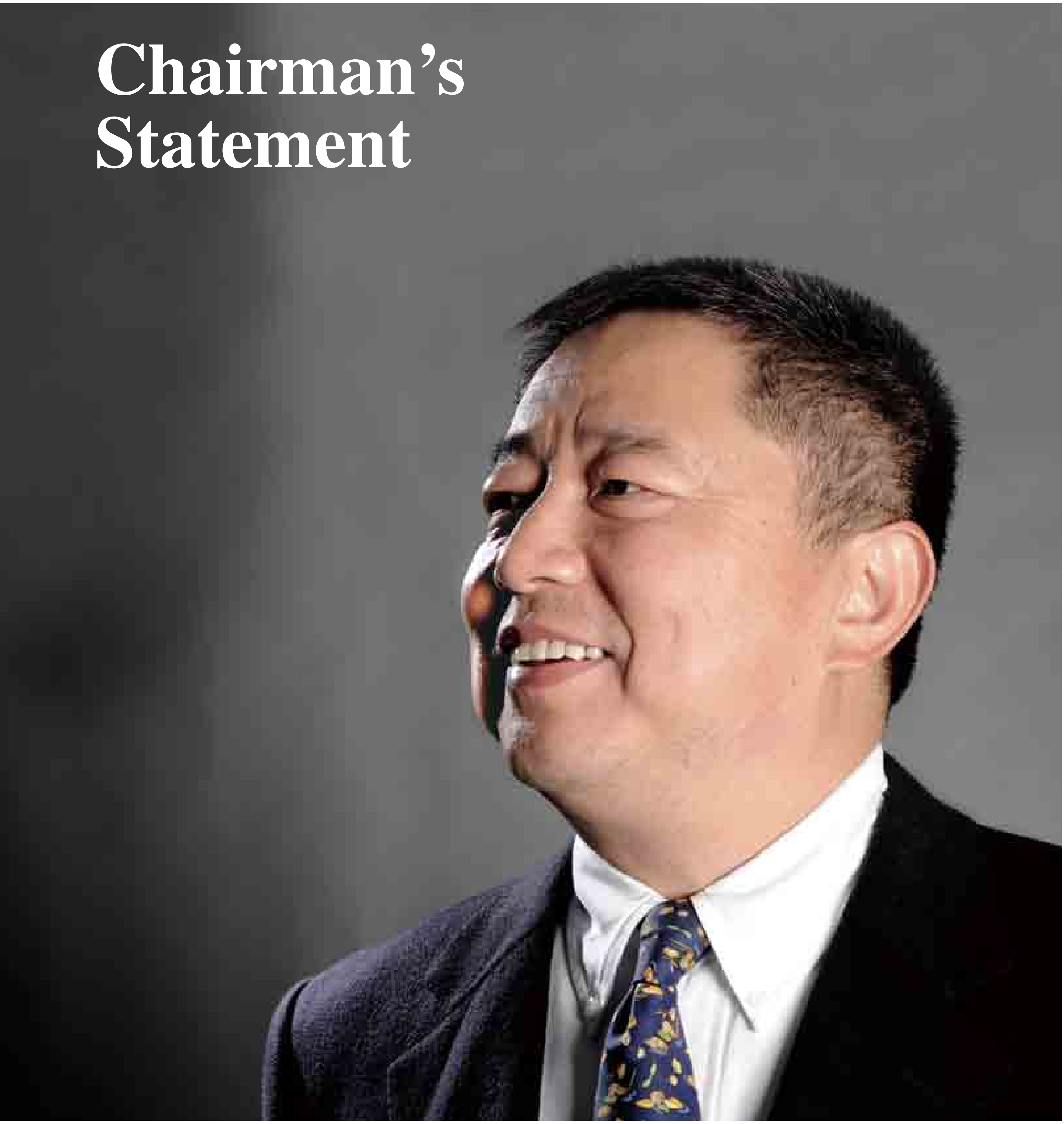
I am pleased to present the annual results of the Group for the year ended 31 December 2009 on behalf of the board of directors of the Company (the "Board").

In 2009, while the world's major economies were still in recession, China's economy maintained its vibrancy and became the first to recover, posting a 8.7% year-on-year increase in its gross domestic product ("GDP"). Benefiting from the central government's effective fiscal stimulus measures and continued strong domestic consumption, China's property market rapidly recovered. During the reporting period, China's land market was active, with prime land sites being transacted at record prices.

Although property prices in coastal and first-tier cities showed some signs of "over-heating", the recovery of the property market in Henan appeared to be mild, once again indicating that properties in the region are driven mainly by end-user rather than speculative demand.

As the property market in Henan was picking up at a slower pace, the Company remained cautious and slowed down the development of certain projects. Coupled with lower revenue from commercial properties sales as compared to 2008, the Company's results in 2009 declined to some extent. The Board believes that given the completion of the Company's strategy-planning stage, the pace of market development and the growth potential of the Company, the next three to five years is a crucial phase as the Company brings its strategic geographic expansion in Henan to fruition, balancing market scale and corporate interests. Adhering to its "Regional Strategy", Henan will remain the Company's principal market. Nevertheless, the Company will also evaluate growth opportunities outside the Henan province that complement the Company's Henan businesses.

Chairman's Statement



The Company remained committed to enhancing the quality of its products and services, and developing new core competencies. The year of 2009 was regarded as the Company's "Carving Mission Enhancement Year"（琢玉計劃升級年）which emphasized product quality and service standards. As a result of its strategic geographical layout in eighteen Henan prefecture-level cities, the Company gradually established a customer network that spans across the entire Henan providing a full range of services allowing all property owners to experience and share the unique value offered by CCRE's regional strategy. In 2009, the Company had also successfully issued a HK$765 million convertible bond to FOUNTAINVEST and WEST HILL. Together with onshore and offshore facilities, the Company was able to secure land at favourable prices, adding over 3 million sq.m. of land to its land reserves. This provides a strong foundation for the Company's future earnings growth.

Currently, China's market is stabilizing as it consolidates. With the central government's support for home-ownership and home upgrading property purchases and efforts in improving its people's livelihood as well as acceleration of urbanisation of second and third tier cities, we expect huge and real demand as well as long-term growth in China's property sector. While the National Development and Reform Commission promulgated the "Plan for Promoting the Rise of Central China"（促進中部地區崛起規劃）and the construction of city clusters in central part of China are in full swing, all prefecture-level cities in Henan have also shown signs of booming in their economies. With rising consumption and purchasing power in certain major Henan cities, we are confident that our development projects in the third-tier cities including Luoyang and Kaifeng will also contribute more significantly to the Company's performance as a result of our successful expansion into new markets. At the same time, the Company's brand reputation and high-quality products have increasingly gained market recognition.

The Company is equipped with sound project preparation and management as well as land reserves for its next phase of growth. The Board expects the Company's scale in terms of GFA commenced, completed and sold in the next two to three years to exceed or be close to 2 million sq.m.. Profitability and steady growth will continue to underpin the Company's leading position in the Henan market.

I wish to thank our staff members and management for their dedication and hard work. We also extend our sincere gratitude to our shareholders, customers and members of the public who have shown interest in our business and generously given their support. We remain committed to excel in the property market in the central part of China by delivering outstanding results and earnings, and will continually strive, with greater passion, for the healthy and sustained development and growth of the real estate industry in China.

Wu Po Sum
Chairman

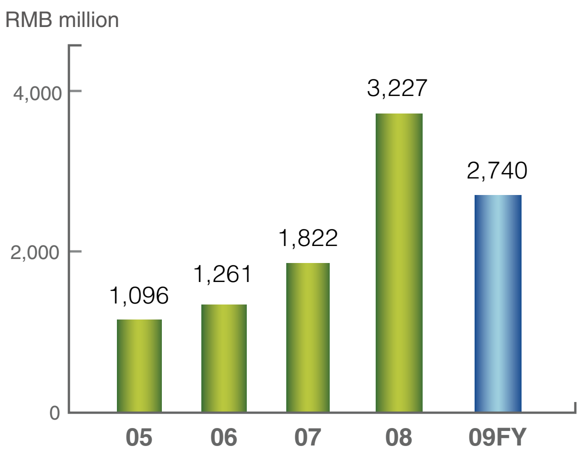
25 March 2010

	2009	2008	Change (%)
Financial Highlights *(RMB'000)*			
Turnover	2,739,831	3,226,996	-15.1
Profit attributable to equity shareholders	405,326	653,301	-38.0
Financial Ratios			
Gearing ratio+ *(%)*	11.8	2.3	+9.5*
Gross profit margin *(%)*	34.7	38.4	-3.7*
Net profit margin *(%)*	14.8	20.2	-5.4*
Financial Information per Share *(RMB)*			
Earnings — Basic	0.2027	0.3267	-38.0
Earnings — Diluted	0.2015	0.3267	-38.3
Equity attributable to equity shareholders	1.56	1.47	+6.1

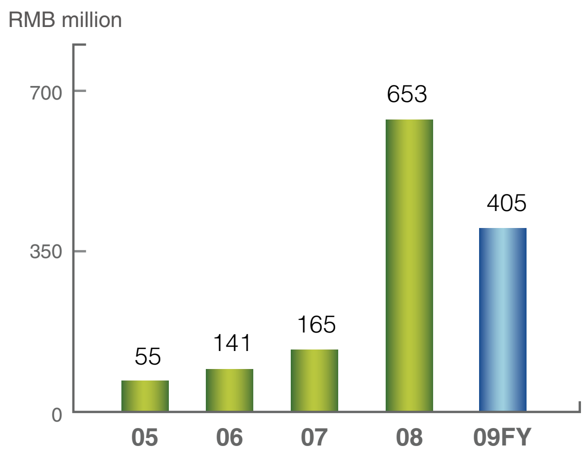
Notes: * Change in percentage points

\+ Gearing ratio is calculated as net debt divided by equity attributable to equity shareholders of the Company. Net debt is calculated as total bank and other loans less cash and cash equivalent and restricted bank deposits secured against bank loans.

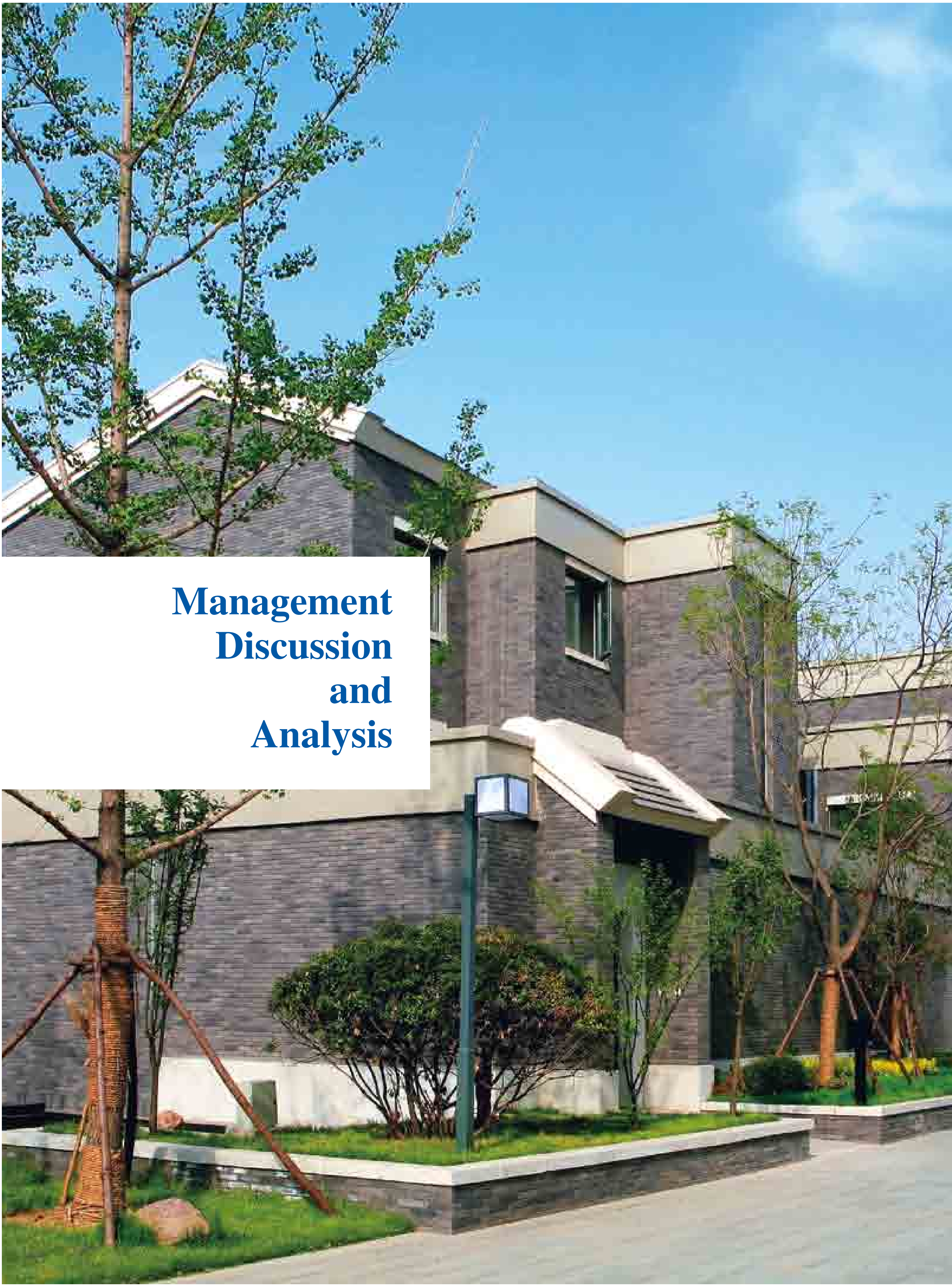
Turnover



Profit attributable to Equity Shareholders



Management Discussion and Analysis



OPERATION REVIEW

(I) Review on the Market and the Company's Business

1. *Macro-economy*

Despite the slumping economic growth in 2008, China's economy successfully recovered from the economic downturn with the assistance of the stimulus package, and was the first to recover from the global financial crisis. In 2009, China's GDP reached RMB33,535.3 billion, representing a year-on-year increase of 8.7%. A particularly strong year-on-year economic growth of 10.7% was recorded in the fourth quarter.

In 2009, Henan Province strictly implemented the stimulus package launched by the central government to cope with the global financial crisis. As a result, Henan's GDP increased by 10.7% year-on-year to RMB1,936.7 billion, which was 2 percentage points above the national average.

2. *Property market*

In 2009, under the combined effects of a number of factors such as low interest rates, full credit support and strong underlying demand, China's property market showed significant rebound. Property prices rocketed in some cities given the robust demand for investment and upgrade. The GFA of commodity properties sold and revenue from the sales of commodity properties posted a year-on-year increase of 42.1% and 75.5% respectively for the year. As the major market of the business development of the Company, the real estate market of Henan Province is mainly driven by demand from end-users, with lower demand for investment, resulting in smaller housing price bubble. This is reflected by the fact that major indicators of Henan's property market significantly lagged behind the national average. The GFA of commodity properties sold increased by 35.9% year-on-year to 43,369,000 sq.m., which was 6.2 percentage points below the national average growth rate. In addition, the revenue from the sales of commodity properties increased by 54.9% year-on-year to RMB115.622 billion, which was 20.9 percentage points below the national average growth rate.

(II) Project Development

During the reporting period, the Company continued to enhance its product innovation and service quality through implementation of the "Carving Mission", which in turn laid a solid foundation for the next phase of business expansion in the region. In 2009, newly commenced GFA and completed GFA of the Company were 950,843 sq.m. and 690,993 sq.m. respectively. A total GFA of 869,726 sq.m. was sold/pre-sold with a sale/pre-sale value of RMB3,618 million, representing a year-on-year increase of 6.1% over 2008.

(1) *Development schedule*

During the reporting period, the Company commenced construction of 19 projects or phases, with newly commenced GFA of 950,843 sq.m., representing a year-on-year decrease of 15.9% over 2008. This was primarily due to the relatively slow pace of recovery in Henan market, which prompted the Company to adjust the development scales of different phases of certain projects.

Geographical breakdown of newly commenced projects for 2009

Location	**Newly commenced GFA** *(sq.m.)*
Zhengzhou	250,699
Other cities in Henan Province	700,144
Total	950,843

As at 31 December 2009, the Company had 26 projects or phases under development, including 8 projects in Zhengzhou and 18 projects in other cities, with a total GFA of approximately 1,295,061 sq.m..

Geographical breakdown of projects under development as at 31 December 2009

Location	**GFA under development** *(sq.m.)*
Zhengzhou	375,176
Other cities in Henan Province	919,885
Total	1,295,061

During the reporting period, the Company had completed the construction of 11 projects or phases. The total completed GFA was 690,993 sq.m., with saleable GFA of 677,837 sq.m.. The total GFA sold during the reporting period was 459,388 sq.m., with a pre-sale rate of 67.8%.

Completed projects in 2009

Project	Total GFA Completed *(sq.m.)*	Saleable GFA *(sq.m.)*	Pre-sold/ sold GFA *(sq.m.)*
Champagne Garden (Zhengzhou) Mid-rise	66,276	66,276	41,587
Forest Peninsula (Shangjie, Zhengzhou) Phase I	50,237	50,133	27,380
Gentlest Lake (Luoyang) Phase II	82,404	82,334	66,382
Forest Peninsula (Sanmenxia)	116,704	111,441	41,031
Forest Peninsula (Xinyang) Phase II	66,505	64,219	40,202
Jianye Sweet-Scented Osmanthus Garden (Shangqiu) Phase III	40,133	40,133	28,380
Huayang Square (Luoyang) Project	139,911	136,783	111,607
Forest Peninsula (Zhoukou) Phase I Low-rise	30,596	29,813	22,761
Forest Peninsula (Jinlong, Xinxiang) Villa	22,388	21,630	19,161
Forest Peninsula (Jiaozuo) Phase III Villa, Commercial	7,470	7,470	2,626
Forest Peninsula (Kaifeng) Phase I	68,369	67,605	58,271
Total	690,993	677,837	459,388

(2) *Sales schedule*

During the reporting period, the Company sold/pre-sold 869,726 sq.m. with a total sale/pre-sale value of RMB3,618 million, representing an increase of 6.1% over 2008.

Geographical breakdown of sale/pre-sale for the year ended 31 December 2009

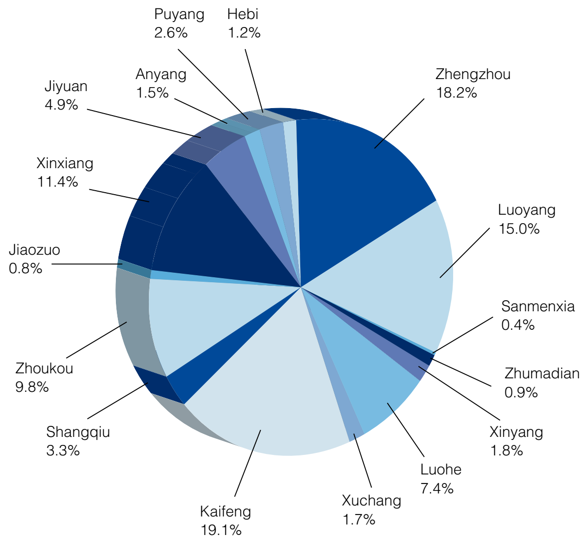
Location	**Approximate saleable areas sold** *(sq.m.)*	**Approximate total amount** *(RMB'000)*
Zhengzhou	172,369	1,096,721
Other cities in Henan Province	697,357	2,520,899
Total	869,726	3,617,620

(3) *Land reserves*

In 2009, the Company adopted various means of land acquisitions such as equity acquisition, public bidding, cooperations etc. according to different conditions of international and domestic economy as well as real estate markets. As at 31 December 2009, the Company had land reserves with a total GFA of 9,860,000 sq.m., and obtained the land use right certificates in respect of 6,280,000 sq.m of such land.

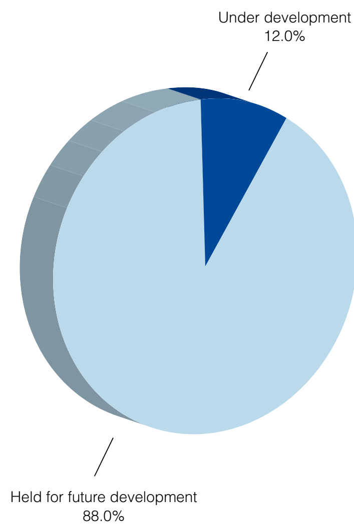
1. By city

Distribution of the Company's land reserves by city
(As at 31 December 2009)



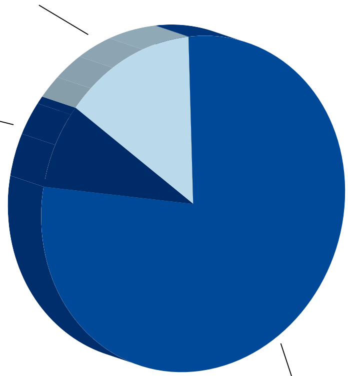
2. By development status

Percentage of GFA under development and GFA held for future development
of the Company's land reserves
(As at 31 December 2009)



3. By property type

Distribution of the Company's land reserves by property type



(4) Major equity acquisitions

1. Further acquisition of interests in Huayang Square (Luoyang) Project to 74.99%

On 25 May 2009, Central China Real Estate Holdings Limited ("CCRE Holdings"), an indirect wholly-owned subsidiary of the Company entered into a share transfer agreement with Brightest Group Limited ("Brightest Group"), pursuant to which CCRE Holdings agreed to acquire 9.99% shareholding in Artstar Investments Limited ("Artstar Investments") along with interests in the shareholder's loan from Brightest Group at a consideration of RMB75,000,000. Upon completion of the said acquisition, CCRE Holdings's interests in Artstar Investments increased to 74.99% while the shareholding of Mass Million International Limited ("Mass Million") and Superb East Investments Limited ("Superb East") in Artstar Investments remained unchanged at 10.01% and 15% respectively. As Luoyang Zhongya Real Estate Development Company Limited ("Luoyang Zhongya") is a wholly-owned subsidiary of Artstar Investments, CCRE Holdings has thus increased its interests in Huayang Square (Luoyang) Project to 74.99% upon completion of the said acquisition. Luoyang Zhongya is currently developing Huayang Square (Luoyang) Project.

2. Further acquisition of interests in Huayang Square (Luoyang) Project to 95%

   On 25 August 2009, CCRE Holdings entered into agreements with each of Mass Million and Superb East, pursuant to which CCRE Holdings agreed to acquire 10.01% and 10% equity interest in Artstar Investments held by Mass Million and Superb East at a consideration of HK$50 million and HK$50 million respectively. Upon completion of the acquisition, Mass Million no longer holds any equity interest in Artstar Investments while Superb East will continue to hold 5% equity interest in Artstar Investments. As Luoyang Zhongya is a wholly-owned subsidiary of Artstar Investments, CCRE Holdings has thus increased its interests in Huayang Square (Luoyang) Project further to 95%.

BUSINESS OUTLOOK

(I) Market Outlook

1. *Macro-economy*

   Driven by the expansionary policies adopted by major economies in the globe, the world's economy has shown clear signs of recovery. Recently, the Chinese government has made clear its aims to consistently and continuously implement the macro-economic policy and proactive fiscal policy and moderately relax monetary policy, and adhere to the policy of adjusting the economic structure primarily by means of boosting domestic consumption. The improvement in external economic environment and the stability of the country's internal macro-economic policy have provided favourable conditions for China's economic development. Although China still faces complicated situations brought by the unstable world economy and sluggish external demand, it is expected that China's economy will gradually be back on track to its steady growth in 2010.

   In recent years, Henan Province has managed to show its competitive advantages in terms of fundamentals, geographical location, costs and market conditions over other regional economies. Henan's economic growth continuously outpaces the national average, and it is expected that the situation will continue in 2010.

2. *Real estate market*

   To cool the overheated housing market in some cities, the Chinese government implemented a series of macro-control measures by the end of 2009 to suppress market demand for investment and speculative purposes. Pressure on housing price adjustment exists in cities where the price surged dramatically in 2009. Since the real estate sector is regarded as one of the pillar industries that drives the growth of China's economy and the exports remain weak, the Chinese government tries to boost domestic consumption to ensure its economic growth. The Company expects that the control measures taken by the Chinese government in respect of the property sector will take into consideration the nation's economic growth. Therefore, it is expected that China's property market will continue to develop in a relatively steady growth in 2010.

As the development of Henan's property market started late, demand of properties for investment and speculative purposes is minimal. As such, the macro-control measures which are designed specifically for curbing investment and speculation in the property sector will not have any significant impact on Henan's property market. Further, policies that focusing on developing small and medium-sized cities and small urban areas in China have been implemented progressively. Thus, it is a rare opportunity and a historical moment for Henan's property market. In 2010, it is expected that Henan's property market will continue to register a steady growth.

(II) Business Planning

In 2010, in order to strengthen its core competitiveness and continue to stay ahead of the market, the Company will keep striving for enhanced management efficiency and corporate profitability. Moreover, the Company will further optimise the current management framework, thereby ensuring effective operation and allowing simplier and more efficient management at the same time. Meanwhile, the Company will proactively look into the possibility of housing industrialization, step up its research efforts in low carbon residences and green residences, continuously perfect and diversify its product portfolio and establish a service system aiming to provide its major customers with services that are of the highest quality. By maintaining stable investment income for investors and offering a promising career path to our staff, we hope to live up to our vision of creating a win-win scenario for investors, the society and our staff.

(1) It is expected that the Group will commence development of 30 projects/phases with a GFA of 2,000,078 sq.m. in 2010.

Geographical breakdown of newly commenced projects for 2010

Location	**Total GFA** *(sq.m.)*	**Proportion** *(%)*
Zhengzhou	264,899	13.2%
Other cities in Henan Province	1,735,179	86.8%
Total	2,000,078	100.0%

(2) It is expected that the development of 28 projects/phases of the Group will be completed in 2010, with an aggregate completed GFA of 1,276,240 sq.m.. Taking advantages of the recovery of the market, the Company is committed to put forward its scheme to improve products and services to meet operation targets set for 2010.

Expected completion of constructions in 2010

Project	**Total GFA** *(sq.m.)*
One City (Zhengzhou)	108,921
Forest Peninsula (Zhengzhou) Phase IV	37,941
Champagne Garden (Zhengzhou) (high-rise)	19,053
Jianye Maple Garden (Zhengzhou)	83,690
U-Town (Zhengzhou) Phase V first batch	40,901
U-Town (Zhengzhou) Phase VII	92,800
Zhengzhou Xiangsheng Garden	44,497
Kaifeng Water System Project Phase I	16,091
One City (Luoyang) Phase I	47,700
Forest Peninsula (Anyang) Phase I	12,416
Forest Peninsula (Hebi) Phase I	30,422
Forest Peninsula (Xinxiang Golden Dragon) Phase I second batch	10,662
Jianye City (Puyang) Phase IV	21,985
Forest Peninsula (Luohe) Phase III	99,165
One City (Luohe) Phase I	76,367
Sweet-Scented Osmanthus Garden Phase IV	19,030
U-Town (Shangqiu) Phase I	41,703
Forest Peninsula (Zhoukou) Phase I (high-rise)	7,411
Forest Peninsula (Zhoukou) Phase II	29,322
Forest Peninsula (Zhumadian) Phase V	89,445
Forest Peninsula (Xinyang) Phase III	30,141
One City (Jiyuan) Phase I	23,944
Huayang Square (Luoyang) Phase II	133,898
Jianye City Garden (Kaifeng) Phase II	15,973
Kaifeng Zhengkai Forest Peninsula Phase II	78,771
Kaifeng Zhengkai Forest Peninsula Phase VI	13,212
Kaifeng Zhengkai Forest Peninsula Phase VII	19,010
Yuzhou Shenhou Project	31,769
Total	1,276,240

Major projects under development/for future development

No	Project	Location	Type	Expected year of completion	Attributable Interest	Site area (sq.m)	GFA (sq.m)
1	Landmark (Zhengzhou)	Intersection of Zhengbian Road and Zhongzhou Avenue, Zhengzhou, Henan Province	Residential, Retail, Furnished Apartment, Office, Hotel	2011	100%	42,642	266,997
2	One City (Zhengzhou)	East of Nanyang Road and West of Fengle Road, Zhengzhou, Henan Province	Residential, Retail	2010	100%	42,450	108,921
3	Phase V-VII of U-Town (Zhengzhou)	South of Dong feng Road, Zhengdong New District, Zhengzhou, Henan Province	Residential, Retail	2013	100%	140,046	347,618
4	Huayang Square (Luoyang) Project	Intersection of Jiudu Road and Yan'an Road, Luoyang, Henan Province	Residential, Retail	2014	95%	257,797	890,064
5	Phases I-IV of Gentlest Lake (Luoyang)	North of Nanyuan Yi Road, Luonan New District, Luoyang, Henan Province	Residential, Retail	2012	100%	193,973	499,988
6	Kaifeng Zhengkai Forest Peninsula	South of Zhengkai Avenue, Bianxi New District, Kaifeng, Henan Province	Residential, Retail	2016	60%	458,013	944,847
7	Phases I-V of Luohe Songshan Road Project	West of Songshan Road and East of Qishan Road, Luohe, Henan Province	Residential, Retail	2013	75%	224,516	634,487
8	Zhongmou St. Andrews Project	Yanming Lake, Zhongmou County, Henan Province	Residential, Retail	2013	60%	836,000	850,000

FINANCIAL REVIEW

Turnover: In 2009, the Group's turnover was RMB2,740 million (including RMB2,660 million from the sale of commodity properties), representing a decrease of RMB487 million, or approximately 15.1%, as compared to RMB3,227 million in 2008, mainly due to:

(1) a 8.4% decrease in total GFA sold, from 722,390 sq.m. in 2008 to 662,067 sq.m. in 2009;

(2) a 3.2% decrease in average selling price, from RMB4,151 per sq.m. in 2008 to RMB4,018 per sq.m. in 2009.

Cost of sales: The Group's cost of sales decreased by RMB201 million, or approximately 10.1%, from RMB1,989 million in 2008 to RMB1,788 million in 2009. The decrease was primarily due to the decrease in the total GFA of properties sold. Cost of sales mainly includes land costs, construction costs and capitalised interest.

Gross profit margin: The Group's gross profit margin was 34.7% in 2009, slightly dropped from 38.4% as compared with last year. This is mainly attributable to the decrease in the proportion of commercial properties sold in 2009 (from 28.0% in 2008 to 14.9% in 2009), which usually enjoyed a higher profit margin.

Other revenue: Other revenue from operations increased by RMB11 million, from RMB31 million in 2008 to RMB42 million in 2009, primarily attributable to the increase in interest income from advance to a third party.

Other net income: Other net income increased by RMB3 million or 16.1%, from RMB19 million in 2008 to RMB22 million in 2009, primarily attributable to the gain of RMB16 million from the disposal of properties, plants and equipment and the gain of RMB7 million from the disposal of subsidiaries in 2009, which was partially offset by the decrease in the exchange gain of RMB20 million arising from bank loans denominated in foreign currencies.

Selling and marketing expenses: Selling expenses increased to RMB113 million in 2009 from RMB97 million in 2008, representing an increase of RMB16 million, which was mainly due to an increase in advertising and promotion expenses of RMB9 million for our new properties developed for sale and an increase of RMB7 million in commission paid to staff.

General and administrative expenses: General and administrative expenses increased from RMB153 million in 2008 to RMB165 million in 2009, representing an increase of RMB12 million or 7.7%, primarily as a consequence of the increase in depreciation and amortization reflecting our greater investment in fixed assets as a result of our expansion, an increase in property management fee paid and a donation made in relation to a project.

Other operating expenses: Other operating expenses decreased by RMB1 million, from RMB20 million in 2008 to RMB19 million in 2009, mainly due to a decrease of RMB6 million in property compensation paid for the cancellation of a rental agreement, which was partially offset by a RMB3 million increase in repair and maintenance expenses for our existing projects and a RMB5 million increase in impairment incurred for one of our fixed assets.

Share of loss of an associate: Amount represented share of loss on its investment in St. Andrews Golf Club (Zhengzhou) Company Limited as operating expenses incurred by that company in its early stages before revenue was generated. No material fluctuation was recorded.

Finance costs: Finance costs increased by RMB13 million to RMB66 million in 2009, as compared to RMB53 million in 2008. This was mainly due to a RMB53 million increase in gross borrowings costs as a result of higher borrowings for additional projects and the issue of convertible bonds during the year, which was partially offset by a RMB37 million increase in the capitalisation of our borrowing costs and a RMB3 million net change in fair value of derivative embedded in convertible bonds.

Changes in fair value of investment properties: The fair value of the Group's investment properties increased by approximately RMB2 million in 2009, which mainly reflected current market conditions. Market values of the Group's investment properties basically remained stable.

Income tax: Income tax includes CIT, LAT and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. The Group's income tax decreased by RMB81 million, or 26.7%, from RMB304 million in 2008 to RMB223 million in 2009, while the effective tax rate increased from 31.7% in 2008 to 34.3% in 2009. The decrease in income tax was the result of the decrease in revenue caused by the decrease in total GFA completed and sold in 2009 over 2008. However, the effective tax rate soared because most of the Company's profitable subsidiaries used the authorised taxation method (which applies revenue rather than assessable profit to calculate a company's tax) for tax computation. As our gross profit margin decreased in 2009, the effective tax rate increased.

Profit for the year: The profit attributable to the equity shareholders of the Group decreased by 38.0% to RMB405 million as compared to RMB653 million in 2008, mainly attributable to less GFA sold, lower average selling price and lower gross profit margin for 2009.

Financial resources and utilisation: As at 31 December 2009, the Group's cash and cash equivalents amounted to RMB2,365 million (31 December 2008: RMB928 million). During the year, the Group distributed a dividend of RMB194 million to the shareholders of the Group in relation to profit attributable to the year ended 31 December 2008.

STRUCTURE OF BORROWINGS AND DEPOSITS

The Group continues to adopt a prudent financial policy and centralises its funding and financial management. It continues to maintain a high cash-on-hand ratio and also a reasonable level of gearing. As at 31 December 2009, the Group's bank loans, other loans and convertible bonds were RMB1,773 million, RMB469 million and RMB551 million respectively and the repayment schedule was as follows:

Repayment schedule	2009 (RMB'000)	2008 (RMB'000)
Bank loans		
Within one year	**982,154**	488,790
More than one year, but not exceeding two years	**646,226**	424,417
More than two years, but not exceeding five years	**144,436**	20,000
	1,772,816	933,207
Other loans		
Within one year	**95,640**	123,950
More than one year, but not exceeding two years	**119,010**	36,790
More than two years, but not exceeding five years	**253,870**	—
	468,520	160,740
Convertible bonds		
More than two years, but not exceeding five years	**551,288**	—
Total borrowings	**2,792,624**	1,093,947
Less:		
Cash and cash equivalents	**(2,364,987)**	(927,721)
Restricted bank deposits secured against bank loans	**(60,000)**	(100,000)
Net borrowings	**367,637**	66,226
Shareholders' equity	**3,124,357**	2,940,132
Net gearing ratio *(%)*	**11.8%**	2.3%

Pledge of assets: As at 31 December 2009, the Group had pledged buildings, projects under construction, properties held for future development and under development, completed properties for sales and bank deposits with an aggregate carrying amount of RMB1,912 million to secure general bank credit facilities granted to the Group.

Financial guarantees: As at 31 December 2009, the Group provided guarantees of approximately RMB2,473 million to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties.

Capital commitment: As at 31 December 2009, the Group had contractual commitments, the performance of which was underway or ready, in respect of property development amounting to RMB1,759 million, and the Group had authorised, but not yet contracted for, a further RMB6,691 million in expenditure in respect of property development.

Foreign Exchange Risk: The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The major non- RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("H.K. dollar"). The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB currencies. The majority of the Group's foreign currency transactions and balances are denominated in H.K. dollar. The Group currently does not have any foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Interest rate risks: The interest rates for a portion of the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new and existing loans. The Group currently does not use derivative instruments to hedge its interest rate risks.

Human resources and remuneration policy: As at 31 December 2009, the Group employed 950 staff (31 December 2008: 1,093 staff). During 2009, the staff cost of the Group was approximately RMB107 million (2008: RMB101 million), representing an increase of 5.9%.

Staff cost includes basic salary, share-based payment and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan and pregnancy insurance plan. The Group also provides a series of benefits to its employees, including housing allowances, medical insurances and transportation allowances. Employees of the Group are engaged according to employment contracts. Annual performance appraisals are conducted by the Group for its employees, the results of which are applied in annual salary reviews and promotion assessments. Employees are granted annual bonus according to certain performance conditions and appraisal results. Commission is paid only to the Group's sales staff. The Group reviews staff remuneration packages for its staff annually. The Group also benchmarks its remuneration packages against similar positions of its peers in order to maintain competitiveness in the human resources market.

The Company strives to attain and maintain high standards of corporate governance. It is the belief of the Board that effective corporate governance and disclosure practices are not only crucial in enhancing the Company's accountability and transparency and thus investors' confidence but also important to the Group's long-term success. The Group has been in full compliance with the code provisions in the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2009. The Group is committed to continuously improve its corporate governance and disclosure practices and ensure its businesses are conducted in accordance with all applicable laws, rules and regulations.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code for the year ended 31 December 2009.

BOARD OF DIRECTORS

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Wu Po Sum, the Chairman of the Board, the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive directors and management of the Group.

NOMINATION OF DIRECTORS

The Board adopted certain criteria and procedures in the nomination of new Directors. The major criteria include the candidates' professional background, especially their experience in the Group's industry and recommendation from the management team and other knowledgeable individuals. The Directors will shortlist the candidates and submit to the Board for discussion and final approval.

COMPOSITION

The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

The Directors who held office during the year and up to the date of this report include:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer)*
Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan *(Vice-chairman)* (Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim Ming Yan's alternate Director on 22 March 2010)
Mr. Leow Juan Thong Jason
Ms. Wallis Wu *(alias Li Hua)*
Mr. Hu Yongmin (appointed on 3 September 2009)

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin (appointed on 1 March 2010)
Mr. Fang Fenglei (resigned on 18 December 2009)

Ms. Wallis Wu is the daughter of Mr. Wu Po Sum. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the current Directors of the Company are set out on pages 32 to 36 of this report.

All executive Directors and non-executive Directors (except for Mr. Hu Yongmin) have entered into service contracts with the Company for a specific term of three years. Under the articles of association (the "Articles of Association") of the Company, the Board is empowered to appoint any person as a Director to fill the casual vacancy on or as an additional Director of the Board. The Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years. Pursuant to the Articles of Association, at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. A retiring Director shall be eligible for re-election and shall continue to act as Director throughout the meeting at which he or she retires. Further, in accordance with the Articles of Association and the Listing Rules, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advice. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the shareholders of the Company (the "Shareholders") and the Group. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions.

BOARD MEETINGS

The Board will hold meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. For the year ended 31 December 2009, the Board held 2 regular and 4 ad hoc meetings.

The number of Board meetings attended by each Director from the Listing Date to 31 December 2009 is set out in the following table:

Directors	Full Board	Audit Committee	Remuneration Committee
Mr. Wu Po Sum	6/6		2/2
Mr. Wang Tianye	6/6		
Ms. Yan Yingchun	6/6		
Mr. Lim Ming Yan	3/6		
Mr. Leow Juan Thong Jason	3/6	2/2	
Ms. Wallis Wu	0/6		
Mr. Hu Yongmin (appointed on 3 September 2009)	0/1		
Mr. Cheung Shek Lun	3/6	2/2	2/2
Mr. Wang Shi	1/6		
Mr. Fang Fenglei (resigned on 18 December 2009)	3/6	1/2	1/2

Sufficient notice for regular Board meetings and notice of reasonable days for ad hoc Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such issues.

The draft minutes of the Board meetings are prepared by the company secretary and circulated to all Directors for comment within a reasonable time. The approved minutes of the Board meetings were kept by the company secretary and are available for inspection by all Directors upon request.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman (the "Chairman") of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Wu Po Sum and Mr. Wang Tianye respectively with clear distinction in responsibilities.

Mr. Wu Po Sum, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Wang Tianye, being the Chief Executive Officer, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports. Where the Directors are aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in the annual report.

In preparing the financial statements for the year ended 31 December 2009, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of four months and three months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

INTERNAL CONTROL

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and Shareholders' interests, review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organizational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

The Board conducted a review and assessment of the effectiveness of the Group's internal control system and procedures for the year ended 31 December 2009 by way of discussions with the management of the Group, members of the audit committee (the "Audit Committee") and external auditors. The Board believes that the existing internal control system is adequate and effective. The Board's annual review for the year ending 31 December 2010 will further cover the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget pursuant to C2.2 in the Code.

BOARD COMMITTEES

The Board has established two board committees, namely the Audit Committee and the remuneration committee (the "Remuneration Committee") to oversee the relevant aspects of the Company's affairs. The two committees are provided with sufficient resources to discharge their duties.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established on 14 May 2008. The Audit Committee comprises three members, namely Mr. Cheung Shek Lun (the chairman of the Audit Committee), Mr. Fang Fenglei (resigned on 18 December 2009) and Mr. Leow Juan Thong Jason during the year ended 31 December 2009. None of them is a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Code. The principal functions of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of external auditors and to consider the remuneration and terms of such appointments;
- To review and monitor the external auditors' independence and effectiveness of the audit process in accordance with applicable standards;
- To review the Group's financial controls, internal control and risk management systems;
- To review the Group's financial and accounting policies and practices;
- To ensure that the management has fulfilled its duty to maintain an effective internal control system;
- To ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board from time to time; and

- To review and monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position.

The Audit Committee shall meet not less than twice a year. The Audit Committee has reviewed the accounting policies and practices adopted by the Group, the interim and annual results of the Group as well as assessed the effectiveness of the Group's internal control and risk management systems. The Audit Committee reported to the Board that there was no material uncertainty that casts doubt on the Group's going concern ability.

For the year ended 31 December 2009, the external auditors' remuneration in respect of audit services provided to the Group amounted to approximately RMB3.5 million.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 14 May 2008 with written terms of reference as suggested under the code provision in the Code. The Remuneration Committee comprises three members, namely Mr. Wu Po Sum (the chairman of the Remuneration Committee), and two independent non-executive Directors, Mr. Cheung Shek Lun and Mr. Fang Fenglei (resigned on 18 December 2009) during the year ended 31 December 2009.

The primarily duties of the Remuneration Committee include (i) making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of each executive Director and member of senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme adopted by the Company pursuant to the written resolutions passed by the Shareholders on 14 May 2008.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. All the Directors' remuneration will be reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary.

The Remuneration Committee shall meet not less than once a year. The Remuneration Committee considered and approved the remuneration policy of the Directors and senior management for the year ended 31 December 2009.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published at the Company's website at http://www.centralchina.com.

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external auditor is also present at the annual general meetings to address the Shareholders' queries. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures and other information. The detailed procedures for conducting a poll are explained by the Chairman presiding of the annual general meetings at the beginning of the meetings. Voting results are posted on the websites of the Company and of the Stock Exchange.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wu Po Sum (formerly known as Hua Jianming), aged 59, is the Chairman of the Board and a founder of the Group, and he is also a director of a number of subsidiaries of the Company. Mr. Wu is responsible for the formulation of development strategies and making decisions on investment projects and development directions of the Group. Mr. Wu graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on 27 March 2005. Mr. Wu is the father of Ms. Wallis Wu, a non-executive Director of the Company.

Mr. Wu has over 16 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, he worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for the Group and established the「建業」(jian ye) brand name. Mr. Wu devotes himself not only to the development of the Group's business, but also to public services and promoting the PRC real estate industry.

Mr. Wu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Wang Tianye, aged 51, is the chief executive officer of the Group, and he is also a director of a number of subsidiaries of the Company. Mr. Wang is responsible for the formulation of development strategies and the overall business management of the Group. Mr. Wang obtained a Diploma in International Finance from People's University of China in 1985 and a Master of Applied Finance degree from Macquarie University in Australia in 1996, and completed the Global CEO Program for China in China Europe International Business School in June 2007. Mr. Wang joined the Group in November 2004, and has served as a director and the general manager of Construction Housing Group Company Limited (the former holding company of the Group). Mr. Wang held an office in Bank of China from 1980 to 1996. Mr. Wang has over 20 years of experience in finance and investment and around 10 years of experience in the real estate industry. He worked as a deputy general manager in Bank of China Sydney Branch from 1993 to 1996, and was a senior associate in the Australian Institute of Banking and Finance. From 1998 to 2004, he was the general manager of an investment company established by Guangdong Development Bank in Hong Kong.

Mr. Wang was an independent non-executive director in three companies listed on the Stock Exchange, namely, National Investments Fund Limited (stock code: 1227, September 2002-July 2004), Temujin International Investments Limited (stock code: 204, September 2003-January 2007) and S&D International Development Group Limited (stock code: 8148, November 2003-March 2007).

Mr. Wang has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Yan Yingchun, aged 50, is the head of the Board's office and is also a director of a number of subsidiaries of the Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of the Group. Ms. Yan obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000 and has over 20 years of experience in financial management. Before joining the Group in February 1992, Ms. Yan worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, she served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited. Ms. Yan has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of CCRE China since joining the Group.

Ms. Yan has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Director's report in this annual report.

NON-EXECUTIVE DIRECTORS

Lim Ming Yan, aged 47, is the vice-chairman of the Board and a non-executive Director, and is also a director of a number of subsidiaries of the Company. Mr. Lim obtained a Bachelor of Science degree in Mechanical Engineering and Economics from the University of Birmingham, UK, in 1985 and attended the Advanced Management Program at Harvard Business School in 2002. Mr. Lim has over 11 years of experience in real estate development and investment and is currently the chief executive officer of The Ascott Limited, a wholly-owned serviced residence business unit of CapitaLand Limited ("CapitaLand"). He is also concurrently Deputy Chairman of the CapitaLand China Executive Committee, which co-ordinates and aligns CapitaLand's investments, operations, branding and resources in China. Prior to this, Mr Lim was the chief executive officer of CapitaLand China Holdings Pte Ltd ("CapitaLand China"), responsible for growing CapitaLand into a leading foreign real estate developer in China.

For his contribution to the city of Shanghai, Mr. Lim was twice conferred the "Magnolia Award" by the Shanghai Municipal Government in 2003 and 2005. He is also the deputy chairman of Beijing Association of Enterprises with Foreign Investments since September 2005. Mr. Lim was presented the Outstanding Chief Executive (Overseas) of the Year 2006 of the Singapore Business Awards. Mr. Lim has been a non-executive director in Lai Fung Holdings Limited, a company listed on the Main Board of the Stock Exchange, since 21 June 2006. Mr. Lim was appointed as a non-executive Director in November 2007.

Mr. Lim has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim's alternate Director on 22 March 2010.

Leow Juan Thong Jason, aged 43, is a non-executive Director, and is also a director of a number of subsidiaries of the Company. Mr. Leow is currently the chief executive officer of CapitaLand China. Mr. Leow became a Certified Public Accountant in Singapore in 1994. Mr. Leow obtained an Executive Master degree in Business Administration from Fudan University and also attended the Advanced Management Program at Harvard Business School in 2007. Mr. Leow has over 15 years of experience in real estate investment. Prior to joining CapitaLand in 2001, Mr. Leow was a financial analyst at ST Aerospace Ltd and spent over three years at DBS Finance Ltd from 1988 to 1992. He worked in The Ascott Group from 1994 to September 2001, participating in property investment and development in the mainland of China. Mr. Leow was appointed as a non-executive Director in November 2007.

Mr. Leow has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Wallis Wu, alias Li Hua, aged 28, is a non-executive Director, and she is also a director of a number of subsidiaries of the Company. Ms. Wu obtained a Bachelor of Architecture degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd. in Sydney Australia in 2005. Ms. Wu was appointed as a non-executive Director in November 2007. Ms. Wu is the daughter of Mr. Wu Po Sum, the chairman of the Board.

Hu Yongmin, aged 39, is a non-executive Director. Mr. Hu graduated from Fudan University. He is a co-founder of FountainVest. Prior to the founding of FountainVest, Mr. Hu was a managing director at Temasek Holdings. Mr. Hu was also a member of Temasek's global investment committee, and head of its real estate investment. Previously an investment banker, Mr. Hu was a Director and Head of China Telecom, Media and Technology Investment Banking for Credit Suisse and Shanghai Chief Representative for Bear Stearns. From November 2005 to November 2006, Mr. Hu was the non-executive director of Hopson Development Holdings Limited (stock code: 754), a company listed the Hong Kong Stock Exchange. Mr. Hu is the independent director of Home Inns & Hotels Management Inc., a company listed on National Association of Security Dealers Automated Quotations ("NASDAQ").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Shek Lun, aged 49, is an independent non-executive Director. Mr. Cheung obtained a bachelor degree in Business Administration from the Chinese University of Hong Kong in 1986, a bachelor degree in Business from the University College of Southern Queensland in 1990, and a bachelor degree in Law from the University of Wolverhampton in 2002. He worked as an assistant assessor in the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant in Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president - accounting and other positions of Fortune (Shanghai) Limited from May 1990 to September 2006, and a senior executive of T.C.C. International Limited from October 2006 to October 2007 and vice-chairman of InsiteAsset Management Group Ltd. since September 2008. Currently he is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Chartered Institute of Secretaries and Administrators UK and a member of the Hong Kong Institute of Company Secretaries. Mr. Cheung was appointed as an independent non-executive Director in January 2008.

Wang Shi, aged 59, is an independent non-executive Director. Mr. Wang obtained a bachelor degree in Water Supply Studies from Lanzhou Transportation University in 1977. Mr. Wang has almost 20 years of experience in real estate development. He worked in the Guangzhou Railway Bureau from 1978 to 1980, Guangdong Provincial Committee from 1981 to 1983 and Shenzhen Special Region Development Company from 1983 to 1984. Mr. Wang founded Shenzhen Exhibition Centre of Modern Science and Education Equipment, the predecessor of China Vanke Co. Ltd in 1984 and acted as the general manager. He held the office of general manager of China Vanke Co. Ltd from 1988 to 1999, and has been the chairman of China Vanke Co. Ltd since 1988. Mr. Wang was appointed as an independent non-executive director of Sohu.com Inc., a company listed on the NASDAQ since May 2005 and has also served as an independent non-executive director of China Restheces Land Limited, a company listed on the Stock Exchange, since April 1997. Mr. Wang was appointed as an independent non-executive Director in January 2008.

Xin Luo Lin, aged 60, is an independent non-executive Director. Mr. Xin is a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, and an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. Mr. Xin is an independent investor with over 20 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997. Mr. Xin is a Justice of Peace in New South Wales of Australia. Mr. Xin is currently an independent non-executive director of Enerchina Holdings Limited (stock code: 622), a company listed on the Stock Exchange. Mr. Xin is also an independent non-executive director of Sinolink Worldwide Holdings Limited (stock code: 1168), a company listed on the Stock Exchange. In addition, Mr. Xin serves as a director of Mori Denki Mfg. Co., Ltd., a company listed on the Tokyo Stock Exchange and as a director and vice chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Tang Man Joe, aged 37, is the financial controller, qualified accountant and the company secretary of the Company. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Tang obtained a bachelor degree in Business Administration from the University of Wisconsin-Madison. Mr. Tang has over 10 years of experience in finance and accounting. Prior to joining the Group in June 2007, he worked in Deloitte Touche Tohmatsu from August 1997 to July 2002 and in South China Finance and Management Limited from July 2002 to November 2004. He was also the chief financial officer and company secretary of China Hongxing Sports Limited, a company listed on the Singapore Exchange Securities Trading Limited, from December 2004 to May 2007.

The Directors present the annual report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in property development in the People's Republic of China. The nature of the principal activity has not changed during the year ended 31 December 2009.

SEGMENT INFORMATION

Management considers there to be only one operating segment under the requirements of HKFRS 8 and believes that this presentation provides more relevant information than that previously shown under HKAS 14 for the year ended 31 December 2009.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and its consolidated balance sheet as at 31 December 2009, together with the balance sheet of the Company as at 31 December 2009, are set out in the financial statements on pages 55 to 150.

The Board recommended a final dividend of HK$6.8 cents per ordinary share for the year ended 31 December 2009.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated financial results and consolidated assets, liabilities and equity of the Group, is set out on pages 151 to 152. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year under review are set out in notes 14 and 15 respectively to the financial statements.

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of RMB2,461,000 which has been charged directly to the consolidated income statement.

SHARE CAPITAL

Details of the movements in the Company's issued share capital during the year are set out in note 30(a) to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2009 are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, purchases attributable to the Group's largest supplier, excluding purchases of land, amounted to approximately 8.7% of the Group's total purchases. For the year ended 31 December 2009, the percentage of turnover attributable to the Group's largest customer amounted to approximately 3.4% of the Group's total turnover.

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.

Save as disclosed in note 34(a) to the consolidated financial statements, none of the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors of the Company in office at the date of this report are:

EXECUTIVE DIRECTORS

Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer)*
Ms. Yan Yingchun

NON-EXECUTIVE DIRECTORS

Mr. Lim Ming Yan *(Vice Chairman)* (Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim Ming Yan's alternate Director on 22 March 2010)
Mr. Leow Juan Thong Jason
Ms. Wallis Wu *(alias Li Hua)*
Mr. Hu Yongmin (appointed on 3 September 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin (appointed on 1 March 2010)
Mr. Fang Fenglei (resigned on 18 December 2009)

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Po Sum, Mr. Wang Tianye and Ms. Yan Yingchun has entered into a service contract with the Company pursuant to which he/she agreed to act as executive Director for a term of three years with effect from 6 June 2008.

Each of Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason and Ms. Wallis Wu has entered into a service contract with the Company pursuant to which he/she agreed to act as non-executive Director for a term of three years with effect from 6 June 2008.

Each of Mr. Cheung Shek Lun and Mr. Wang Shi has signed a letter of appointment dated 16 May 2008 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 6 June 2008. Mr. Xin Luo Lin has signed a letter of appointment dated 1 March 2010 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 1 March 2010.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 34 to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party existed at the end of the year or at any time during the year under review.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2009, save as disclosed below, none of the Directors or chief executives of the Company had registered any interest or short position in the shares (the "Shares"), underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Name	Capacity and nature of Interest	Number of Shares	Approximate percentage of the interest in the Company's issued share capital
Mr. Wu Po Sum	Interest in a controlled corporation	944,246,820 *(Note 1)*	47.21%
	Beneficial owner	6,350,000 *(Note 3)*	0.32%
Mr. Wang Tianye	Interest in a controlled corporation	13,647,555 *(Note 2)*	0.68%
	Beneficial owner	2,500,000 *(Note 3)*	0.13%
Mr. Lim Ming Yan	Beneficial owner	2,500,000 *(Note 3)*	0.13%
Mr. Leow Juan Thong Jason	Beneficial owner	1,500,000 *(Note 3)*	0.08%
Ms. Yan Yingchun	Beneficial owner	1,500,000 *(Note 3)*	0.08%

Notes:

1. The 944,246,820 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright"). Mr. Wu Po Sum has a controlling interest in Joy Bright and is therefore deemed to be interested in the 944,246,820 Shares by virtue of the SFO.

2. The 13,647,555 Shares were registered in the name and were beneficially owned by Super Joy International Limited ("Super Joy"). Mr. Wang Tianye has a controlling interest in Super Joy and is therefore deemed to be interested in the 13,647,555 Shares by virtue of the SFO.

3. Such interest in the Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme (as defined below), the details of which are disclosed on pages 127 to 128 of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2009, save as disclosed below, none of any persons (except for the Directors or chief executives of the Company) had registered any interest or short position in the shares, underlying shares representing 5% or more of the nominal value of Shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	**Capacity and nature of Interest**	**Number of Shares**	**Approximate percentage of the interest in the Company's issued share capital** *(Note 1)*
Joy Bright *(Note 2)*	Beneficial owner	944,246,820	47.2%
Mr. Wu Po Sum *(Note 2)*	Interest in a controlled corporation	944,246,820	47.2%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)") *(Note 3)*	Beneficial owner	542,105,625	27.1%
CapitaLand China *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%

Name	Capacity and nature of Interest	Number of Shares	Approximate percentage of the interest in the Company's issued share capital *(Note 1)*
CapitaLand Residential Limited ("CapitaLand Residential") *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%
CapitaLand *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%
Temasek Holdings (Private) Limited *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%
FV Green Alpha Two Limited ("FV Green") *(Note 4)*	Beneficial owner	289,951,497	14.5%

Notes:

1. The percentage shareholdings are based on a total of 2,000,000,000 Shares in issue.

2. Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright and is deemed to be interested in the 944,246,820 Shares held by Joy Bright for the purposes of the SFO.

3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China, CapitaLand China is directly wholly owned by CapitaLand Residential and CapitaLand Residential is directly wholly owned by CapitaLand. Temasek Holdings (Private) Limited has an interest in approximately 40.9% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand Residential, CapitaLand and Temasek Holdings (Private) Limited is deemed or taken to be interested in all the Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

4. On 5 August 2009, the Company entered into a subscription agreement with FV Green (the "**Subscription Agreement**") relating to the issue and subscription of the convertible bonds (the "**Convertible Bonds**") at an aggregate principal amount of HK$687 million which were issued in conjunction with the warrants (the "**Warrants**") entitling FV Green to subscribe for a maximum of 68,338,594 Shares. Based on the initial conversion price of HK$3.10 per Share and assuming full conversion of the Convertible Bonds at such conversion price, the Convertible Bonds will be convertible into 221,612,903 Shares (the "**Conversion Shares**"). The Warrants entitle FV Green to subscribe for a maximum of 68,338,594 Shares (the "**Warrant Shares**") at the initial exercise price of HK$4.10 per Share. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to FV Green. Completion of the Subscription Agreement and issue of the Convertible Bonds and the Warrants took place on 31 August 2009. For further details, please refer to the Company's announcements dated 5 August 2009 and 31 August 2009.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

MR. WU PO SUM & JOY BRIGHT

On 16 May 2008, Mr. Wu Po Sum (the ultimate controlling shareholder of the Company) and Joy Bright (the controlling shareholder of the Company which is a wholly owned subsidiary of Mr. Wu Po Sum) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking A") in respect of the conduct of their property developments or investments in the PRC. Under the Non-competition Undertaking A, each of Mr. Wu Po Sum and Joy Bright undertakes, among others, that during the validity of the Non-competition Undertaking A:

1. he or it will not and will procure his or its associates not to engage, directly or indirectly, whether as a shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, in any business which will or may, directly or indirectly, compete with the business carried out by the Group;

2. in the event that he/it or any of his/its associates is given/identifies any opportunities to engage in a business that is in competition with that of the Group, he/it will and will procure that his/its associates will, as soon as practicable inform the Company of such opportunity and provide such information as is available to him/it in respect of such opportunity to the Company. The Company has a right within one month thereafter to take up the opportunity and in the event that the Company decides to take up the opportunity, he/it will use his/its best endeavor to assist the Group to obtain such opportunity; in the event that the Company declines such opportunity or fails to respond within the stipulated period, he/it or his/its associates may take up such opportunity provided that the terms upon which he takes up such opportunity shall be no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking A dated 18 March 2010 provided by Mr. Wu Po Sum and Joy Bright respectively, each of them confirms that (i) all the relevant terms of the Non-competition Undertaking A have been fully complied with in all material respects; and (ii) during the period from the date of the Non-competition Undertaking A to 31 December 2009 (the "Relevant Period"), neither of Mr. Wu Po Sum and Joy Bright was given or identified any opportunities to engage in a business that is in competition with that of the Group.

CAPITALAND LF (CAYMAN) HOLDINGS CO., LTD ("CAPITALAND (CAYMAN)") & CAPITALAND CHINA HOLDINGS PTE LTD ("CAPITALAND CHINA")

On 16 May 2008, CapitaLand (Cayman) (the strategic investor and the substantial shareholder of the Company) and CapitaLand China (the holding company of CapitaLand (Cayman)) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking B") in respect of the conduct of their certain activities in the PRC. Under the Non-competition Undertaking B, CapitaLand (Cayman) and CapitaLand China undertake, among others, that during the validity of the Non-competition Undertaking B:

1. each of them will not in the provinces of Henan, Hubei, Hunan, Shanxi, Anhui and Shaanxi (the "Provinces"), either on their own account or in conjunction with or on behalf of any natural person, company, corporation, association, partnership, organization, business firm, joint venture, trust, unincorporated organization or any other entity or organization, or any governmental authority (the "Person(s)"), carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise in carrying on the business of residential property development (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any recognized stock exchange);

2. in the event CapitaLand China identifies or is offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group, CapitaLand China agrees to notify the Company of such opportunity and that the Company shall have an option to negotiate and participate in such project provided that such option shall be exercisable by the Company within 30 days upon the receipt of the relevant information on such project from CapitaLand China. Upon the expiry of such 30-day period, unless the Company has communicated to CapitaLand China the Company's intention to participate in the relevant project, CapitaLand China may participate in such project on its own account or in conjunction with or on behalf of any Person on terms no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking B dated 12 March 2010 provided by CapitaLand China and CapitaLand (Cayman) respectively, each of them confirms that (i) all the relevant terms of the Non-competition Undertaking B have been fully complied with in all material respects; and (ii) during the Relevant Period, CapitaLand China did not identify nor was offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group (namely, residential property development in the Provinces or such other businesses as may be agreed in writing between the Company and CapitaLand China).

SHARE OPTION SCHEMES

Two share option schemes were adopted by the Company on 14 May 2008 namely, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme").

A. PRE-IPO SHARE OPTION SCHEME

The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal interest in the Company and to motivate the participants to optimise their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.

The Board had granted options (the "Pre-IPO Share Options") under the Pre-IPO Share Option Scheme to certain Directors, employees and consultants of the Group to subscribe for an aggregate of 32,000,000 Shares of HK$0.1 each of the Company, representing approximately 1.575% of the enlarged total issued share capital of the Company as of 31 December 2009 assuming the full exercise of the Pre-IPO Share Options.

A consideration of HK$1.00 (or its equivalent in RMB or any other currency acceptable to our Company) was paid by each of the grantees for the grant of the Pre-IPO Share Options. The subscription price of the Shares upon exercise of the Pre-IPO Share Options shall be HK$2.75. In relation to each grantee of the Pre-IPO Share Options, no Pre-IPO Share Option is exercisable within the first year from the Listing Date, not more than 20% of his or her entitlements pursuant to the Pre-IPO Share Options is exercisable within the second year from the Listing Date and not more than 40% is exercisable in each of the third and fourth year from the Listing Date.

The Pre-IPO Share Option Scheme was terminated on the date immediately preceding the date of the Prospectus, that is, 25 May 2008. The Pre-IPO Options granted but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.

Movement of the Pre-IPO Share Options during the year from 1 January 2009 to 31 December 2009 were as follows:

Name or category of participants	Date of grant	Exercise price per Share	As at 1 January 2009	Number of Shares under the Pre-IPO Share Option Scheme: Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2009
Directors							
Mr. Wu Po Sum	14 May 2008	HK$2.75	6,350,000	—	—	—	6,350,000
Mr. Wang Tianye	14 May 2008	HK$2.75	2,500,000	—	—	—	2,500,000
Mr. Lim Ming Yan	14 May 2008	HK$2.75	2,500,000	—	—	—	2,500,000
Mr. Leow Juan Thong Jason	14 May 2008	HK$2.75	1,500,000	—	—	—	1,500,000
Ms. Yan Yingchun	14 May 2008	HK$2.75	1,500,000	—	—	—	1,500,000
			14,350,000	—	—	—	14,350,000
Senior Management, other employees and consultants of the Group	14 May 2008	HK$2.75	17,050,000	—	—	1,350,000	15,700,000
			31,400,000	—	—	1,350,000	30,050,000

B. SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme of the Company, up to a maximum of 10% of the Shares in issue as of the Listing Date, unless the Company obtains a fresh approval from the Shareholders to refresh the said limit or the Shareholders specifically approve the grant. The total number of Shares issued or to be issued upon exercise of the options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of options to a participant who is a Director, chief executives, or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the options.

The exercise periods of the options may be specified by the Company at the time of the grant, and the options shall expire no later than 10 years from the relevant date of the grant.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

During the year ended 31 December 2009, no option was granted, cancelled or lapsed under the Share Option Scheme.

The Share Option Scheme will expire on 13 May 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands.

CONNECTED TRANSACTIONS

(1) Acquisition of 9.99% shareholding in Artstar Investments (the "Acquisition")

On 25 May 2009, CCRE Holdings entered into a share transfer agreement with Brightest Group, whereby CCRE Holdings agreed to acquire 9.99% shareholding in Artstar Investments along with interests in the shareholder's loan from Brightest Group at a consideration of RMB75 million. Upon completion of the Acquisition, the Company's interest in Artstar Investments increased to 74.99% while the shareholding of Mass Million and Superb East in Artstar Investments remained unchanged at 10.01% and 15% respectively.

Mr. Zhang Chunfeng, who is currently the sole director and shareholder of Superb East, is a controller as defined under Rule 14A.10(3) of the Listing Rules by virtue of his directorships in several subsidiaries of the Group (including Artstar Investments). It follows that Superb East is an associate of a controller. As such, despite the fact that the share transfer agreement was entered into between CCRE Holdings, an indirect wholly-owned subsidiary of the Company, and Brightest Group, an Independent Third Party, the Acquisition constitutes a connected transaction of the Company under Rule 14A.13(1)(b)(i) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the share transfer agreement are on normal commercial terms and are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

(2) On 25 August 2009, CCRE Holdings entered into share transfer agreements with each of Mass Million and Superb East, whereby CCRE Holdings agreed (i) to purchase from Mass Million 10.01% shareholding in Artstar Investments at a consideration of HK$50 million and (ii) to purchase from Superb East 10% shareholding in Artstar Investments at a consideration of HK$50 million. Upon completion of the acquisitions, CCRE Holdings' interest in Artstar Investments will increase to 95% while the remaining 5% shareholding in Artstar Investments will be held by Superb East. Further details of the acquisitions are set out in the announcement published by the Company on 25 August 2009.

The Directors (including the independent non-executive Directors) are of the view that the terms of the share transfer agreements are on normal commercial terms and are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group had joined a mandatory Hong Kong provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the scheme amounting to approximately RMB5 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

BANK LOANS, OTHER LOANS AND CONVERTIBLE BONDS

Particulars of bank and other loans of the Group as at 31 December 2009 are set out in notes 23, 24 and 27 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the internal controls and financial reporting requirements of the Group. The members of the Audit Committee are satisfied with the Company's internal control procedures and the financial reporting disclosures.

POST BALANCE SHEET EVENT

Details of a non-adjusting post-balance sheet event are set out in note 37 to the consolidated financial statements.

DONATIONS

Charitable donations and other donations made by the Group during the year amounting to RMB11.8 million.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forth coming annual general meeting.

On behalf of the Board
Wu Po Sum
Chairman
25 March 2010

BOARD OF DIRECTORS

Executive Directors
Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer)*
Ms. Yan Yingchun

Non-executive Directors
Mr. Lim Ming Yan *(Vice-Chairman)* (Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim Ming Yan's alternate Director on 22 March 2010)
Mr. Leow Juan Thong Jason
Ms. Wallis Wu *(alias Li Hua)*
Mr. Hu Yongmin (appointed on 3 September 2009)

Independent Non-executive Directors
Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin (appointed on 1 March 2010)
Mr. Fang Fenglei (resigned on 18 December 2009)

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
Mr. Tang Man Joe

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 88, Jianye City Garden, Jianye Road
Zhengzhou City, Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 1008, Concordia Plaza,1 Science Museum Road
Tsimshatsui East, Kowloon, Hong Kong

WEBSITE OF THE COMPANY

www.centralchina.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISER (AS TO HONG KONG LAW)

Li & Partners

AUDITORS

KPMG
Certified Public Accountants

COMPLIANCE ADVISER

Guotai Junan Capital Limited

INVESTOR AND MEDIA RELATIONS ADVISOR

Wonderful Sky Financial Group Limited
Unit 3102-05, 31/F., Office Tower,
Convention Plaza, 1 Harbour Road,
Wanchai, Hong Kong

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Website: www.wsfg.hk

Independent auditor's report to the shareholders of
Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") set out on pages 55 to 150, which comprise the consolidated and company balance sheets as at 31 December 2009, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

Independent auditor's report to the shareholders of
Central China Real Estate Limited *(Continued)*
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

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

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

OPINION

In our opinion, the 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2010

Consolidated Income Statement

for the year ended 31 December 2009 (Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Turnover	4	**2,739,831**	3,226,996
Cost of sales		**(1,788,249)**	(1,988,764)
Gross profit		**951,582**	1,238,232
Other revenue	5	**41,964**	30,752
Other net income	5	**21,541**	18,548
Selling and marketing expenses		**(113,285)**	(97,484)
General and administrative expenses		**(164,708)**	(152,867)
Other operating expenses		**(19,292)**	(20,271)
Profit from operations		**717,802**	1,016,910
Share of loss of an associate	17	**(2,831)**	(2,983)
Finance costs	6(a)	**(66,080)**	(53,144)
Profit before change in fair value of investment properties and income tax		**648,891**	960,783
Change in fair value of investment properties	15	**2,461**	(1,400)
Profit before taxation	6	**651,352**	959,383
Income tax	7(a)	**(223,221)**	(304,454)
Profit for the year		**428,131**	654,929
Attributable to:			
Equity shareholders of the Company		**405,326**	653,301
Minority interests		**22,805**	1,628
Profit for the year		**428,131**	654,929
Earnings per share	12		
— Basic *(RMB cents)*		**20.27**	32.67
— Diluted *(RMB cents)*		**20.15**	32.67

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009 (Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Profit for the year		**428,131**	654,929
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of overseas subsidiaries	11	**2,659**	(11,727)
Total comprehensive income for the year		**430,790**	643,202
Attributable to:			
Equity shareholders of the Company		**407,749**	640,605
Minority interests		**23,041**	2,597
Total comprehensive income for the year		**430,790**	643,202

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2009 (Expressed in Renminbi)

	Note	**2009** ***RMB'000***	2008 *RMB'000*
Non-current assets			
Property, plant and equipment	14	**244,163**	211,209
Investment properties	15	**264,400**	254,584
Interest in an associate	17	**19,471**	22,302
Other financial assets	18	**15,800**	15,400
Deferred tax assets	29(b)	**19,294**	3,309
		563,128	506,804
Current assets			
Properties for sale	19	**5,247,446**	4,803,837
Trade and other receivables	20	**275,625**	223,103
Deposits and prepayments	21	**1,146,004**	343,568
Prepaid tax	29(a)	**42,474**	27,520
Restricted bank deposits	22	**506,989**	409,797
Cash and cash equivalents		**2,364,987**	927,721
		9,583,525	6,735,546
Current liabilities			
Bank loans	23	**982,154**	488,790
Other loans	24	**95,640**	123,950
Trade and other payables and accruals	25	**2,040,030**	1,940,923
Receipts in advance	26	**1,770,122**	947,270
Tax payable	29(a)	**157,141**	106,842
		5,045,087	3,607,775
Net current assets		**4,538,438**	3,127,771
Total assets less current liabilities		**5,101,566**	3,634,575

Consolidated Balance Sheet *(Continued)*

at 31 December 2009 (Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank loans	23	**790,662**	444,417
Other loans	24	**372,880**	36,790
Convertible bonds	27	**551,288**	—
Deferred tax liabilities	29(b)	**67,043**	63,446
		1,781,873	544,653
NET ASSETS		**3,319,693**	3,089,922
CAPITAL AND RESERVES	30		
Share capital		**179,637**	179,637
Reserves		**2,944,720**	2,760,495
Total equity attributable to equity shareholders of the Company		**3,124,357**	2,940,132
Minority interests		**195,336**	149,790
TOTAL EQUITY		**3,319,693**	3,089,922

Approved and authorised for issue by the board of directors on 25 March 2010

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The accompanying notes form part of these financial statements.

Balance Sheet

at 31 December 2009 (Expressed in Renminbi)

	Note	**2009**	2008
		RMB'000	*RMB'000*
Non-current assets			
Interest in subsidiaries	16	**1,988,999**	1,433,418
Current assets			
Prepayments		**64**	65
Derivative financial instruments	20	**17,101**	—
Cash and cash equivalents		**144,245**	36,527
		161,410	36,592
Current liabilities			
Bank loans	23	**68,222**	—
Other payables and accruals	25	**85,460**	3,775
		153,682	3,775
Net current assets		**7,728**	32,817
Total assets less current liabilities		**1,996,727**	1,466,235
Non-current liabilities			
Convertible bonds	27	**551,288**	—
NET ASSETS		**1,445,439**	1,466,235
CAPITAL AND RESERVES	30		
Share capital		**179,637**	179,637
Reserves		**1,265,802**	1,286,598
TOTAL EQUITY		**1,445,439**	1,466,235

Approved and authorised for issue by the board of directors on 25 March 2010

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The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009 *(Expressed in Renminbi)*

		Attributable to equity shareholders of the Company											
		Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve	Equity component of convertible bonds	Warrant reserve	Retained profits	Total	Minority interests	Total equity
		(Note 30(a))	*(Note 30(b)(i))*	*(Note 30(b)(ii))*	*(Note 30(b)(iii))*	*(Note 30(b)(iv))*	*(Note 30(b)(v))*	*(Note 27)*	*(Note 27)*				
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2009		179,637	1,076,820	246,938	1,006,607	(22,718)	6,604	–	–	446,244	2,940,132	149,790	3,089,922
Changes in equity for 2009													
Dividend approved in respect of the previous year	30(c)(iii)	–	–	–	–	–	–	–	–	(193,834)	(193,834)	–	(193,834)
Appropriation to statutory reserve fund		–	–	75,876	–	–	–	–	–	(75,876)	–	–	–
Equity settled share- based payment		–	–	–	–	–	8,343	–	–	–	8,343	–	8,343
Issue of convertible bonds with warrants	27	–	–	–	–	–	–	43,166	11,906	–	55,072	–	55,072
Acquisition of additional interest in a subsidiary	35	–	–	–	(93,105)	–	–	–	–	–	(93,105)	–	(93,105)
Dividend paid to minority interests		–	–	–	–	–	–	–	–	–	–	(14,000)	(14,000)
Capital contribution from minority interests		–	–	–	–	–	–	–	–	–	–	36,505	36,505
Total comprehensive income for the year		–	–	–	–	2,423	–	–	–	405,326	407,749	23,041	430,790
Balance at 31 December 2009		179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity *(Continued)*

for the year ended 31 December 2009 *(Expressed in Renminbi)*

		Attributable to equity shareholders of the Company									
		Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve	Retained profits	Total	Minority interests	Total equity
		(Note 30(a))	*(Note 30(b)(i))*	*(Note 30(b)(ii))*	*(Note 30(b)(iii))*	*(Note 30(b)(iv))*	*(Note 30(b)(v))*				
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2008		114	999,966	115,166	148,348	(10,022)	—	76,715	1,330,287	144,514	1,474,801
Changes in equity for 2008											
Dividend declared and paid	30(c)(i)	—	—	—	—	—	—	(152,000)	(152,000)	—	(152,000)
Appropriation to statutory reserve fund		—	—	131,772	—	—	—	(131,772)	—	—	—
Equity settled share-based payment		—	—	—	—	—	6,604	—	6,604	—	6,604
Nominal value of share capital of the subsidiary transferred	30(a)	135,021	(999,966)	—	864,945	—	—	—	—	—	—
Issue of new shares, net of listing expenses	30(a)	44,502	1,076,820	—	—	—	—	—	1,121,322	—	1,121,322
Acquisition of additional interest in a subsidiary		—	—	—	(6,686)	—	—	—	(6,686)	(14,321)	(21,007)
Capital distribution to minority interests		—	—	—	—	—	—	—	—	(4,000)	(4,000)
Dividend paid to minority interests		—	—	—	—	—	—	—	—	(5,500)	(5,500)
Capital contribution from minority interests		—	—	—	—	—	—	—	—	26,500	26,500
Total comprehensive income for the year		—	—	—	—	(12,696)	—	653,301	640,605	2,597	643,202
Balance at 31 December 2008		179,637	1,076,820	246,938	1,006,607	(22,718)	6,604	446,244	2,940,132	149,790	3,089,922

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009 *(Expressed in Renminbi)*

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before taxation		**651,352**	959,383
Adjustments for:			
— Interest income		**(39,009)**	(29,628)
— Depreciation and amortisation		**12,011**	9,660
— Equity settled share-based payment expenses		**8,343**	6,604
— Dividend income		**(1,163)**	(1,124)
— (Increase)/decrease in fair value of investment properties		**(2,461)**	1,400
— Net gain on disposals of property, plant and equipment		**(16,012)**	(172)
— Share of loss of an associate		**2,831**	2,983
— Finance costs		**66,080**	53,144
— Realised loss on trading securities		**275**	—
— Impairment loss on property, plant and equipment		**5,440**	—
— Gain on disposal of a subsidiary		**(7,474)**	—
Changes in working capital:			
— Increase in properties for sale		**(388,354)**	(963,120)
— (Increase)/decrease in trade and other receivables		**(39,935)**	27,430
— (Increase)/decrease in deposits and prepayments		**(802,436)**	336,896
— Increase in trade and other payables and accruals		**80,118**	489,136
— (Increase)/decrease in restricted bank deposits		**(137,192)**	4,804
— Increase/(decrease) in receipts in advance		**822,852**	(439,862)
Cash generated from operations		**215,266**	457,534
PRC income tax paid		**(200,261)**	(198,340)
Net cash generated from operating activities		**15,005**	259,194

	Note	2009 RMB'000	2008 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment		**(60,251)**	(45,913)
Proceeds from disposals of property, plant and equipment		**25,858**	361
Prepayment for investment in a subsidiary		**—**	(44,297)
Payment for purchase of trading securities		**(4,054)**	—
Proceeds from disposals of trading securities		**3,779**	—
Expenditure on investment properties		**(401)**	(5,102)
Acquisition of additional interest in subsidiaries		**(163,414)**	(21,007)
Net cash paid upon acquisitions of subsidiaries	35	**—**	(298,845)
Net cash received upon disposal of a subsidiary	35	**50,000**	—
Dividend received		**763**	1,124
Interest received		**39,009**	29,628
Net cash used in investing activities		**(108,711)**	(384,051)
Financing activities			
Proceeds from new bank loans		**1,650,812**	840,129
Repayment of bank loans		**(770,718)**	(1,060,828)
Proceeds from new other loans		**546,600**	40,000
Repayment of other loans		**(238,820)**	(15,690)
Net proceeds from convertible bonds		**671,368**	—
Interest paid		**(159,115)**	(119,863)
Issue of new shares		**—**	1,121,322
Dividend paid		**(193,834)**	(152,000)
Dividend paid to minority interests		**(14,000)**	(5,500)
Capital contribution from minority interests		**36,505**	26,500
Capital distribution to minority interests		**—**	(4,000)
Net cash generated from financing activities		**1,528,798**	670,070

Consolidated Cash Flow Statement *(Continued)*

for the year ended 31 December 2009 *(Expressed in Renminbi)*

	Note	2009 *RMB'000*	2008 *RMB'000*
Net increase in cash and cash equivalents		**1,435,092**	545,213
Cash and cash equivalents at 1 January		**927,721**	399,602
Effect of foreign exchange rate changes		**2,174**	(17,094)
Cash and cash equivalents at 31 December		**2,364,987**	927,721

The accompanying notes form part of these financial statements.

1 BASIS OF PRESENTATION

Central China Real Estate Limited ("the Company") was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 1008, Concordia Plaza, No.1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries ("the Group") are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

Pursuant to a reorganisation of the Group completed on 14 May 2008 ("the Reorganisation") to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing"), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange on 6 June 2008.

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2008 or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2(h)); and

— derivative financial instruments (see note 2(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 36.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from the holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(p) or (q) depending on nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combination for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the holders that controls the Group are accounted for as if the acquisition had occurred at the beginning of the year or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling holder's consolidated financial statements.

The consolidated financial statements include the results of each of the combining entities or business from the earliest date presented, or since the date when combining entities or business first came under the control of the controlling parties, where this is a shorter period, regardless of the date of the common control combination.

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

Upon transfer of interest in an entity to another entity that are under the control of the equity shareholders that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

When the Group acquires additional interest in its subsidiaries from minority shareholders, the difference between the consideration and carrying value of minority interests in the Group's consolidated financial statements is dealt with in equity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 2(k)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Other investments in equity securities

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(k)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(k)):

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(j)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment *(Continued)*

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(k)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or properties for sale (see note 2(l)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries and associates (see note 2(k)(ii))) and other current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the receivable amount of the investment as a whole with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bring the properties to their present location and condition.

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of our asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Construction contracts *(Continued)*

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Receipts in advance".

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Convertible bonds with detachable warrants

Convertible bonds of the Company are issued with detachable warrants. Where the convertible bonds can be converted to equity share capital at the option of the holder and the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the warrants issued by the Company will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component. The early redemption options embedded to convertible bonds with detachable warrants are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(g).

At initial recognition, the derivative financial instruments embedded to the convertible bonds with detachable warrants is measured at fair value. The liability component is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option and warrants. Any excess of proceeds over the amount initially recognised as liability component and derivative financial instruments is recognised as the equity component.

Transaction costs that relate to the issue of the convertible bonds with detachable warrants, are allocated to the liability component and equity component and derivative financial instruments in proportion to allocation of proceeds.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Convertible bonds with detachable warrants *(Continued)*

The portion of the transaction costs relating to the liability component and equity component is recognised initially as part of the liability and equity respectively. The portion relating to the derivative component is recognised immediately in profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed. The derivative financial instruments is subsequently remeasured in accordance with note 2(g)

If the bonds are converted, the respective capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the respective capital reserve is released directly to retained profits. If the warrants are exercised, the respective capital reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the respective capital reserve is released directly to retained profits.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payable are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group and the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of properties*

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the completion of the properties, whichever the later, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under "Receipts in advance".

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) *Contract revenue*

When the outcome of a construction contract can be estimated reliably, revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants that compensate the Group for expense incurred in a previous year is recognised as income of the year in which it becomes receivable.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised on profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Improvements to HKFRSs (2008)

— HKAS 23 (revised 2007), Borrowing costs

— Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*

— HKFRS 3 (revised 2008), *Business combinations*

— Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*

— Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

— HK(IFRIC) 15, *Agreements for the construction of real estate*

— HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*

The amendments to HKAS 23, HKAS 27, HKFRS 2 and HKFRS 3 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, explanation has been included in the financial statements which explains the basis of preparation of the information (see note 13).

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 27 about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

— The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

— As a result of amendments to HKAS 40, *Investment property*, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. The adoption of the new policy leads to an increase in net assets of the Group as at 31 December 2009 and profit attributable to equity shareholders of the Group for the year ended 31 December 2009 by RMB2,336,000, representing the increase in fair value of RMB3,115,000 net of related deferred tax of RMB779,000.

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction.

Turnover of the Group for the year is analysed as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Property sales	**2,659,942**	3,000,993
Property leasing	**22,084**	19,393
Construction	**57,805**	206,610
	2,739,831	3,226,996

5 OTHER REVENUE AND NET INCOME

	2009	2008
	RMB'000	*RMB'000*
Other revenue		
Interest income	**39,009**	29,628
Dividend income from unlisted equity securities	**1,163**	1,124
Government subsidies	**1,792**	—
	41,964	30,752

	2009	2008
	RMB'000	*RMB'000*
Other net income		
Net gain on disposals of property, plant and equipment	**16,012**	172
Gain on disposal of a subsidiary	**7,474**	—
Net exchange (loss)/gain	**(296)**	20,041
Realised loss on trading securities	**(275)**	—
Compensation to contractors	**(1,374)**	(1,665)
	21,541	18,548

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2009	2008
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank loans	**99,706**	77,233
Interest on other loans	**37,203**	16,897
Interest on convertible bonds *(note 12(b))*	**17,688**	—
Interest on advances from customers *(note 26)*	**8,022**	15,901
Other ancillary borrowing costs	**6,978**	6,060
	169,597	116,091
Less: Borrowing costs capitalised *	**(100,221)**	(62,947)
	69,376	53,144
Net change in fair value of derivatives embedded to convertible bonds *(note 12(b))*	**(3,296)**	—
	66,080	53,144

* Borrowing costs have been capitalised at a rate of 1.33% — 14.00% per annum (2008: 4.86% -15.70% per annum).

	2009	2008
	RMB'000	*RMB'000*
(b) Staff costs:		
Salaries, wages and other benefits	**106,821**	100,724
Including:		
Retirement scheme contributions	**4,979**	4,928
Equity settled share-based payment expenses *(note 28)*	**8,343**	6,604

6 PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived at after charging/(crediting): ***(Continued)***

Employees of the Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2009 ***RMB'000***	2008 *RMB'000*
(c) Other items:		
Depreciation and amortisation	**12,011**	9,660
Impairment loss on other receivables	**—**	4,182
Impairment loss on property, plant and equipment *(note 14)*	**5,440**	—
Auditors' remuneration	**3,534**	3,400
Cost of properties sold	**1,738,510**	1,768,563
Operating lease charges in respect of properties	**776**	776
Rentals receivable less direct outgoings of RMB4,940,000 (2008: RMB315,000)	**(17,144)**	(19,078)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 *RMB'000*	2008 *RMB'000*
Current tax		
PRC Corporate Income Tax	184,021	142,777
PRC Land Appreciation Tax	51,585	96,117
Withholding tax on dividends declared by the PRC foreign investment enterprise	—	22,500
	235,606	261,394
Deferred tax		
Revaluation of properties	283	(1,308)
Tax losses	—	47,677
Other temporary differences	(12,668)	(3,309)
	(12,385)	43,060
	223,221	304,454

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2008: 10% to 15%) of their revenue in accordance with the authorised taxation method(核定徵收)pursuant to the applicable PRC tax regulations. The tax rate was 25% (2008: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method(查賬徵收), were charged CIT at a rate of 25% (2008: 25%) on the estimated assessable profits for the year.

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT(《中華人民共和國土地增值稅暫行條例》)effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT(《中華人民共和國土地增值稅暫行條例實施細則》)effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties(普通標準住宅)if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 3.5% (2008: 1.5% to 3.5%) of their revenue in accordance with the authorised taxation method.

(v) Withholding tax

A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of PRC foreign investment enterprises earned after 1 January 2008. During the year, the PRC foreign investment enterprise of the Group has not declared dividend in relation to the profits earned after 1 January 2008 and no withholding tax on the dividend was charged to the consolidated income statement for current year. In addition, the PRC foreign investment enterprise of the Group has no intention to declare dividend from its profits earned during the year. In this regard, no deferred tax liabilities in relation to withholding tax were recognised.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	**651,352**	959,383
Tax on profit before taxation calculated at 25% (2008: 25%)	**162,838**	239,846
Difference in tax rates for certain subsidiaries	**(4,267)**	3,184
Tax effect of non-taxable revenue	**(4,629)**	(528)
Tax effect of non-deductible expenses	**32,507**	11,060
Tax effect of unused tax losses not recognised	**12,110**	10,004
Utilisation of tax loss not recognised in prior years	**(4,862)**	—
Tax effect of adopting authorised taxation method	**(9,165)**	(53,700)
Withholding tax on dividends distributed by the PRC foreign investment enterprise	**—**	22,500
Land Appreciation Tax	**51,585**	96,117
Tax effect of Land Appreciation Tax	**(12,896)**	(24,029)
Income tax expense	**223,221**	304,454

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2009						
Executive directors						
Wu Po Sum	—	2,863	11	220	1,781	4,875
Wang Tianye	—	1,833	11	1,974	701	4,519
Yan Yingchun	—	753	11	726	421	1,911
Non-executive directors						
Lim Ming Yan	88	—	—	—	701	789
Leow Juan Thong Jason	88	—	—	—	421	509
Wallis Wu *(alias Li Hua)*	229	—	11	18	—	258
Hu Yongmin (appointed on 3 September 2009)	—	—	—	—	—	—
Independent non-executive directors						
Cheung Shek Lun	211	—	—	—	—	211
Fang Fenglei (Resigned on 18 December 2009)	211	—	—	—	—	211
Wang Shi	246	—	—	—	—	246
Total	1,073	5,449	44	2,938	4,025	13,529

8 DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2008						
Executive directors						
Wu Po Sum	—	2,902	11	446	1,310	4,669
Wang Tianye	—	2,000	11	1,571	516	4,098
Yan Yingchun	—	627	11	268	310	1,216
Non-executive directors						
Lim Ming Yan	89	—	—	—	516	605
Leow Juan Thong Jason	89	—	—	—	310	399
Wallis Wu *(alias Li Hua)*	232	—	11	36	—	279
Independent non-executive directors						
Cheung Shek Lun	125	—	—	—	—	125
Fang Fenglei (Resigned on 18 December 2009)	125	—	—	—	—	125
Wang Shi	125	—	—	—	—	125
Total	785	5,529	44	2,321	2,962	11,641

Note: These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in 2(s)(ii).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2008: three) individuals are as follows:

	2009	2008
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,426**	4,804
Discretionary bonuses	**812**	1,489
Share-based payments	**631**	216
Retirement scheme contributions	**22**	22
	2,891	6,531

The emoluments of these two (2008: three) individuals with the highest emoluments are within the following bands:

	2009	2008
	Number of Individuals	Number of Individuals
RMB1,000,001 to RMB1,500,000	**2**	1
RMB1,500,001 to RMB2,000,000	**—**	1
RMB3,000,001 to RMB3,500,000	**—**	1

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB115,427,000 (2008: RMB209,761,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 30(c).

11 OTHER COMPREHENSIVE INCOME/(LOSS)

	2009 RMB'000	2008 RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	**2,659**	(11,727)

There is no tax effect relating to the above component of other comprehensive income/(loss).

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity shareholders of the Company of RMB405,326,000 (2008: RMB653,301,000) and the weighted average number of ordinary shares of 2,000,000,000 shares. The number of shares adopted in the calculation of basic earnings per share for 2008 represented the 2,000,000,000 ordinary shares in issue as at 31 December 2008 as if the shares were in issue throughout the entire year ended 31 December 2008.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity shareholder of the Company of RMB419,718,000 and the weighted average number of ordinary shares of 2,082,483,429 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2009 RMB'000
Profit attributable to equity shareholders	**405,326**
After tax effect of effective interest on the liability component of convertible bonds *(note 6(a))*	**17,688**
After tax effect of gain recognised on derivatives embedded to convertible bonds *(note 6(a))*	**(3,296)**
Profit attributable to equity shareholders (diluted)	**419,718**

12 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

(ii) Weighted average number of ordinary shares (diluted)

	2009 *'000*
Weighted average number of ordinary shares at 31 December	2,000,000
Effect of conversion of convertible bonds	82,483
Profit attributable to ordinary equity shareholders (diluted)	2,082,483

The Company's pre-IPO share options as at 31 December 2009 and 2008 and warrants as at 31 December 2009 do not give rise to any dilution effect to the earnings per share.

13 SEGMENT REPORTING

Services from which reportable segments derive their revenue

In prior years, segment information reported externally was analysed on the basis of the types of services provided by the Group (i.e. property development, property leasing and construction contracts). However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8 and believes that this presentation provides more relevant information than that previously shown under HKAS 14.

Turnover from major services

The Group's turnover from its major services are set out in note 4 to the financial statements.

Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

Information about major customers

Included in the turnover for the year is an amount of RMB93,978,000 (2008: RMB296,173,000) which arose from the Group's largest customer.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Interests in leasehold land held for own use under operating lease *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2009	46,738	125,048	59,361	14,975	14,017	260,139
Additions	—	—	49,619	8,170	2,462	60,251
Disposals	—	(9,697)	—	(1,632)	(871)	(12,200)
At 31 December 2009	46,738	115,351	108,980	21,513	15,608	308,190
Accumulated depreciation and amortisation:						
At 1 January 2009	3,728	30,629	—	6,632	7,941	48,930
Charge for the year	894	5,579	—	3,324	2,214	12,011
Written back on disposals	—	(485)	—	(1,144)	(725)	(2,354)
Impairment loss *(note 6(c))*	—	5,440	—	—	—	5,440
At 31 December 2009	4,622	41,163	—	8,812	9,430	64,027
Net book value:						
At 31 December 2009	42,116	74,188	108,980	12,701	6,178	244,163

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Interests in leasehold land held for own use under operating lease *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2008	19,226	105,647	47,632	10,158	12,293	194,956
Additions	27,512	—	11,729	4,729	1,943	45,913
Additions through acquisitions of subsidiaries	—	—	—	354	306	660
Transfer from investment properties under development *(Note 15)*	—	19,401	—	—	—	19,401
Disposals	—	—	—	(266)	(525)	(791)
At 31 December 2008	46,738	125,048	59,361	14,975	14,017	260,139
Accumulated depreciation and amortisation:						
At 1 January 2008	2,835	25,648	—	4,894	6,495	39,872
Charge for the year	893	4,981	—	1,934	1,852	9,660
Written back on disposals	—	—	—	(196)	(406)	(602)
At 31 December 2008	3,728	30,629	—	6,632	7,941	48,930
Net book value:						
At 31 December 2008	43,010	94,419	59,361	8,343	6,076	211,209

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

The analysis of carrying value of leasehold land is set out as follows:

	The Group 2009 RMB'000	2008 RMB'000
— long leases	**25,086**	35,654
— medium-term leases	**17,030**	7,356
	42,116	43,010

15 INVESTMENT PROPERTIES

	Investment properties Completed RMB'000	Under development RMB'000	Total RMB'000
At 1 January 2008	246,600	23,683	270,283
Additions	—	5,102	5,102
Decrease in fair value	(1,400)	—	(1,400)
Transfer to property, plant and equipment *(note 14)*	—	(19,401)	(19,401)
At 31 December 2008	245,200	9,384	254,584
Representing:			
Cost	—	9,384	9,384
Valuation — 2008	245,200	—	245,200
	245,200	9,384	254,584
At 1 January 2009	245,200	9,384	254,584
Additions	—	401	401
(Decrease)/increase in fair value	(654)	3,115	2,461
Transfer from properties for sales	6,954	—	6,954
At 31 December 2009	251,500	12,900	264,400
Representing:			
Valuation — 2009	251,500	12,900	264,400

15 INVESTMENT PROPERTIES *(Continued)*

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2009 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis. The completed investment properties are valued by reference to net income with allowance for reversionary income potential. For investment properties under development, their valuations are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

(b) The analysis of fair value of investment is set out as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
In PRC		
— long leases	**176,300**	165,684
— medium-term leases	**88,100**	88,900
	264,400	254,584

15 INVESTMENT PROPERTIES *(Continued)*

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Within 1 year	**1,500**	1,500
After 1 year but within 5 years	**6,264**	6,180
After 5 years	**1,863**	3,516
	9,627	11,196

16 INTEREST IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	*RMB'000*
Unlisted shares, at cost	**135,135**	135,135
Amounts due from subsidiaries	**1,853,864**	1,298,283
	1,988,999	1,433,418

Amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment but are not expected to be settled within one year.

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Anyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited ("Artstar")	The British Virgin Islands and Hong Kong	US$10,000	—	95%	Investment holding	Private company
Central China Dahome Properties Service (Kaifeng) Company Limited	Henan, the PRC	RMB500,000	—	60%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Forest Peninsula (Kaifeng) Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Hotel Management	Limited liability company
Central China New Land (Henan) Real Estate Company Limited	Henan, the PRC	RMB10,010,000	—	85%	Property development	Limited liability company
Central China Properties Development Limited	Hong Kong	HK$1	—	100%	Inactive	Private company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Central China Premier Service (Zhengzhou) Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Wine trading	Limited liability company
Central China Real Estate (Luoyang) Company Limited ("CCRE Luoyang")	Henan, the PRC	RMB341,020,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited	Henan, the PRC	RMB1,700,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate He Bi Co., Ltd.	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US$13,289	—	100%	Investments holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK$1	—	100%	Investments holding	Private company
Central China Triumph Real Estate (Luoyang) Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Construction Premier Service Limited	Hong Kong	HK$1	—	100%	Inactive	Private company
Country Star Holdings Limited ("Country Star")	Hong Kong	HK$1	—	95%	Investments holding	Private company
Henan Central China Commercial Properties Management Company Limited	Henan, the PRC	RMB80,000,000	—	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Heating Supply Company Limited	Henan, the PRC	RMB15,000,000	—	100%	Provision of heating and hot water	Limited liability company
Henan Central China Real Estate Company Limited	Henan, the PRC	RMB200,000,000	—	100%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited	Henan, the PRC	RMB120,100,000	—	96.68%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited ("CCRE St. Andrews")	Henan, the PRC	RMB8,000,000	—	60%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Henan United Clubs Management Company Limited	Henan, the PRC	RMB5,000,000	—	60%	Property development	Limited liability company
Henan United New Town Real Estate Company Limited	Henan, the PRC	RMB320,000,000	—	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited ("CCRE Zhongyuan")	Henan, the PRC	RMB150,000,000	—	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited	Henan, the PRC	RMB35,000,000	—	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Joy Ascend Holdings Limited ("Joy Ascend")	The British Virgin Islands and Hong Kong	US$14,618	100%	—	Investments holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited	Henan, the PRC	RMB150,000,000	—	60%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	80%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Luohe Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Wholly owned foreign enterprise
Luohe Central China Changjian Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	75%	Property development	Limited liability company
Nanyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Xinxiang Central China Real Estate Company Limited	Henan, the PRC	RMB44,900,000	—	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited ("CCRE Xinyang") *(note (b))*	Henan, the PRC	RMB30,000,000	—	50%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited	Henan, the PRC	RMB58,000,000	—	60%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited	Henan, the PRC	RMB57,000,000	—	100%	Property development	Wholly owned foreign enterprise

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Yuzhou New Plaza Construction & Development Company Limited	Henan, the PRC	RMB10,000,000	—	75%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited ("Luoyang Zhongya")	Henan, the PRC	RMB59,690,720	—	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited ("CCRE Zhumadian") *(note (a))*	Henan, the PRC	RMB37,577,000	—	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited	Henan, the PRC	RMB28,000,000	—	100%	Property development	Wholly owned foreign enterprise
Puyang Central China Real Estate Company Limited	Henan, the PRC	RMB40,500,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Sanmenxia Central China Real Estate Company Limited	Henan, the PRC	RMB38,000,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited	Henan, the PRC	RMB100,000,000	—	65%	Property development	Limited liability company
Universal Food City Development (Henan) Co., Ltd.	Henan, the PRC	RMB3,000,000	—	100%	Property development	Limited liability company

Notes:

(a) 48.01% interests in CCRE Zhumadian is registered in the name of a trust company pursuant to a trust arrangement (see note 24(b)(i)).

(b) CCRE Xinyang is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.

(c) The English names of the PRC companies referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

17 INTEREST IN AN ASSOCIATE

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Share of net assets	**19,471**	22,302

Details of the Group's interest in an associate are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
St. Andrews Golf Club (Zhengzhou) Company Limited	Henan, the PRC	RMB69,000,000	—	40%	Provision of golf facilities	Wholly owned foreign enterprise

Summary financial information on an associate

	Assets	Liabilities	Equity	Revenue	Loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2009					
100 per cent	**83,417**	**34,740**	**48,677**	**6,678**	**(7,077)**
Group's effective interest	**33,367**	**13,896**	**19,471**	**2,671**	**(2,831)**
2008					
100 per cent	67,930	12,176	55,754	—	(7,458)
Group's effective interest	27,172	4,870	22,302	—	(2,983)

18 OTHER FINANCIAL ASSETS

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Unlisted equity securities, at cost		
— in the PRC	**15,800**	15,400

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2009 and 2008.

19 PROPERTIES FOR SALE

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**4,104,937**	3,688,915
Completed properties held for sale	**1,142,509**	1,114,922
	5,247,446	4,803,837

(a) The analysis of carrying value of leasehold land included in properties held for future development and under development for sale and completed properties held for sale are set out as follows:

	2009	2008
	RMB'000	*RMB'000*
In PRC		
— long leases	**2,785,515**	2,692,963
— medium-term leases	**15,816**	18,023
	2,801,331	2,710,986

19 PROPERTIES FOR SALE *(Continued)*

(b) The amount of properties held for future development and under development for sale expected to be recovered after more than one year is analysed as follows:

	2009 RMB'000	2008 RMB'000
Properties held for future development and under development for sale	**2,362,234**	2,379,237

(c) The analysis of the amount of properties for sale recognised as an expense is as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Carrying amount of properties for sale sold	**1,738,510**	1,754,505
Write down of properties for sale	**—**	14,058
	1,738,510	1,768,563

(d) Certain portion of the Group's properties held for future development and under development for sale were pledged to banks as securities for the Group's bank and other loans. Details are set out in notes 23 and 24.

19 PROPERTIES FOR SALE *(Continued)*

(e) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of 20 years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2009 RMB'000	2008 RMB'000
Within 1 year	**9,240**	8,660
After 1 year to 5 years	**35,826**	35,386
After 5 years	**101,685**	124,921
	146,751	168,967

The Directors confirm that the Group intends to sell the properties together with the respective leases.

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Bills receivable	**290**	300	**—**	—
Trade receivables *(Note (a))*	**2,950**	5,082	**—**	—
Other receivables *(Note (b))*	**142,647**	120,734	**—**	—
Amounts due from related companies *(Note (c))*	**112,637**	89,226	**—**	—
Gross amount due from customers for contract work *(Note (d))*	**—**	7,761	**—**	—
Derivative financial instruments *(Note 27)*	**17,101**	—	**17,101**	—
	275,625	223,103	**17,101**	—

20 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Current or less than 1 month overdue	**443**	813
1 to 3 months overdue	**130**	952
3 to 6 months overdue	**250**	577
6 months to 1 year overdue	**786**	695
More than 1 year overdue	**1,341**	2,045
	2,950	5,082

The Group's credit policy is set out in note 31(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 33.

(b) At 31 December 2009, the Group's other receivables of RMB4,182,000 (2008: RMB4,182,000) was individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of RMB4,182,000 (2008: RMB4,182,000) was recognised.

(c) The amounts due from related companies of the Group included a balance of RMB112,347,000 (2008: RMB88,851,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company (see note 34). The amount is unsecured, interest free and repayable on demand. The remaining amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(d) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 31 December 2009, is RMB436,048,000 (2008: RMB347,643,000).

21 DEPOSITS AND PREPAYMENTS

At 31 December 2009, the balance included deposits and prepayments for leasehold land of RMB833,550,000 (2008: RMB209,679,000).

22 RESTRICTED BANK DEPOSITS

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Guarantee deposits in respect of:		
— mortgage loans related to property sale	**181,985**	97,009
— bills payable	**265,004**	212,788
— bank loans *(note 23(b))*	**60,000**	100,000
	506,989	409,797

23 BANK LOANS

(a) At 31 December 2009, the bank loans were repayable as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**982,154**	488,790	**68,222**	—
After 1 year but within 2 years	**646,226**	424,417	**—**	—
After 2 years but within 5 years	**144,436**	20,000	**—**	—
	790,662	444,417	**—**	—
	1,772,816	933,207	**68,222**	—

23 BANK LOANS *(Continued)*

(b) At 31 December 2009, the bank loans were secured as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
— secured	**1,656,594**	759,314	**—**	—
— unsecured	**116,222**	173,893	**68,222**	—
	1,772,816	933,207	**68,222**	—

At 31 December 2009, assets of the Group secured against bank loans are analysed as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**1,852,163**	739,310
Restricted bank deposits *(note 22)*	**60,000**	100,000
	1,912,163	839,310

(c) The effective interest rates of bank loans of the Group at 31 December 2009 were ranged from 5.31% - 9.18% (2008: 4.86% - 11.00%) per annum.

24 OTHER LOANS

(a) At 31 December 2009, other loans were repayable as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Within 1 year	**95,640**	123,950
After 1 year but within 2 years	**119,010**	36,790
After 2 years but within 5 years	**253,870**	—
	372,880	36,790
	468,520	160,740

(b) At 31 December 2009, the other loans were secured as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Other loans		
— secured *(notes (i) and (ii))*	**391,880**	120,740
— unsecured	**76,640**	40,000
	468,520	160,740

24 OTHER LOANS *(Continued)*

(b) At 31 December 2009, the other loans were secured as follows: *(Continued)*

Notes:

(i) Included in secured other loans is a total amount of RMB7,640,000 (2008: RMB80,740,000) in relation to the trust arrangements with a trust company. Under these trust arrangements, the trust company injected paid-in capital to certain subsidiaries and the legal titles of these shares were transferred to the trust company. The Group committed to repurchase while the trust company has the obligations to sell such shares within pre-set periods. The trust company does not entitle to any profit distributions from these subsidiaries but receives fixed interest income periodically or at the end of the trust period. Such paid-in capital is classified as other loans in the financial statements.

At 31 December 2009, 48.01% (2008: 48.01%) interests in CCRE Zhumadian was registered under the name of the trust company. The 74.56% interests in CCRE Luoyang were legally transferred back to the Group upon expiry of the trust management.

(ii) Secured other loans were secured by assets of the Group as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Properties held for future development and under development for sales	**250,439**	—

Apart from the above, secured other loans with carrying amount of RMB40,000,000 (2008: RMB40,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB141,262,000 (2008: RMB167,325,000) at 31 December 2009.

(iii) The effective interest rates of other loans of the Group at 31 December 2009 were ranged from 6.30% - 14.00% (2008: 6.30% - 15.70%) per annum.

25 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills payable	**265,004**	180,433	**—**	—
Trade payables *(Note (a))*	**806,226**	675,566	**—**	—
Other payables and accruals	**688,491**	702,625	**—**	—
Amounts due to related companies *(Note (b))*	**32**	32	**—**	—
Amounts due to minority interests *(Note (b))*	**158,437**	382,267	**—**	—
Gross amount due to customers for contract work *(Note 20(d))*	**36,380**	—	**—**	—
Amounts due to subsidiaries *(Note (b))*	**—**	—	**—**	3,775
Derivative financial instruments *(Note 27)*	**85,460**	—	**85,460**	—
	2,040,030	1,940,923	**85,460**	3,775

At 31 December 2009, included in trade and other payables and accruals are retention payable of RMB107,996,000 (2008: RMB89,997,000) which are expected to be settled after more than one year.

Notes:

(a) An ageing analysis of trade payables are set out as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Due within 1 month or on demand	**698,230**	585,569
Due after 1 year	**107,996**	89,997
	806,226	675,566

(b) Amounts due to related companies and minority interests of the Group and amounts due to subsidiaries of the Company are unsecured, interest free and have no fixed terms of repayment.

26 RECEIPTS IN ADVANCE

Receipts in advance represent sale proceeds received from buyers in connection with pre-sale of properties.

Under certain agreements with buyers of the properties of the Group, the Group agreed to lease-back the respective properties with put options from the buyers for a specific period, typically three years from the date of signing the sale agreements. Within one month after the expiry of the lease-back period, the buyers have the option to sell back the respective properties to the Group at agreed amounts. Accordingly, the related sales would not be recognised in the consolidated income statement until the expiry of the repurchase period. The annual rent for the lease-back properties were 7%-8% of the relevant purchase price paid by the buyers and the related expenses were recorded as finance costs in the consolidated income statement (see note 6(a)). At 31 December 2009, receipts in advance in relation to these sales amounted to RMB61,512,000 (2008: RMB110,176,000). During the year, upon the expiry of the repurchase period, total sales of RMB55,327,000 (2008: RMB159,403,000) were recognised.

27 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 (the "convertible bonds") and 76,097,561 warrants (the "warrants"). The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment.

Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments in accordance with the accounting policy set out in note 2(o) to the financial statements.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

27 CONVERTIBLE BONDS *(Continued)*

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for at fair value at the initial recognition date and 31 December 2009 as derivative financial instruments in accordance with the accounting policy set out in note 2(g) to the financial statements.

The movements of different components of the convertible bonds/warrants are set out below:

	Liability component of the convertible bonds	**Redemption call option**	**Redemption put option**	**Equity component of the convertible bonds**	**Warrant reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 27(a))	*(Note 20, 27(b))*	*(Note 25, 27(c))*	*(Note 27(d))*	*(Note 27(d))*	
Proceeds from issuance of the convertible bonds	546,305	(15,897)	87,768	43,298	11,943	673,417
Transaction costs	(1,661)	48	(267)	(132)	(37)	(2,049)
Net proceeds	544,644	(15,849)	87,501	43,166	11,906	671,368
Interest and transaction costs amortised	6,650	—	—	—	—	6,650
Change in fair value *(Note 6(a))*	—	(1,253)	(2,043)	—	—	(3,296)
Exchange difference	(6)	1	2	—	—	(3)
At 31 December 2009	551,288	(17,101)	85,460	43,166	11,906	674,719

27 CONVERTIBLE BONDS *(Continued)*

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 9.6% per annum for the year ended 31 December 2009.

At 31 December 2009, the liability component of convertible bonds was repayable as follows:

	The Group and the Company	
	2009	2008
	RMB'000	*RMB'000*
After two years but within five years	**551,288**	—

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds.

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds.

(Expressed in Renminbi)

27 CONVERTIBLE BONDS *(Continued)*

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognised as the liability component of convertible bonds and the redemption call and put options.

The fair value of the liability component of convertible bonds at its initial recognition date and the fair value of the redemption call and put options at their initial recognition date and at 31 December 2009 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorised into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the liability component of convertible bonds and the redemption call and put options were determined by an independent valuer, Savills Valuation and Professional Services Limited.

The assumptions applied in determining the fair value of the liability component of convertible bonds and the redemption call and put options at their initial recognition date (31 August 2009) and the fair value of the redemption call and put options at 31 December 2009 using Binomial (Coz, Ross, Rubinstein) option pricing model are set out as follows:

	At 31 August 2009	At 31 December 2009
Share price *(HK$)*	**1.99**	2.22
Expected volatility	**66%**	62%
Expected dividends	**5%**	5%
Risk-free interest rate	**1.75%**	1.93%
Option life	**5 years**	4.67 years
Effective interest rate	**10%**	9%

(Expressed in Renminbi)

28 EQUITY SETTLED SHARE-BASED TRANSACTION

On 14 May 2008, the Company conditionally granted certain Pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange. Under the Pre-IPO Share Option Scheme, no Pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable within the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(a) The number and the weighted average exercise price of share options are as follows:

	2009		2008	
	Exercise price ***HK$***	**Number of options**	Exercise price *HK$*	Number of options
Outstanding at 1 January	**2.75**	**31,400,000**	—	—
Granted during the year	**N/A**	**—**	2.75	32,000,000
Lapsed during the year	**2.75**	**(1,350,000)**	2.75	(600,000)
Outstanding at 31 December	**2.75**	**30,050,000**	2.75	31,400,000
Exercisable at 31 December	**2.75**	**6,010,000**	2.75	—

The options outstanding at 31 December 2009 had an exercise price of HK$2.75 (2008: HK$2.75) and a weighted average remaining contractual life of 1.7 years (2008: 2.7 years).

28 EQUITY SETTLED SHARE-BASED TRANSACTION *(Continued)*

(b) Fair value of share options granted in 2008 and assumptions

In 2008, the fair value of services received in return for share options granted was measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binomial (Coz, Ross, Rubinstein) option pricing model. The contractual life of the share option was used as an input into this model. Expectation of early exercise was incorporated into the binomial (Coz, Ross, Rubinstein) option pricing model.

Fair value of share options and assumption

Fair value at measurement date *(HK$)*	0.8
Share price *(HK$)*	2.75
Exercise price *(HK$)*	2.75
Expected volatility	50%
Option life	1 year from different vesting periods
Expected dividends	4%
Risk-free interest rate	1.7% - 2.3%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group			
	PRC Corporate Income Tax	**PRC Land Appreciation Tax**	**Withholding tax**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	(610)	18,542	—	17,932
Charged to the consolidated income statement *(note 7(a))*	142,777	96,117	22,500	261,394
Acquisition of a subsidiary	—	(1,664)	—	(1,664)
Tax paid	(112,427)	(85,913)	—	(198,340)
At 31 December 2008	29,740	27,082	22,500	79,322
At 1 January 2009	**29,740**	**27,082**	**22,500**	**79,322**
Charged to the consolidated income statement *(note 7(a))*	**184,021**	**51,585**	**—**	**235,606**
Tax paid	**(120,199)**	**(74,799)**	**(5,263)**	**(200,261)**
At 31 December 2009	**93,562**	**3,868**	**17,237**	**114,667**

	2009	2008
	RMB'000	*RMB'000*
Representing:		
Tax payable	**157,141**	106,842
Prepaid tax	**(42,474)**	(27,520)
	114,667	79,322

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group			
	Revaluation of properties	**Tax losses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	(64,754)	47,677	—	(17,077)
Credited/(charged) to the consolidated income statement *(note 7(a))*	1,308	(47,677)	3,309	(43,060)
At 31 December 2008	(63,446)	—	3,309	(60,137)
At 1 January 2009	**(63,446)**	**—**	**3,309**	**(60,137)**
(Charged)/credited to the consolidated income statement *(note 7(a))*	**(283)**	**—**	**12,668**	**12,385**
Exchange difference	**—**	**—**	**3**	**3**
At 31 December 2009	**(63,729)**	**—**	**15,980**	**(47,749)**

	2009	2008
	RMB'000	*RMB'000*
Representing:		
Deferred tax assets	**19,294**	3,309
Deferred tax liabilities	**(67,043)**	(63,446)
	(47,749)	(60,137)

(c) Deferred tax assets not recognised

The Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB98,959,000 (2008: RMB67,835,000) at 31 December 2009, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within 5 years.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The share capital at 1 January 2008 represented the aggregate of share capital of Joy Ascend and the Company.

Pursuant to the Reorganisation on 14 May 2008, the Company allotted and issued, in each case credited as fully paid, a total of 1,499,999,999 ordinary shares as to 944,246,819 ordinary shares to Joy Bright Investments Limited, as to 13,647,555 ordinary shares to Super Joy International Limited and as to 542,105,625 ordinary shares to CapitaLand LF (Cayman) Holdings Co. Ltd, and credited as fully paid at par the initial one subscriber share already allotted to Joy Bright Investments Limited, in consideration for the acquisition of each of their respective shareholding interests in Joy Ascend.

On 6 June 2008, the Company issued 500,000,000 shares with par value of HK$0.10 each at a price of HK$2.75 per share by way of a global initial public offering to Hong Kong and overseas investors upon the Listing. The Group raised approximately HK$1,259,862,000 (equivalent to RMB1,121,322,000) in total net of related expenses from the share offer.

The share capital at 31 December 2009 is as follows:

	2009		2008	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
RMB equivalent *(RMB'000)*		**179,637**		179,637

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Reserves

(i) Share premium

Share premium at 1 January 2008 represented share premium of Joy Ascend while share premium at 31 December 2008 and 2009 represented share premium of the Company (see note 30(a)).

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from minority interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Reserves *(Continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the Pre-IPO share option scheme as set out in note 28.

(vi) Distributability of reserves

At 31 December 2009, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2009 was RMB131,354,000 (2008: RMB209,761,000), excluding the share premium as disclosed in note 30(b)(i) above. After the balance sheet date, the directors proposed a final dividend of HK$6.8 cents (equivalent to RMB6 cents) per ordinary share (2008: HK$11 cents (equivalent to RMB9.69 cents) per ordinary share), amounting to RMB120,000,000 (2008: RMB193,834,000). This dividend has not been recognised as a liability at the balance sheet date.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Reserves *(Continued)*

(vii) Reserves of the Company

	Note	Share premium RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Equity component of convertible bonds RMB'000	Warrant reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2008		—	—	—	—	—	—	—
Changes in equity for 2008								
Issue of new shares	30(a)	1,076,820	—	—	—	—	—	1,076,820
Equity settled share-based payment	30(b)(v)	—	—	6,604	—	—	—	6,604
Total comprehensive income for the year		—	(6,587)	—	—	—	209,761	203,174
Balance at 31 December 2008		1,076,820	(6,587)	6,604	—	—	209,761	1,286,598
Balance at 1 January 2009		**1,076,820**	**(6,587)**	**6,604**	**—**	**—**	**209,761**	**1,286,598**
Changes in equity for 2009								
Dividends approved in respect of the previous year	30(c)(iii)	**—**	**—**	**—**	**—**	**—**	**(193,834)**	**(193,834)**
Issue of convertible bonds with warrants	27	**—**	**—**	**—**	**43,166**	**11,906**	**—**	**55,072**
Equity settled share-based payment	30(b)(v)	**—**	**—**	**8,343**	**—**	**—**	**—**	**8,343**
Total comprehensive income for the year		**—**	**(5,804)**	**—**	**—**	**—**	**115,427**	**109,623**
At 31 December 2009		**1,076,820**	**(12,391)**	**14,947**	**43,166**	**11,906**	**131,354**	**1,265,802**

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Dividends

(i) Dividend declared and paid prior to the Listing

	2009 RMB'000	2008 RMB'000
Dividends declared and paid prior to the Listing	—	152,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Dividends declared prior to the Listing presented in 2008 represent dividends declared by subsidiaries of the Company to their then shareholders prior to the Reorganisation. The dividend rates and number of shares ranking for the dividends declared and paid prior to the Listing are not presented as such information is not meaningful having regard to the purpose of these financial statements.

(ii) Dividends payable to equity shareholders of the Company attributable to the year

	2009 RMB'000	2008 RMB'000
Final dividend proposed after the balance sheet date of HK$6.8 cents (equivalent to RMB6 cents) per ordinary share (2008: HK$11 cents (equivalent to RMB9.6917 cents per ordinary share))	120,000	193,834

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Dividends *(Continued)*

(iii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009 RMB'000	2008 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$11 cents (equivalent to RMB9.6917 cents) per ordinary share (2008: Nil)	**193,834**	—

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by equity attributable to the shareholders of the Company. Net debt is calculated as total bank and other loans and Convertible Bonds less cash and cash equivalents and restricted bank deposits secured against bank loans.

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Capital management *(Continued)*

The gearing ratio at 31 December 2009 and 2008 was as follows:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Current liabilities		
— Bank loans	**982,154**	488,790
— Other loans	**95,640**	123,950
	1,077,794	612,740
Non-current liabilities		
— Bank loans	**790,662**	444,417
— Other loans	**372,880**	36,790
— Convertible bonds	**551,288**	—
	1,714,830	481,207
Total debt	**2,792,624**	1,093,947
Less: Cash and cash equivalents	**(2,364,987)**	(927,721)
Restricted bank deposits secured against bank loans	**(60,000)**	(100,000)
Net debt	**367,637**	66,226
Total equity attributable to equity shareholders of the Company	**3,124,357**	2,940,132
Gearing ratio	**11.8%**	2.3%

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, other loans and convertible bonds disclosed in notes 23, 24 and 27 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit and total equity by approximately RMB3,086,000 (2008: RMB6,044,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2008.

(b) Credit risk

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Credit risk *(Continued)*

In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Liquidity risk *(Continued)*

	2009				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	1,772,816	1,863,059	1,046,175	669,180	147,704
Other loans	468,520	549,339	126,381	157,454	265,504
Convertible bonds	551,288	827,282	32,997	32,997	761,288
Trade and other payables and accruals	2,040,030	2,040,030	1,932,034	36,304	71,692
Tax payable	157,141	157,141	157,141	—	—
	4,989,795	5,436,851	3,294,728	895,935	1,246,188

	2008				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	933,207	1,001,546	541,388	439,708	20,450
Other loans	160,740	170,711	133,013	37,698	—
Trade and other payables and accruals	1,940,923	1,940,923	1,850,926	37,781	52,216
Tax payable	106,842	106,842	106,842	—	—
	3,141,712	3,220,022	2,632,169	515,187	72,666

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign exchange risk

The Group is exposed to currency risk primarily through bank deposits and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars.

The following table details the Group's exposure at 31 December 2009 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2009		2008	
	United States Dollars '000	**Hong Kong Dollars '000**	United States Dollars '000	Hong Kong Dollars '000
Cash and cash equivalents	**145**	**2,753**	147	72
Bank loans	**—**	**(68,043)**	—	—
Gross exposure arising from recognised assets and liabilities	**145**	**(65,290)**	147	72
Notional amount of forward exchange contract	**—**	**68,043**	—	—
Overall net exposure	**145**	**2,753**	147	72

A reasonably possible change of 5% (2008: 5%) in the foreign exchange rate of Hong Kong Dollars and United States Dollars against RMB would not have a material impact on the Group's profit and total equity.

(e) Fair value

The methods and assumptions used in estimating the fair value of convertible bonds and the embedded redemption call and put options are set out in note 27.

Unlisted investments for which their fair values cannot be reliably measured are stated at cost less impairment losses. The fair values of the other financial assets and liabilities are considered to approximate their carrying amounts.

32 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements are as follows:

	2009	2008
	RMB'000	*RMB'000*
Authorised but not contracted for	**6,690,626**	7,955,669
Contracted but not provided for	**1,758,903**	1,695,217
	8,449,529	9,650,886

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.

(b) Commitments for operating leases

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 1 year	**655**	772
After 1 year but within 5 years	**1,200**	1,618
After 5 years	**—**	662
	1,855	3,052

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

33 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 31 December 2009 is as follows:

	2009	2008
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**2,472,712**	1,690,351

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

34 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2009, major related party transactions entered by the Group are as follows:

		2009	2008
	Note	***RMB'000***	*RMB'000*
Sales of properties	(a)	**93,978**	296,173
Rental expenses	(b)	**461**	461
Interest expenses	(c)	**7,366**	—

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) During the year, the Group sold commercial properties at a consideration of RMB93,978,000 (2008: RMB296,173,000) to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The unsettled amount at 31 December 2009 amounted to RMB112,347,000 (2008: RMB88,851,000) (note 20(c)). The outstanding amount is unsecured, interest free and recoverable on demand.

(b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr Wu Po Sum has significant interest.

(c) The amount represented interest expenses in relation to an advance from minority interests of a subsidiary which is interest bearing at 12% per annum.

35 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Disposal during the year ended 31 December 2009

On 12 March 2009 the Group entered into a sale and purchase agreement pursuant to which Countrystar, in which the Group has a 65% interest, agreed to dispose a 100% equity interest in Wanda & Central China Retail Mall (Luoyang) Company Limited, which holds a property development project in Luoyang at a consideration of RMB50 million.

The disposal had the following effect on the Group's assets:

	RMB'000
Trade and other receivables	4,514
Properties for sale	38,012
Net identifiable assets	42,526
Consideration received	50,000

35 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES *(Continued)*

Acquisition of Artstar during the year ended 31 December 2008 and acquisition of additional interest in Artstar during the year ended 31 December 2009

On 11 May 2007 and 24 February 2008, the Group entered into a cooperation development and equity interest transfer agreement ("the Cooperation Agreement"), and a supplemental agreement to the Cooperation Agreement pursuant to which Artstar, in which the Group has a 65% interest, agreed to acquire a 100% equity interest in Luoyang Zhongya, which holds a property development project in Luoyang, through acquisition of Country Star at a consideration of RMB350 million. Upon completion of the transaction on 30 December 2008, the Group has an indirect 65% equity interest in Luoyang Zhongya and Country Star.

The acquisition had the following effect on the Group's assets and liabilities:

	Carrying amount *RMB'000*	**Adjustments** *RMB'000*	**Recognised values on acquisitions** *RMB'000*
Property, plant and equipment	660	—	660
Trade and other receivables	20,413	—	20,413
Deposits and prepayment	105,370	—	105,370
Prepaid tax	1,664	—	1,664
Properties for sale	133,943	299,357	433,300
Cash and cash equivalents	51,155	—	51,155
Receipts in advance	(142,946)	—	(142,946)
Trade and other payables and accruals	(119,616)	—	(119,616)
Net identifiable assets and liabilities	50,643	299,357	350,000
Consideration paid			350,000
Cash and cash equivalents acquired			(51,155)
Net cash outflow			298,845

35 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES *(Continued)*

Acquisition of Artstar during the year ended 31 December 2008 and acquisition of additional interest in Artstar during the year ended 31 December 2009 *(Continued)*

On 25 May 2009, the Group entered into a share transfer agreement with a minority shareholder of Artstar, pursuant to which the Group agreed to acquire 9.99% equity interest in Artstar along with interests in shareholder's loan from the minority shareholder at a total consideration of RMB75 million.

On 25 August 2009, the Group entered into another share transfer agreement with the remaining minority shareholders of Artstar, pursuant to which the Group agreed to acquire an additional 20.01% equity interest in Artstar at a total consideration of HK$100 million (equivalent to RMB88 million).

Subsequent to the acquisitions, the Group's equity interest in Artstar increased from 65% to 95%. The total premium of RMB93.1 million from the acquisitions is dealt with in equity in accordance with the accounting policy set out in note 2(d).

36 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the financial statements are 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 effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment provision for construction in progress

As explained in note 2(i)(ii), the Group makes impairment provision for the construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

36 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(b) Provision for completed properties held for sale and properties held for future development and under development for sale

As explained in note 2(l), the Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

36 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(e) PRC Corporate Income Tax and PRC Land Appreciation Tax

As explained in note 7, the Group is subject to PRC Corporate Income Tax and PRC Land Appreciation Tax under both authorised taxation method or audited taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

36 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(g) Valuation of investment properties

All investment properties of the Group are revalued as at the balance sheet date by independent professionally qualified valuers, on an open market value basis. The completed investment properties are valued by reference to the net income with allowance for reversionary income potential. For investment properties under development, their valuation are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalisation rate.

(h) Estimation of fair value of derivative financial instruments

Redemption call and put options embedded to convertible bonds of the Group are classified as derivative financial instruments and stated at fair value at each balance sheet date. The fair value of these options is measured based on the assumptions set out in note 27. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

37 NON-ADJUSTING POST-BALANCE SHEET EVENT

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 30(c)(ii).

38 COMPARATIVE FIGURES

As a result of adopting HKAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

(Expressed in Renminbi)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), *Business combinations*	1 July 2009
Amendments to HKAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendments to HKAS 39, *Financial instruments: Recognition and measurement — Eligible hedged items*	1 July 2009
HK(IFRIC) 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

The group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

A summary of the consolidated results and of the consolidated assets, liabilities and minority interests of the Group for the last five financial years prepared on the basis as hereunder stated is as set out below:

CONSOLIDATED RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**2,739,831**	3,226,996	1,821,663	1,261,265	1,096,024
Profit before tax	**651,352**	959,383	305,545	185,646	99,882
Income tax	**(223,221)**	(304,454)	(134,977)	(52,891)	(50,390)
Profit for the year	**428,131**	654,929	170,568	132,755	49,492
Attributable to:					
Equity holders of the Company	**405,326**	653,301	164,988	141,013	55,183
Minority interests	**22,805**	1,628	5,580	(8,258)	(5,691)
	428,131	654,929	170,568	132,755	49,492
Earnings per share *(RMB cents)*					
— Basic	**20.27**	32.67	8.25	7.05	2.76
— Diluted	**20.15**	32.67	8.25	7.05	2.76

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets	**563,128**	506,804	513,729	434,254	364,902
Current assets	**9,583,525**	6,735,546	5,044,793	3,404,310	2,117,004
Total assets	**10,146,653**	7,242,350	5,558,522	3,838,564	2,481,906
Liabilities					
Current liabilities	**5,045,087**	3,607,775	3,634,537	2,515,360	1,893,747
Non-current liabilities	**1,781,873**	544,653	449,184	513,088	387,160
Total liabilities	**6,826,960**	4,152,428	4,083,721	3,028,448	2,280,907
Net assets	**3,319,693**	3,089,922	1,474,801	810,116	200,999
Equity					
Total equity attributable to equity shareholders of the Company	**3,124,357**	2,940,132	1,330,287	736,958	147,621
Minority Interests	**195,336**	149,790	144,514	73,158	53,378
Total equity	**3,319,693**	3,089,922	1,474,801	810,116	200,999

Notes: The summary of the consolidated results of the Group for the years ended 31 December 2005, 2006 and 2007 were extracted from the Company's prospectus dated 26 May 2008 (the "Prospectus"). Such summary was prepared as if the group reorganisation had been completed throughout these financial years.

The summary of the consolidated assets, liabilities and equity as at 31 December 2005, 2006 and 2007 were extracted from the Prospectus. Such summary was prepared on the same basis as above.