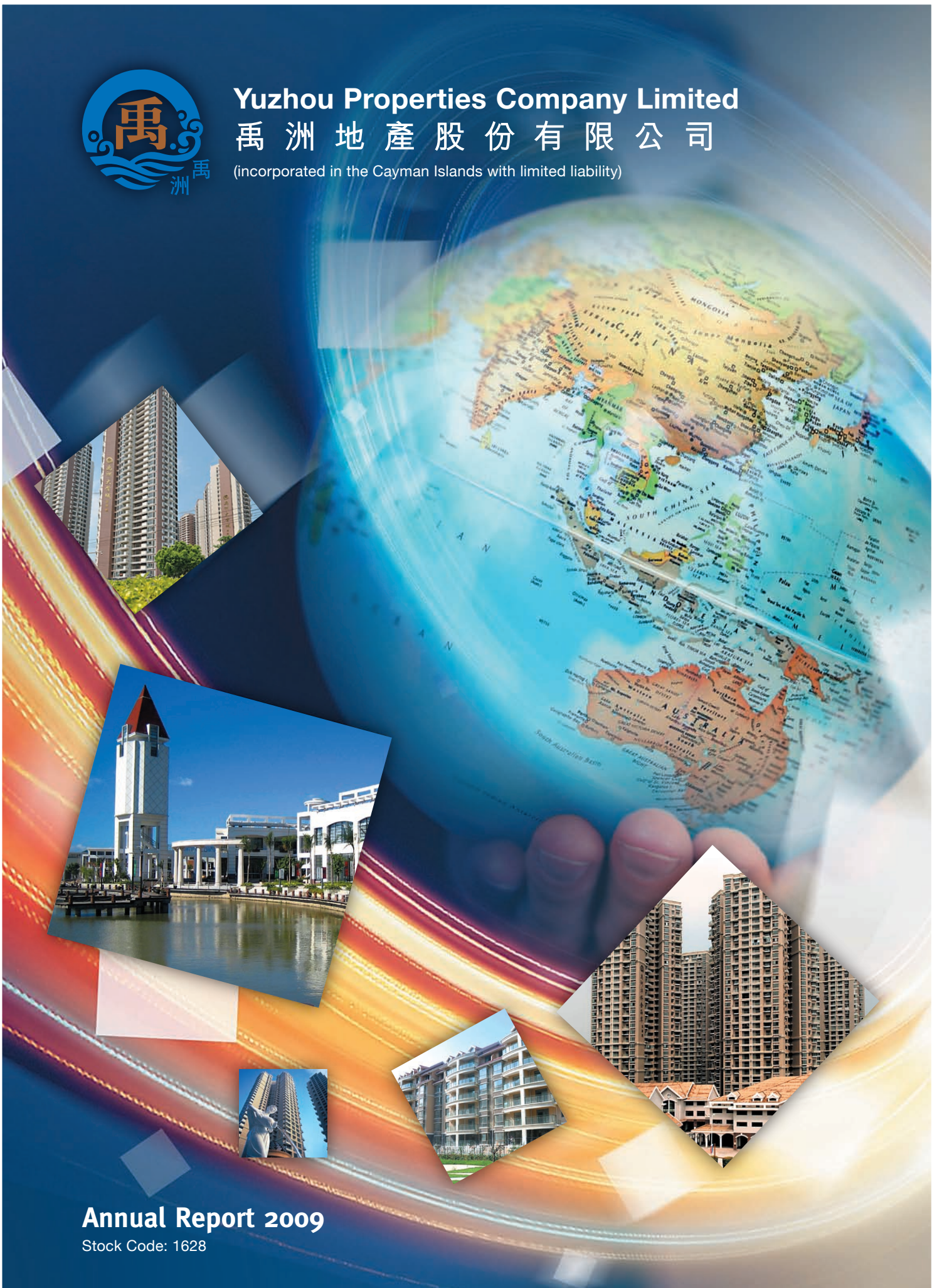




Yuzhou Properties Company Limited 禹洲地產股份有限公司

(incorporated in the Cayman Islands with limited liability)



Annual Report 2009

Stock Code: 1628

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Corporate Information

Executive Directors	Mr. Lam Lung On (<i>Chairman</i>) Ms. Kwok Ying Lan Mr. Lin Longzhi Mr. Lin Conghui
Independent Non-executive Directors	Mr. Gu Jiande Mr. Lam Kwong Siu Mr. Wee Henny Soon Chiang
Audit committee	Mr. Wee Henny Soon Chiang (<i>Chairman</i>) Mr. Gu Jiande Mr. Lam Kwong Siu
Remuneration committee	Mr. Gu Jiande (<i>Chairman</i>) Mr. Lam Lung On Mr. Wee Henny Soon Chiang
Nomination committee	Mr. Gu Jiande (<i>Chairman</i>) Mr. Lam Lung On Mr. Wee Henny Soon Chiang
Qualified accountant and company secretary	Mr. Chiu Yu Kang
Authorized representatives	Mr. Lam Lung On Ms. Kwok Ying Lan
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal administration and management center in the PRC	45 West Hubin Road Xiamen Fujian People's Republic of China
Principal place of business in Hong Kong	Unit 3208B, 32nd Floor AIA Tower 183 Electric Road North Point Hong Kong
Company's website	www.xmyuzhou.com.cn
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Auditor	Ernst & Young
Legal Advisors	Paul, Hastings, Janofsky & Walker (as to Hong Kong law) Conyers Dill & Pearman (as to Cayman Islands law)
Compliance advisor	Guotai Junan Capital Limited
Principal Bankers	Industrial and Commercial Bank of China China Construction Bank Corporation Agricultural Bank of China Bank of China (Hong Kong)

Income Statement Highlights

	Year ended 31 December		
	2009	2008	Change
Turnover (RMB'000)	1,991,801	1,759,803	13.18%
Gross profit (RMB'000)	988,129	749,567	31.83%
Gross profit margin	49.61%	42.59%	7.02%
Profit attributable to shareholders (RMB'000)	1,101,042	292,178	276.84%
Core net profit attributable to shareholders (RMB'000) (Profit attributable to shareholders excluding fair value gains on investment properties, net of deferred tax)	401,392	211,112	90.13%
Net profit margin	55.28%	16.60%	38.68%
Core net profit margin	20.15%	12.00%	8.15%
Basic earnings per share (RMB)	0.58	0.16	262.50%
Core earnings per share (RMB)	0.21	0.12	75.00%
Dividend per share (HK cents)	7.5	N/A	N/A

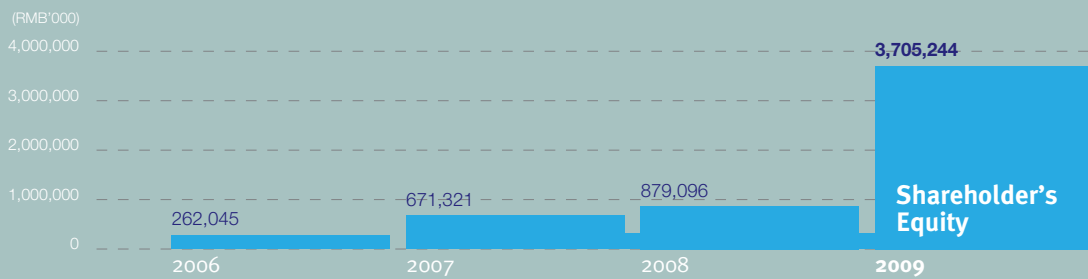
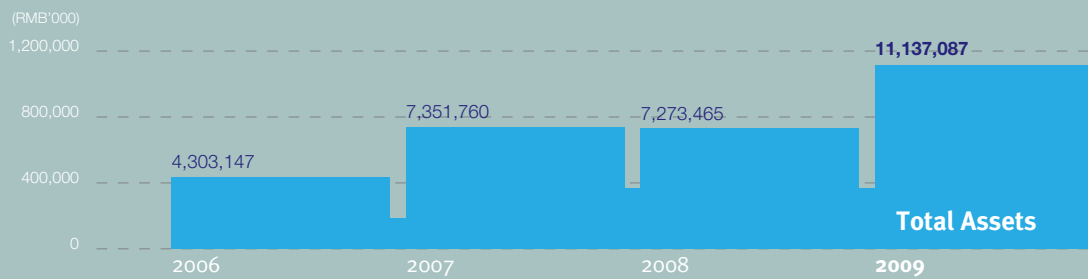
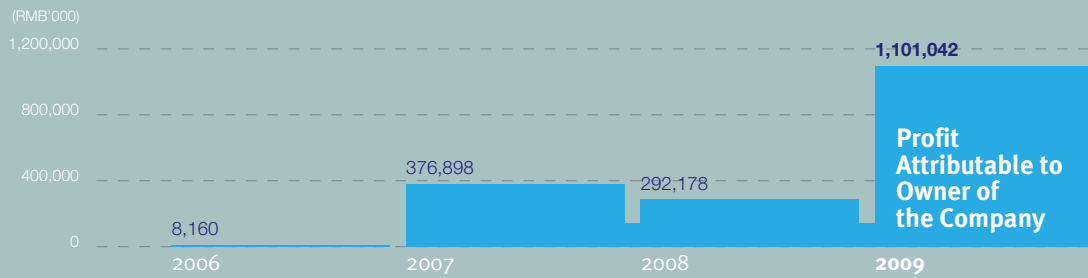
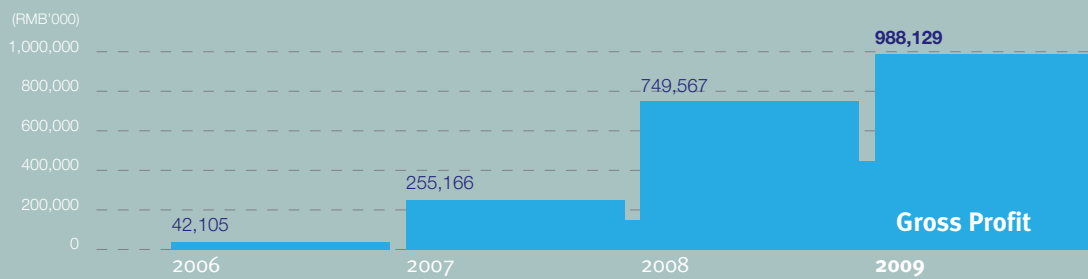
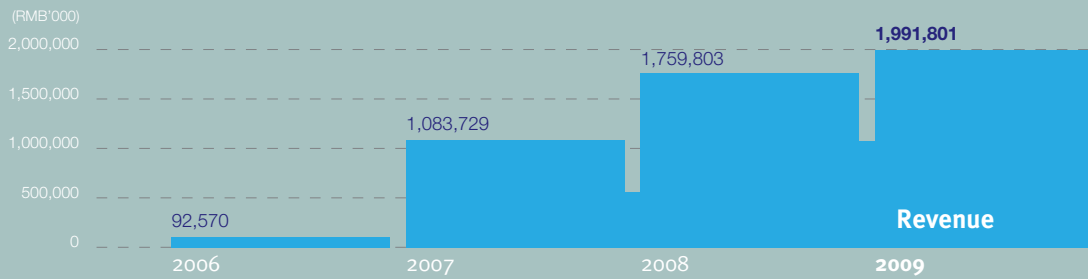
Statement of Financial Position Highlights

	As at 31 December		
	2009	2008	Change
Total assets (RMB'000)	11,141,799	7,273,465	53.18%
Cash and cash equivalents (RMB'000)	1,570,026	196,547	698.80%
Short-term loans (RMB'000)	783,000	971,553	(19.41%)
Long-term loans (RMB'000)	1,446,050	1,392,950	3.81%
Shareholders' equity (RMB'000)	3,705,244	879,095	321.48%
Return on equity (ROE)	29.72%	33.24%	(3.52%)
Total debt/Total assets	20.01%	32.51%	(12.50%)
Net debt/Shareholders' equity	17.79%	246.61%	(228.82%)

Financial Highlights

A summary of the results and of the assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 20 October 2009, is set out below:

	Year ended 31 December			
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
RESULTS				
REVENUE	1,991,801	1,759,803	1,083,729	92,570
Cost of sales	(1,003,672)	(1,010,236)	(828,563)	(50,465)
Gross profit	988,129	749,567	255,166	42,105
Other income and gains	5,410	6,499	329,699	10,398
Selling and distribution costs	(48,038)	(42,398)	(41,382)	(7,401)
Administrative expenses	(57,213)	(61,396)	(52,699)	(27,632)
Other expenses	(21,955)	(24,357)	(2,480)	(1,593)
Fair value gains on investment properties	932,094	108,088	73,396	840
Finance costs	(1,158)	(12,854)	(1,299)	—
PROFIT BEFORE TAX	1,797,269	723,149	560,401	16,717
Tax	(703,237)	(354,053)	(182,886)	(4,783)
PROFIT FOR THE YEAR	1,094,032	369,096	377,515	11,934
Attributable to:				
Owners of the Company	1,101,042	292,178	376,898	8,160
Minority interests	(7,010)	76,918	617	3,774
	1,094,032	369,096	377,515	11,934
As at 31 December				
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
ASSETS, LIABILITIES AND MINORITY INTERESTS				
TOTAL ASSETS	11,141,799	7,273,465	7,351,760	4,303,147
TOTAL LIABILITIES	(7,312,382)	(6,260,225)	(6,572,945)	(3,995,181)
MINORITY INTERESTS	(124,173)	(134,144)	(107,494)	(45,921)
	3,705,244	879,096	671,321	262,045



Yuzhou's Major Events of 2009

May

Xiamen Skyplaz Realty & Development Co., Ltd. (海天房地產有限公司), a subsidiary of the Company, participated in a land auction on 6 May 2009 and won the bid for the residential and commercial land No. 2009G11 located at Siming District in Xiamen with a GFA of 79,000 sq.m. for RMB226 million after 30 rounds of intense bidding. The land will be used for urban housing (residential), wholesale and retail (commercial) and transportation (BRT terminal composite development) purposes.



September

On 8 September 2009, Xiamen Yuzhou Group Realty Invest Co., Ltd. (廈門禹洲集團地產投資有限公司), a subsidiary of the Company acquired a parcel of land H2009G02 in Haicang District in Xiamen with an aggregate GFA of 301,000 sq.m. for RMB1.5 billion.



July

Mr. Lam Lung On, the Chairman of the Company, attended the 8th general meeting of the National Representatives of Returned Overseas Chinese and Family Members (全國歸僑僑眷代表大會) during 14 to 17 July 2009 and was elected as a member of the 8th Standing Committee of the All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會).



The "Yuzhou Group - Jimei University Base of Internship" was formally established on 24 July 2009. Mr. Lam Lung On, the Chairman of the Company, attended the press conference of the inauguration ceremony and entered into the Strategic Cooperation Agreement for "Yuzhou Group and Jimei University Base of Internship" with Jimei University on behalf of Yuzhou Group in respect of the cooperation.



On 14 September 2009, the Company and China Construction Bank signed a strategic alliance agreement in relation to a credit line of RMB4 billion.

November

The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 2 November 2009 (Stock code: 1628). Led by our Chairman, Mr. Lam Lung On, the senior management and the listing team of the Company attended the listing ceremony at the Hong Kong Stock Exchange.



December

On 26 December 2009, Xiamen Richville Development Ltd. (廈門貴豐房地產開發有限公司), a subsidiary of the Company acquired a parcel of land J2009P02 Site in Jimei District in Xiamen with an aggregate GFA of 535,000 sq.m. for RMB1.368 billion.

In December 2009, the Group celebrated the grand opening of the thanksgiving cultural festival "Thank you with a grateful heart" for its 15th anniversary.



Chairman's Statement

To Shareholders:

I hereby present to our shareholders the annual results of Yuzhou Properties Company Limited ("Yuzhou Properties" or the "Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2009.

Earnings for the year

For the year ended 31 December 2009, turnover and gross profit of the Group amounted to approximately RMB1,991.80 million and RMB988.13 million, respectively, representing an increase of 13% and 32% respectively as compared with the previous year. Profit attributable to shareholders and core net profit attributable to shareholders were approximately RMB1,101.04 million and RMB401.39 million, representing a significant increase of 277% and 90% respectively as compared with the previous year. Basic earnings per share and core earnings per share were approximately RMB58 cents and RMB21 cents, respectively. Core net profit margin increased to over 20%.

Dividend

To requite the continuous support and trust from shareholders, and taking into account the needs for the Group's future development, the Board of Yuzhou Properties Company Limited has resolved to declare a final dividend for the year ended 31 December 2009 of HK7.5 cents per share, representing a payout ratio of approximately 40% of core net profit, which is higher than the 30% target payout ratio as mentioned in the prospectus.

Business Review

Since 2009, with the stimulation brought forth by the implementation of the economic stimulus package by the central government, the property market had seen the reversal of the market adjustment followed by the gradual heating up of the market. With the market being awash with liquidity, property investment, price and transaction volume increased remarkably. Under the State policies, the market demand was spurred, with the property price and transaction volume started picking up since the second quarter.

The Group adjusted its marketing strategies timely in response to the changes in the market. With the synergy of favorable policies and increased market demand, the sale of the Group's properties achieved satisfactory results during the year. For instance, the sale of Yuzhou Yuanbo City (禹洲 • 園博學府) was strong and ranked top in Xiamen in terms of the monthly property transactions; the market response for Yuzhou Coastline (禹洲 • 領海) (previously named as Yuzhou Golden Seacoast Phase II) was overwhelming, while Yuzhou Jinqiao International (禹洲 • 金橋國際) was also well-received. The Group is the leading property developer in Xiamen in 2009 with a market share of approximately 9.1%. In addition, during the year, gross floor area ("GFA")

contractually sold was approximately 490,000 sq.m. with corresponding contracted sales amount of approximately RMB3.9 billion, of which an estimated 90% of the contracted GFA sold is expected to be recognized in 2010.

For the commercial properties, the commercial portion of Yuzhou World Trade Center (禹洲•世貿商城) Phase II, which is under the management of Yuzhou Commercial Investment & Management Co., Ltd. of the Group, commenced operation successfully in early 2009, and Yuzhou Haicang World Trade Plaza (海滄禹洲•世貿生活廣場) commenced operation in November 2009. This lifted the investment properties portfolio of the Group more than double from approximately 30,000 sq.m. in the previous year to approximately 80,000 sq.m. in this year. Based on the current progress of development, we expect that our completed GFA of investment properties will increase to over 400,000 sq.m in the coming years which will significantly widen the earning basis of the Group.

Land Reserves

As a leading real estate developer based in the West Strait Economic Zone, the Group successfully completed the listing on the Main Board of the Hong Kong Stock Exchange during the year. This provides the Company with funding support for the future acquisition of prime land resources. We place emphasis on accumulating prime land reserves in certain major cities in the West Strait Economic Zone. We are continuing to increase our land reserves in Xiamen, as the focus of our business, in order to maintain our leading position in the region. Meanwhile, we are also targeting at our neighbouring cities such as Quanzhou where we aim to source land with high appreciation potential so as to further strengthen our competitiveness in the West Strait Economic Zone.

High quality land reserves were acquired by us at low cost through various means after our listing on 2 November 2009. In December 2009, the Company acquired a parcel of land in Jimei District through public land auction. Located along Xiamen's western coastline with marvelous sea view, the land has a site area of more than 120,000 sq.m., an aggregate GFA of approximately 540,000 sq.m. and a land cost of approximately RMB2,500 per sq.m.. In November 2009, the Company acquired through project acquisition a parcel of land in Haicang District, the Yuzhou Hai Cang site, which is located near the famous Orient (Xiamen) Golf course (廈門東方高爾夫球場), with a site area of 56,000 sq.m., an aggregate GFA of approximately 90,000 sq.m and a land cost of approximately RMB1,500 per sq.m.. In addition, in November 2009, the Company acquired through equity acquisition a parcel of land in Kangqiao District, which is located in the Shanghai Disneyland Economic Zone, with a site area, an aggregate GFA of and a land cost of approximately 13,000 sq.m., 50,000 sq.m. and RMB3,600 per sq.m., respectively. The above-mentioned quality new land reserves had an average land cost of approximately RMB2,500 per sq.m., which is substantially below the current market level, and are expected to contribute to the Group's earnings notably in the future.

As at 31 December 2009, the aggregate GFA of the Company's land reserves was approximately 3.90 million sq.m., with average land cost at a low level of only approximately RMB1,600 per sq.m, of which the GFA of completed and unsold properties amounting to approximately 110,000 sq.m., the GFA of projects under development amounting to approximately 1.54 million sq.m and the GFA of projects held for future development amounting to approximately 2.25 million sq.m.

Property Management

Property management has always been the focus of our business and serves as the basis of our after-sale services and brand enhancement. Huaqiao City Property Management Co., Ltd. (華僑城物業管理公司), a subsidiary of the Group, is committed to providing residents with safe, comfortable, convenient and high quality property management services, and will continue to heed and respond to demands and suggestions for improvement. We are continuing to improve our standard of services and we strive to provide property management services at a professional level.

Investor Relations

During the year, the Company raised its profile among investors and met various institutional investors after its successful listing in Hong Kong. Current development and future plans of the Company were explained to investors. We successfully won recognition from investors and such interactions have also greatly helped us to enhance and improve our business development and management capability.

Social Responsibilities

One of our corporate mission is "Serve the community and requite the community" (服務社會 · 回報社會). Alongside the Company's development, we always keep this in our mind. Yuzhou Properties is committed to its social responsibilities of being a good corporate citizen. We have actively participated in various charity programmes, such as Project Hope, and other charitable activities such as those concerning cultural education, relief activities, environmental protection, medical healthcare and urban transportation.

Future Outlook

Regarding future development in the property market in China, although the market may face consolidation in the short term, the chance of a plunge in property price is slim as the investment in property market is expected to keep growing at a fast pace in the year of 2010 due to improving sentiment in macro-economic environment, increasing income of residents, ample liquidity and changes to consumption pattern.

We will continue to focus on our corporate spirit of “Operating faithfully with sustaining development” (誠信經營，永續發展), based on which we will conduct business with faith in enhancing our resources and brands. We will continue to strengthen the Xiamen headquarter to be our major focus with sub-centres in other cities in the West Strait Economic Zone such as Fuzhou and Quanzhou. We also aim at developing our secondary quarter in Shanghai, with sub-branches in Yangtze River Delta Area such as Anhui and Jiangsu, as well as to explore the real estate market in other first and second-tier cities, gradually implementing a nationwide development strategy. Continuous market investigations, comprehensive analysis and evaluation will be carried out based on the Group's development needs to identify suitable projects with good prospects. We will grasp opportunities during any consolidation in the market to replenish our land reserves through acquisition or public auction. In 2010, we aim to expand into 2-3 new cities while at the same time continuing to increase our land reserves in Xiamen. Our target is to increase the GFA of our land reserves by not less than 3 million sq.m. in 2010 and to reach an aggregate land reserves with GFA of not less than 10 million sq.m. by the end of 2012.

With the continued expansion in our business, our targeted GFA started and completed in 2010 are approximately 1.1 million sq.m. and 760,000 sq.m., respectively. In 2010, 8 projects are expected to be completed and delivered, with a GFA recognized of approximately 580,000 sq.m. (of which GFA of approximately 448,000 sq.m. has been locked in through pre-sale in 2009). Our targeted GFA sold in 2010 is not less than 560,000 sq.m, with a corresponding sales amount of not less than RMB6 billion, representing targeted increases of approximately 14% and 56% from 2009, respectively.

The Company has shown strong mission in its corporate responsibility after its successful listing and has formulated a comprehensive development blueprint, ensuring the shareholders and investors of the Company to be rewarded as the Company's business continues to grow in the future. While increasing our land reserves remains as a major focus, the Company will continue to strengthen its management, improve its efficiency and keep proper control over its costs.

Appreciation

In 2009, Yuzhou has entered into its 15th year of development. On behalf of the Board, I would like to express my sincere gratitude for the continuous support from our shareholders and efforts and contributions made by our staff, which are essential to Yuzhou's future development.

Chairman

Lam Lung On

Hong Kong, 30 March 2010




Yuzhou Gushan No. One.

A villa project nestled in the hills adjacent to the Gu Shan National Park.

Management Discussion and Analysis

We are continuing to focus on our corporate spirit of **“Operating Faithfully with Sustaining Development”**.



Focusing on West Strait Economic Zone and seeking opportunities in other regions.

Management Discussion and Analysis

Business Review

In the year 2009, China as well as other countries around the world experienced economic turmoil. Yet, during the year, benefitting from the moderate easing monetary policy, the China economy as a whole saw a recovery at a resilient pace with early termination of the property market adjustment. The market heated up with vigorous sales uptick, active transaction volumes and escalated property prices. Timely responding to the market trend, the Group seized the market opportunities, accelerated the property development and thus recorded historical sales results.

Overall Performance

During the year, turnover of the Group was approximately RMB1,991.80 million, representing an increase of 13% as compared with the previous year. Gross profit was approximately RMB988.13 million, representing an increase of 32% as compared with the previous year. Gross profit margin ramped up significantly from approximately 43% in the previous year to approximately 50%. Profit attributable to shareholders was approximately RMB1,101.04 million, representing an increase of 277% as compared with the previous year. Basic earnings per share was RMB58 cents. Core profit attributable to shareholders amounted to RMB401.39 million, representing an increase of 90% over last year. Core earnings per share was RMB21 cents. The Board proposed a final dividend of HK\$180 million with HK7.5 cents per share, for the year ended 31 December 2009.

Land Reserves

The Group possesses quality land reserves with low land cost. As of 31 December 2009, the aggregate GFA of the Group's land reserves was 3.90 million sq.m., which are located in four first and second tier cities in the West Strait Economic Zone and the Yangtze River Delta Region, with an average land cost of approximately RMB1,600 per sq.m.. The Group believes that its land reserves currently held and managed are sufficient for the future development for five to six years.



Yuzhou Yuanbo City



Yuzhou Huaqiao City



Yuzhou Zun Hai

Region	GFA (sq.m.)
West Strait Economic Zone	
Xiamen	2,133,633
Fuzhou	381,612
Sub-Total	2,515,245
Yangtze River Delta Region	
Shanghai	241,595
Hefei	1,144,260
Sub-Total	1,385,855
Total	3,901,100

During the year, the Group acquired 5 new parcels of quality land with an aggregate GFA of 1,030,197 sq.m., at an average land cost of approximately RMB3,300 per sq.m., which is far below the market level. The new parcels of land acquired are located in Shanghai and Xiamen, and are expected to provide satisfactory returns to the Group in the next two to three years.

Management Discussion and Analysis

Particulars of these parcels of land are set out in the following table:

Name of Project	City	Acquisition Cost (RMB'000)	GFA (sq.m.)	Land cost per sq.m. (RMB)
West Strait Economic Zone				
F1 Plaza site	Xiamen	226,000	55,000	4,109
Yuzhou Zun Hai site	Xiamen	1,500,000	301,000	4,983
Yuzhou Hai Cang site*	Xiamen	134,000	89,956	1,490
Jimei District site*	Xiamen	1,368,000	535,000	2,557
Sub-total		3,228,000	980,956	3,291
Yangtze River Delta Region				
Kangqiao site*	Shanghai	175,000	49,241	3,554
Sub-total		175,000	49,241	3,554
Total		3,403,000	1,030,197	3,303

* Lands acquired subsequent to the listing of the Company on 2 November 2009

Sale of Properties

Recognized area sold and recognized sales of each project in 2009 are set out in the following table:

Name of Project	City	GFA (sq.m.)	Amount (RMB'000)	Average Selling Price (RMB)
West Strait Economic Zone				
Galaxy Garden	Xiamen	36,302	302,042	8,320
Phase I of Yuzhou World Trade Center	Xiamen	43,053	612,924	14,236
Yuzhou Golden Seacoast	Xiamen	55,846	346,883	6,211
Others	Xiamen	12,521	54,499	4,353
Sub-Total		147,722	1,316,348	8,911
Yangtze River Delta Region				
Phase I of Yuzhou Jinqiao International	Shanghai	391	5,535	14,156
Phase II of Yuzhou Jinqiao International	Shanghai	38,453	619,001	16,098
Sub-Total		38,844	624,536	16,078
Total		186,566	1,940,884	10,403

In 2009, the Group recognized sales and area sold of RMB1,940.88 million and approximately 186,566 sq.m., representing an increase of 13% and a decline of 3% as compared with 2008 respectively. The average selling price per sq.m. rose from RMB8,892 in 2008 to RMB10,403 in 2009. Among the recognized sales, the amount of Xiamen was RMB1,316.35 million, representing 68% of the total recognized sales and an increase of 7% as compared with 2008. The recognized total area sold in Xiamen was 147,722 sq.m., representing a decrease of 13% as compared with 2008. The recognized sales in Shanghai was RMB624.54 million, representing 32% of the total recognized sales and an increase of 107% as compared with 2008. The recognized total area sold in Shanghai was 38,844 sq.m., representing an increase of 69% as compared with 2008.

Contracted sales and area of each project in 2009 are set out in the following table:

Name of Project	City	GFA (sq.m.)	Amount (RMB'000)	Average Selling Price (RMB)
West Strait Economic Zone				
Phase I of Yuzhou Golden Seacoast	Xiamen	104,586	812,849	7,772
Phase I of Yuzhou World Trade Center	Xiamen	10,826	133,464	12,328
Phase II of Yuzhou World Trade Center	Xiamen	23,861	314,978	13,201
Yuzhou Yuanbo City	Xiamen	174,449	769,252	4,410
Galaxy Garden	Xiamen	56,821	503,762	8,866
Phase II of Oriental Venice	Fuzhou	3,224	48,280	14,975
Others	Xiamen	7,940	70,330	8,858
Sub-Total		381,707	2,652,915	6,950
Yangtze River Delta Region				
Phase I of Yuzhou Jinqiao International	Shanghai	63	690	10,952
Phase II of Yuzhou Jinqiao International	Shanghai	14,222	197,262	13,870
Phase III of Yuzhou Jinqiao International	Shanghai	51,042	817,363	16,014
Phase I of Yuzhou Huaqiao City	Hefei	45,929	184,230	4,011
Sub-Total		111,256	1,199,545	10,782
Total		492,963	3,852,460	7,815

In 2009, the contracted sales area of the Group was approximately 490,000 sq.m. and the contracted sales was RMB3,852.46 million, representing an increase of 393% and 247% respectively as compared with 2008. Among the contracted sales, the amount in Xiamen was RMB2,652.92 million, representing 69% of the total contracted sales and an increase of 314% as compared with 2008. The total contracted sales area in Xiamen was 381,707 sq.m., representing an increase of 418% as compared with 2008. During the year, the Group had maintained its leading position in the Xiamen market, and had been the largest residential property developer in terms of contracted sales area, with a market share of 9.1%. The contracted sales in Shanghai was RMB1,015.32 million, representing 26% of the total contracted sales and an increase of 117% as compared with 2008. The total contracted sales area in Shanghai was 65,327 sq.m., representing an increase of 147% as compared with 2008. The contracted sales and the contracted sales area in Hefei were RMB184.23 million and 45,929 sq.m. respectively, representing 5% and 9% of the total contracted sales and the total contracted sales area respectively. In 2008, the Group had no contracted sales in Hefei.

Management Discussion and Analysis

Investment Properties

Phase I and II of Yuzhou World Trade Center (Xiamen)

The revenue of World Trade Center in Xiamen during the year was derived from the mall and amounted to RMB25.01 million (2008: RMB21.56 million), representing an increase of 16.0%. During the year, the mall at Phase I of World Trade Center continued to maintain high occupancy rate of approximately 100% (2008: 98%). The occupancy rate of Phase II of World Trade Center was 60% as it just commenced operation during the year. We expect the occupancy rate of Phase II of World Trade Center will increase to the level of Phase I of World Trade Center in the coming year. The mall not only managed to retain the existing tenants but also has attracted new tenants of renowned brands such as PCD Stores and Walmart.

Yuzhou Golden Seacoast (Xiamen)

The project, Yuzhou World Trade Plaza (禹洲 • 世貿生活廣場), has an area of approximately 40,000 sq.m. which comprises Phase I and Phase II. Solicitation of retail tenants will be carried out in phases. The plaza will be our commercial flagship in Hai Cang District in Xiamen with large-scaled complexes, supermarkets and department stores. Initial business solicitation for the commercial section of Phase I is still in progress as delivery of the residential units of Phase I had just started. No rental income was recorded as of 31 December 2009. Upon delivery of the remaining residential units of Phase I and Phase II in 2010, Yuzhou World Trade Plaza (禹洲 • 世貿生活廣場) is expected to generate a considerable increase in rental income for the Group in the future.

Yuzhou Jinqiao International Phase I and Phase II (Shanghai)

Yuzhou Jinqiao International is designed as a one-stop commercial complex with approximately 16,000 sq.m. and features famous brands. Business solicitation for Phase I and Phase II, comprising approximately 8,500 sq.m., had been carried out throughout 2009 and operation had now commenced.

Hotel operation

The Group continues to expand our hotel business in a progressive manner so as to build a diversified property portfolio. We believe that the expansion into hotel industry would widen the source and stability of revenue, and reduce the risks of over reliance on any particular real estate segment. The hotel of the Group is still under development and construction. There was no income generated from hotel operation during the year.

Property Management

The Group aims at providing quality property management services to, and creating a warm and harmonious community, for our respected residents. The Group has committed to continuously improving the living environment and enhancing service quality in order to maintain high level of customer satisfaction.

In 2009, the property management service companies of the Group recorded property management fee income of RMB25.91 million, representing an increase of 18.9% as compared with 2008. As at 31 December, 2009, the aggregate GFA managed by the property management service companies of the Group in the PRC was approximately 1.2 million sq.m., and these companies serviced more than 11,000 owners.

Gross Profit

The gross profit of the Group increased by 32% from RMB749.58 million in 2008 to approximately RMB988.13 million in 2009. The gross profit margin increased from 43% in 2008 to 50% in 2009. It was mainly due to an increase in average selling price and reduction in costs of sales of the projects. The ratio of land cost to average selling price was maintained at low level of 17.7%, such ratio is expected to remain at a low level in the coming years.

Expenses on selling and marketing costs

Selling and marketing expenses of the Group increased by 13% from approximately RMB42.4 million in 2008 to approximately RMB48.04 million in 2009. It was mainly due to the extensive promotion programs for the new property projects. Substantial investment for advertising in the market increased the costs of advertising by 68% from approximately RMB15.83 million in 2008 to approximately RMB26.67 million in 2009. In addition, pre-sale of new property projects such as Phase I of Yuzhou Huaqiao City and Yuzhou Coastline commenced in 2009 led to a rise in selling and marketing costs during the year.

Administrative Expenses

Administrative expenses of the Group decreased by 7% from approximately RMB61.4 million in 2008 to approximately RMB57.21 million in 2009. It was mainly because certain administrative expenses in 2008 had been reclassified as cost of sales in 2009.

Fair Value Gains on Investment Properties

The following table set forth the components of the fair value gain on investment properties for the years indicated.

	2009 (RMB'000)	2008 (RMB'000)
Kindergarten at Phase II of Yuzhou Overseas City	—	(1,700)
The Mall at Phase I of Yuzhou World Trade Center	174,000	56,000
The Mall at Phase II of Yuzhou World Trade Center	560,062	—
Phase I of Yuzhou Jinqiao International	—	53,788
Phase II of Yuzhou Jinqiao International	54,688	—
Phase I of Yuzhou Golden Seacoast	143,344	—
Total	932,094	108,088

Management Discussion and Analysis

Fair value gains on investment properties increased from RMB108.09 million in 2008 to RMB932.090 million in 2009. It was mainly due to the completion of investment properties of Phase II of Yuzhou World Trade Center, Yuzhou Golden Seacoast and the Mall at Phase II of Yuzhou Jinqiao International, in respect of which the values of these projects were accounted for using the fair value instead of the cost. The increase was also attributed to the appreciation in value of the investment property of the Mall at Phase I of Yuzhou World Trade Center.

Profit attributable to shareholders

Profit attributable to shareholders increased by 277% from approximately RMB292.18 million in 2008 to approximately RMB1,101.04 million in 2009. Core profit attributable to shareholders increased by 90% from approximately RMB211.11 million in 2008 to RMB401.39 million in 2009.

Financial Review

Borrowings

The Group will continue to comply with the prudent financial policies.

As at 31 December 2009, the Group had bank borrowings of RMB2,229.05 million with maturities as follows:

Maturity	2009 (RMB'000)	2008 (RMB'000)
Within 1 year	783,000	971,553
1 to 2 years	196,050	1,167,950
2 to 5 years	875,000	225,000
Over 5 years	375,000	—
	2,229,050	2,364,503

As at 31 December 2009, the bank borrowings of the Group was RMB2,229.05 million and was secured by the investment properties and properties under development with an aggregate carrying value of RMB2,394.42 million.

Gearing Ratio

As at 31 December 2009, the net current assets of the Group increased by 599% to RMB2,533.59 million as compared with 2008. The current ratio rose from 1.08 times in 2008 to 1.47 times in 2009. As at 31 December 2009, the net debt to equity ratio (bank loans less cash on hand and divided by equity attributable to owners of the Company) of the Group was significantly improved to a low level of 18% (2008: 246%), which provides room for the Group to comfortably increase its debt for business expansion during the consolidation phase of the real estate market.

Finance Expenses

During the year, the total cost of borrowings of the Group was RMB122.67 million, a drop by RMB34.07 million as compared with 2008, of which RMB121.51 million were capitalised as cost of projects, a decrease of RMB22.37 million as compared with 2008.

Currency Risk

The proportions of bank borrowings and cash balance of the Group in terms of the following currencies:

	Bank Borrowings	Cash Balance
HK\$	—	4%
RMB	100%	96%
Total	100%	100%

Operations of the Group are almost wholly conducted in RMB. Apart from the cash at bank denominated in foreign currencies, the Group is not directly facing any other material risk from foreign exchange fluctuations.

Contingent Liabilities

The Group provides guarantees to banks, which offered mortgages to domestic properties buyers in the PRC of the Group. As at 31 December 2009, the guarantees amounted to RMB2,379.72 million (2008: RMB1,719.31 million).

Return on Equity

Return on equity represented profit attributable to shareholders of the Company divided by equity attributable to shareholders of the Company. Return on equity in 2009 was 29.7%.

Management Discussion and Analysis

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year:

	2009	2008
Profit attributable to shareholders of the Company (RMB'000)	1,101,042	292,178
Less: fair value gains of investment properties, net of deferred tax (RMB'000)	699,650	81,066
Core profit attributable to shareholders of the Company (RMB'000)	401,392	211,112
Weighted average number of ordinary shares in issue ('000)	1,898,630	1,800,000
Basic earnings per share (RMB/per share)	0.58	0.16
Core earnings per share (RMB/per share)	0.21	0.12

As no shares with potential dilutive effect were issued during the two years end 31 December 2009, diluted earnings per share was the same as basic earnings per share. The core profit attributable to shareholders of the Company is the profit attributable to shareholders of the Company excluding fair value gains on investment properties net of deferred taxation.

Commitment

As at 31 December 2009, the Group had commitment in respect of development expenses on real estate of approximately RMB1,275.33 million (approximately RMB1,235.83 million in 2008). The Group also committed to the payment of land premium in respect of land acquisition of approximately RMB1,907.90 million (approximately RMB60 million in 2008).

Use of Proceeds

After deducting the underwriting fees and expenses payable in the Global Offering, the net proceeds of the Company from the Global Offering on 2 November 2009 was approximately RMB1,390 million. Particulars of the use of these net proceeds are as followed:

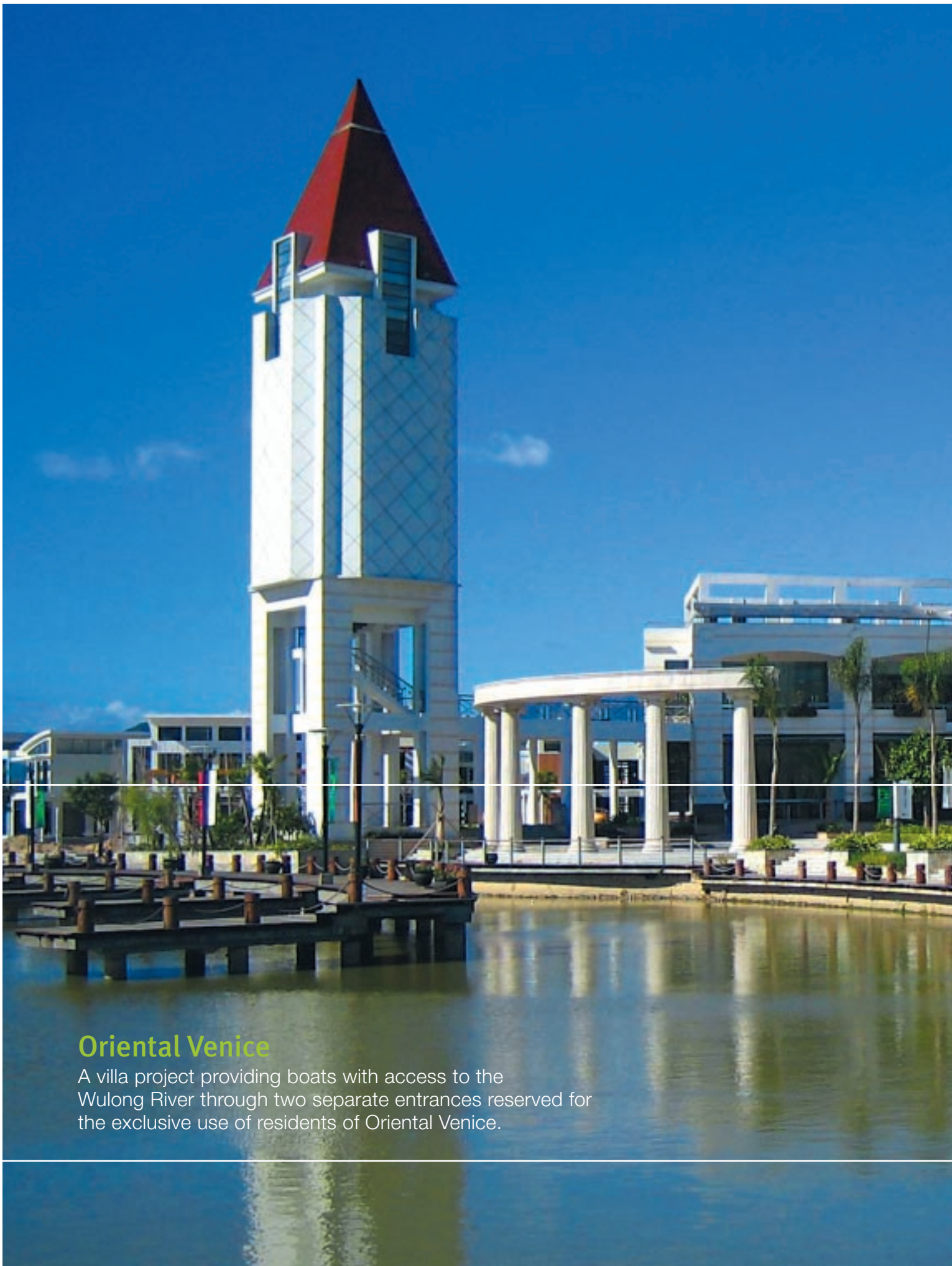
Use of Proceeds Raised Project Type	Amount Raised (RMB in million)	Amount used as of 28 February, 2010 (RMB in million)
Land, construction and other costs relating to projects of Yuzhou International Hotel, Yuzhou Square (Previously named as “Yuzhou Gangyi Square”), Yuzhou Gu Shan No. One and Oriental Venice	389	30
Finance for new projects	973	678
General working capital	28	12
	1,390	720

Human Resources

The Group is led by an experienced and professional management team. Since the establishment of the Group in 1994, the Group has been undergoing rapid development and expansion under the leadership of the Board. Senior management has on average 16 years experience in properties development industry and over 10 years experience for most of the senior executives. The Group has also recruited overseas talents with professional qualifications to join our management team. With the strong leadership and international insight of the management as well as effective execution, together with our strict implementation of the international best practice according to the actual situation of the Company, the Group has become one of the strongest real estate developers in the PRC within a short period of time.

We believed that the competence of human resources, particularly the senior executives and professional project management team, is of critical importance to maintaining the strong competitive strengths of the Group. The Group aims to achieve and exceed the international standard of outstanding performance through compliance with the international best practice in respect of strict management system and corporate governance.

As at 31 December 2009, the Group had a total staff of 745. For the year ended 31 December 2009, the total staff costs (including director’s fees) amounted to RMB26.25 million (RMB17.60 million in 2008).



Oriental Venice

A villa project providing boats with access to the Wulong River through two separate entrances reserved for the exclusive use of residents of Oriental Venice.



Business Section

We always keep
our corporate mission
**“Serve the Community
and Requite the
Community”** in our
mind.



High-quality products
with innovative
design differentiated
us from other
developers.

Real Estate Development and Description of Investment Properties

West Strait Economic Zone-Xiamen-Yuzhou World Trade Center with GFA of 204,476 sq.m.



The site area of Yuzhou World Trade Center is 19,454 sq.m., with GFA of 204,476 sq.m.. The property comprises two luxurious high-rise apartment buildings and a shopping mall with GFA of 66,000 sq.m.. The property is furnished with glass curtain walls and has a luxurious lobby, 2.45m high deluxe elevators, and a five level intelligent security system. Yuzhou World Trade Center is the first mega shopping mall in Xiamen, and a landmark in the city.



Yuzhou World Trade Center is located in the central business district near the train station in downtown Xiamen, a prime area with well established leisure facilities and the most convenient transportation network. The property is an integrated commercial/residential development project with a mix of shopping, entertainment and accommodation facilities.

The project is developed in two phases. With its unique selling features such as small units, three registered local permanent resident status (紅印戶口) in Xiamen and ready-for-delivery units, the project has seen record sales since its launch. It ranked top three in the monthly/weekly sales in Xiamen City and Siming District for several times. At present, phase I of the project has been completed and mostly delivered, while phase II is on hot sale.

West Strait Economic Zone-Xiamen-Yuzhou Yuanbo City with GFA of 480,252 sq.m.



Yuzhou Yuanbo City is located at Tongji Road, Jimei Schools Village (集美文教區), adjacent to Jiageng Gymnasium (嘉庚體育館), the largest gymnasium in Fujian Province, and Jimei University, and in front of Meiren Hill (美人山). The village is a scenic cultural center in the east coast.

The site area of Yuzhou Yuanbo City is 90,750 sq.m., with planned GFA of 480,252 sq.m.. The project is developed in two phases and comprises 13 blocks ranging from 18 storey to 35 storey. Yuzhou Yuanbo City is in front of the hills and on the waterfront with breathtaking natural scenery. The project comprises a new Chinese landscape garden and a commercial complex, and various leisure and recreational facilities such as tennis courts, a swimming pool, a basketball court and a kindergarten.



West Strait Economic Zone-Xiamen-Yuzhou Yuanbo City with GFA of 480,252 sq.m. (continued)

Yuzhou Yuanbo City is a high-end residential property. Each unit has a balcony with plenty of natural light and fresh air. There is a variety of units which all face the south. The variety of units and their trendy design meet the market demand and offer the buyers a wide range of selection.



Phase I of Yuzhou Yuanbo City has garnered enthusiastic market response since its launch for sale at the end of 2008. Currently, more than 95% of the residential units in phase I have been sold. For the period from 2 March 2009 to 17 May 2009, the project was ranked top ten in terms of sales volume in the city for 11 consecutive weeks, out of which it was ranked the top for four times.

West Strait Economic Zone-Xiamen-Yuzhou Golden Seacoast with GFA of 243,000 sq.m.



The total site area of Yuzhou Golden Seacoast is 70,793 sq.m., with GFA of 243,000 sq.m.. The project comprises eight 33-storey buildings and a commercial complex. In addition to the exquisite scene in the west coastline, sea view far to the strait and breathtaking scene of Haicang Lake (海滄湖), the project comprises the Yuzhou World Trade Plaza (禹洲•世貿生活廣場), the flagship commercial complex in Haicang District, with site area of 40,000 sq.m.. Yuzhou World Trade Plaza is a mega-commercial complex with a large shopping mall, a supermarket and retail shops and is adjacent to a foreign language school and the affiliated school of Beijing Normal University (北師大附屬學校). Yuzhou Golden Seacoast has unique and creative design, including large atrium and extraordinary large indoor garden in every unit, comfortable high ceiling rooms with plenty of natural light and balcony, innovative split-level design and high ceiling. The buyers will also be assisted in applying for registered local permanent resident status (紅印戶口).



Yuzhou Golden Seacoast is developed in two phases. Phase I of the residential units have been sold out, while phase II (now renamed as Yuzhou Coastline) of the residential units is on hot sale since its launch in August 2009.

West Strait Economic Zone-Xiamen-Yuzhou Galaxy Garden with GFA of 93,556 sq.m.



Yuzhou Galaxy Garden is located at the intersection of Jinshang Road (金尚路) and Jinhu Road (金湖路) and along the BRT and is easily accessible. It is just ten minutes drive from Xiamen Gaoqi International Airport and adjacent to the new administration office buildings of the Huli District Government, which will be the new urban center in the future. The property is situated at the foot of the Hutoushan and offers a pleasant natural greenery view.



The site area of Yuzhou Galaxy Garden is approximately 26,367 sq.m., with GFA of approximately 93,556 sq.m.. It comprises 610 residential units and 126 car parking spaces in eight 15-storey high-rise buildings with two units on each floor. Every unit is seated against the north and faces the south with extraordinary large indoor garden, a study room with plenty of natural light and high ceiling sky garden. We fully utilize the layout of each unit to allow more natural light and fresh air. Our rational and thoughtful design also creates a comfortable living space for the occupants. The innovative “front garden and backyard” design differs from the traditional design. The spatial perspective and large usable area are the innovative features of the project.

West Strait Economic Zone-Xiamen-Yuzhou Diyuan Manor with GFA of 193,767 sq.m.



Yuzhou Diyuan Manor is a residential complex located at the intersection of Jinshang Road (金尚路) and Jinhu Road (金湖路) in Xiamen, close to Hutoushan Forest Park (虎头山森林公园) and Wuyuan Bay (五缘湾). It is situated at the foot of Hutoushan, facing the government administration building and adjacent to Wuyuan Bay with well-established education and transportation facilities.

The total site area of Yuzhou Diyuan Manor is 52,715 sq.m., with GFA of approximately 193,767 sq.m.. It is planned to comprise 10 residential buildings, a number of shops and an office building. Each unit will have an extraordinary large indoor garden, sunlit rooms and a balcony.

The construction of Yuzhou Diyuan Manor is currently underway. It is expected to be launched for sale in the second half of 2010.

**West Strait Economic Zone-Xiamen-Yuzhou F1 Plaza
with GFA of 79,000 sq.m.**

The Yuzhou F1 Plaza is located at West Lianqian Road in Xiamen, adjacent to the five-star Peony International Hotel. The property is surrounded by developed and high-end residential areas. Two major commercial complexes, Ruijing Shopping Mall and Jiazhou City Plaza (加州城市廣場), are located in its east, making this area to become an important commercial center in Xiamen. The ground floor can access BRT, which runs through the prime areas of the city and also links Xiamen with other cities. With a BRT station located at F1 Plaza, occupants can enjoy convenient transportation.

The site area of Yuzhou F1 Plaza is 15,652 sq.m., with GFA of 79,000 sq.m.. It is planned to have 28 floors above the ground and a basement. We dedicate to make Yuzhou F1 Plaza become the first international standard BRT commercial/residential complex in Xiamen.

The project will comprise small and medium size units that are scarce in Xiamen. Therefore, it will have huge market potential, and will be the preferred residential, leisure and entertainment area for the white collar class.

**West Strait Economic Zone-Xiamen-Yuzhou Zun Hai
with GFA of 301,000 sq.m.**

Yuzhou Zun Hai is located at the northeast of the junction of Xinggang Road (興港路) and Jiaosong Road (角嵩路) in Haicang, Xiamen, and is adjacent to Haicang Administration Center (海滄行政中心), with Xiamen's scenic western coast in the east, Haicang Lake (海滄內湖) (with surface water area of 1 sq.km which is as large as Xiamen's Yundang Lake) in the north, and a planned coastal community in the south. Facing the Xiamen Island across the strait, Yuzhou Zun Hai is gifted with both sea view and lake view. In addition, the property is also surrounded by Haicang Municipal Plaza, a gymnasium and a park with site area of 100,000 sq.m., a cultural museum, a theater, a floating music hall, an outdoor sports ground, an indoor sports center, an indoor swimming pool, a foreign language school and Yonghui Superstore.

The total site area of Yuzhou Zun Hai is 107,622 sq.m., with GFA of 301,000 sq.m.. The property is planned to have a total of over 3,000 units. It will comprise residential units, a commercial complex and a kindergarten. In designing the project, we fully consider the sea view and the lake view to create a magnificent landscape. We plan to construct low density semi-detached villas, town houses and high-rise residential buildings with panoramic sea view and garden landscape. We aim to build a waterfront community of international standard, which is currently in short supply in Xiamen.

West Strait Economic Zone-Xiamen-Yuzhou Orient Golf with GFA of 89,956 sq.m.



The international Yuzhou Orient Golf community is located near the famous Xiamen Orient Golf Club (廈門東方高爾夫球場). It provides apartments and villas with marvelous natural environment and panoramic sea view. Yuzhou Orient Golf is planned to be developed as a high-end small residential community. It is adjacent to the New Haicang Centre (海滄新城) and the sub-center of Xiamen Malian Bay (廈門馬鑾灣城市副中心), a 15-20 minutes drive from central area of Xiamen. The property faces Orient Golf Club with beautiful sea view which creates loftiness brought from the sport of golf. The property also has magnificent landscape.



The total site area of the project is 55,986 sq.m., with planned GFA of 89,956 sq.m.. The property is designed to intersect with low-rise and high-rise innovative type units so as to create panoramic views for the villas and high-rise apartments. It features low-density, high degree of greenery and spacious garden. We aim to integrate this classical and elegant community into the international standard 27 holes golf course. The villa units mainly have size of 280 to 400 sq.m., while apartments in the high-rise buildings is 83 sq.m. for two room units and 117 sq.m. for three room units.



Since there is limited supply of sites for villas and villa projects in Xiamen, the property will become a classical villa complex project in Xiamen upon completion for its loftiness brought from the sport of golf. The project is currently pending approval.

West Strait Economic Zone-Xiamen-Yuzhou PJ2009P02 site with GFA of 535,000 sq.m.



The total site area of J2009P02 site is 123,240 sq.m., with GFA of 535,000 sq.m. and the unit land cost of the site is RMB2,557/sq.m.. It is located in the east of Xingbin Road in Jimei District and the north of Xingdong Road and is planned for residential, commercial and SOHO offices uses. The site comprises three sub-sites namely A1, A2 and A3. It is rectangular in shape and is convenient for development.

J2009P02 site is situated at the east of Xingbin Road (杏濱路), which is regarded as Xinglin 'Island Ring Road' (環島路), and the extension of Xingdong Road (杏東路) and with panoramic sea view. The two major communities, Xingdong (杏東) and Xingbin (杏濱), are located at its west. The east side of the project is the west coastline on the intersection of Xinglin Bay (杏林灣) and Malian Bay (馬鑾灣), facing the Dongdu Port (東渡港) across the strait of Xiamen. It can access to the Xinglin Bridge (杏林大橋) in its west through Xingbin Road (杏濱路), and is just 5 minutes drive to Horticulture Expo Garden (園博苑) in the north through Xingbin External Road (杏北外環路) and a short distance from Haicang in the south through Xinyang Bridge (新陽大橋). Its transport network is well connected to destinations in other provinces, within the province or around Xiamen.

J2009P02 site is situated along the coastline with marvelous landscape, with Xingdong Road (杏東路) in the south and the beautiful sea view of Xiamen West coastline in the east.

The project is located between Xingdong community and Xingbin community and can enjoy the existing facilities in both communities. There are a number of schools in the district such as Xingdong Kidergarten (杏東幼稚園), Zengying Primary School (曾營小學), Xiamen Tenth Secondary School (廈門十中) and Fujian Chemical Industry School (福建化工學校), which provide education for residents of any age, and Jimei University and Huaqiao University as it is also located inside the Jimei Schools Village (集美文教區). The three major parks, Ridong Park (日東公園), Xingdong Park (杏東公園) and Yuemei Park (月美公園), and entertainment facilities such as Jimei Cultural Center (集美文化中心) and the Century Jiahua Cinema (世紀嘉華電影院) are also located nearby. All these make it certainly a desirable community in the district.

In addition, there are medical institutes and other facilities such as the Minsheng Bank, China Construction Bank, women and child healthcare center and Xinglin branch hospital of the First Hospital of Xiamen in the district.

West Strait Economic Zone-Xiamen-Yuzhou Square (previously named as Yuzhou Ganyi Square) with GFA of 60,251 sq.m.



The total site area of Yuzhou Square is 3,333 sq.m., with GFA of 60,251 sq.m.. It is planned to be developed into a 41-storey high-rise commercial/residential complex of 139m in height.

Yuzhou Square is located at the north of Minggong Building in South Hubin Road of Xiamen and the south of Yundang Lake (筲筴湖), exactly alongside the lake. On top of being the iconic structure of Yuzhou Group, Yuzhou Gangyi Square will also be a modern landmark in the Yundang Lake District.

The design of the building integrates the characteristics of the lake environment with the principle of modern, simple, dynamic and smooth design and features a symbol of leadership with the unique sail shape of the building. View from the north, Yuzhou Square looks like a 'golden thumb' with prestige and honor standing on the beautiful Yundang Lake, making it to be another landmark of Xiamen.

West Strait Economic Zone-Fuzhou-Gu Shan No. One with GFA of 87,576 sq.m.



The Gu Shan No. One project, situated at the mid-level of 4A Gu Shan National Park (國家4A鼓山風景區) in Gu Shan of Fuzhou, is an outstanding mid-level villa project in Fuzhou. Gu Shan No. One is located in the east of Fuzhou City, facing the scenic Minjiang in the south and enjoying the panoramic view of the city in the west. It is expected to be a residential complex consisting of modern European style garden villas and duplexes.



Gu Shan No. One is planned for residential purpose, with total site area of 234,160 sq.m. and GFA of 87,576 sq.m.. It is planned to have 182 detached and semi-detached villas, each of which is built along the hill. Each unit includes a private garden, a car park garage, an equipment room and a balcony. Gym, community center, outdoor swimming pool and tennis court are provided for the community.

West Strait Economic Zone-Fuzhou-Oriental Venice with GFA of 365,512 sq.m.



Oriental Venice is planned for residential and commercial purpose, with site area of 706,397 sq.m. and GFA of approximately 356,512 sq.m..



The Oriental Venice project is situated at a small residential district in Fuzhou City of Fujian Province along the northern coast of Wulong River (烏龍江) and has 1,750 meters of coastline. It also overlooks Five Tiger Mountain (五虎山) on the other side of the river. It is surrounded on three sides by Wulong River and is adjacent to orange groves. The project is developed in three phases with a water surface area of approximately 100,000 sq.m. and will comprise approximately 1,230 units upon completion. Phase I and phase II of the project comprise 239 villas and four medium-rise buildings. Planning for phase III is in progress, which is expected to comprise detached villas, duplexes, medium-rise buildings and high-rise residential buildings. The construction of studio flat is yet to confirm.

Boats will be provided to access to the Wulong River through two separate entrances reserved for the exclusive use of residents of Oriental Venice. This unique concept of channeling water from Wulong River in the master plan layout of Oriental Venice has made it the top island villa project in the PRC.

Yangtze River Delta Region-Shanghai-Yuzhou Jinqiao International with GFA of 234,513 sq.m.



Yuzhou Jinqiao International is adjacent to Green City International Community and is surrounded by headquarters of the world's top 500, OFFICE PARK 2, and the nearby there are high-end hotels/offices such as Tanfu Boutique Business Hotel (坦福酒店), Founder Tower (方正大廈) and Jinfeng Regal Hotel (金豐富豪酒店). With offices, residential buildings, commercial complexes, hotels, parks and transportation network in the area, it is the largest complex in the central business district of Jinqiao with most functions and facilities at the highest development standard, and has the greatest economic and investment value in Pudong.



Yangtze River Delta Region-Shanghai-Yuzhou Jinqiao International with GFA of 234,513 sq.m. (continued)

The site area of Yuzhou Jinqiao International is 49,738 sq.m. with GFA of 234,513 sq.m. and is planned to comprise 2,837 units.

The layout of the project is planned to have residential units, hotel and offices communities with an aim of realizing the idea of a green home/office for every unit. The complex also comprises a one-stop shopping mall of 15,765 sq.m..

The project is developed in four phases. Phase I and Phase II comprise of small units of with a high ceiling of 5.3m, all of which have now mostly been sold and delivered. Phase III comprises two 17-storey high-rise buildings planned as apartments for managers and intelligent offices. All units have high ceiling of 5.2m, and are mainly at size ranging 40 to 82 sq.m.. For Phase IV, the Shanghai Liyade Tower comprises of two high-rise office buildings of 19-storey and 26-storey respectively. It is planned to be an apartment office complex.



Yangtze River Delta Region-Shanghai-Yuzhou Kangqiao New Town (禹洲 • 康橋新天地) with GFA of 49,241 sq.m.



Yuzhou Kangqiao New Town (禹洲 • 康橋新天地) is located in the Zhou-Kang parcel, which is between the central and outer zone in Shanghai.

Yuzhou Kangqiao New Town is located at the junction of the two main roads, Hunan Road (滬南路) and Kangqiao Road (康橋路), with easy accessibility. It is adjacent to the town government office in the central area of Kangqiao, with almost 20 of world's top 500 enterprises nearby.



The site area and GFA of the project Yuzhou Kangqiao New Town are 12,955 sq.m. and 49,241 sq.m. respectively with a plot ratio of 2.93. Modification of the design of the project is still in process.

Yangtze River Delta Region-Hefei-Yuzhou Huaqiao City with GFA of 1,148,560 sq.m.



Yuzhou Huaqiao City is located at the intersection of the three core zones in Hefei, namely New Municipal and Cultural Zone (政務文化新區), Economic and Technology Development Zone (經濟技術開發區) and High and New Technology Development Zone (高新技術開發區). The City connects Songlin Road (松林路) in the east, Furong Road in the south and Shuxiang Road in the north, featuring it as a distinctively large-scaled project in the region.



The project will have an international living environment such as CBDs, art museums, Olympic centers, shopping malls, the University City and the Second Affiliated Hospital of Anhui University (安醫大附二院) in the periphery of the community . In addition, residents can enjoy natural landscape of Hucheng River (護城河), Swan Lake (天鵝湖), Jade Lake (翡翠湖) and Dashu Hill (大蜀山).

The total site area of Yuzhou Huaqiao City is 446,757 sq.m., with GFA of 1,148,560 sq.m.. It embraces multi-cultural flavours of South Europe, North Europe, West Europe, North America, Latin and Southeast Asia, and is aimed at building an international community with cultural diversification.

Residents can also enjoy large-scaled communal facilities, including a featured commercial street, which will be the future commercial center of the area, bilingual kindergarten and Emerald School (翡翠學校), which provides children with quality education, and a large centralized clubhouse featuring swimming pools, basketball courts, tennis courts, badminton courts and comprehensive sports amenities.

The project is being developed in two phases. Over 80% of the first portion of Phase I had been sold since November 2009. The sale of the second portion of Phase I has commenced in January 2010, and has received overwhelming responses from potential buyers.

Property Management



Xiamen Huaqiao City Real Estate Management Service Co., Ltd. endeavors to provide quality property management services with its objective of 'Service with superior quality and ensuring owners having a safe, clean, elegant, comfortable and convenient living and working environment'.



Xiamen Huaqiao City Real Estate Management Service Co., Ltd. was established in 1997. With the belief of 'being a good nanny, manager and friend of resident owners; a good strategic partner, supporter and friend of property developers, as well as a recognized enterprise, partner and friend of the general public, we are committed to establish ourselves as an excellent brand in the property management industry through professional services and cultural integration', Xiamen Huaqiao City Real Estate Management Service Co., Ltd. has provided quality, efficient and professional property management services for more than 11,000 owners over the past 12 years.



Xiamen Huaqiao City Real Estate Management Service Co., Ltd. is a property services provider with National Second Class Qualification Certificate (國家二級資質認證). It was awarded ISO9002 International Quality System Certification in 2001 and ISO9001:2000 International Quality System Certification in 2004. In 2006, it was awarded 'Top Ten Property Enterprises' (十佳物業公司) in the first nomination in Xiamen and obtained the overall award (綜洽優勝單位) in 2007. It was awarded 'Safety Enterprise' (平安企業) in 2008. In 2009, it won 'The Model Property Management of Xiamen (廈門市物業管理示範項目)', 'The Model Property Management of Fujian (福建省物業管理示範專案) and 'Youth Civilization Unit' (青年文明號) of Xiamen.

The total area under the management of the Company is approximately 120,000 sq.m. We have property management professionals and technical staff of over 600, providing various quality property management services for more than 11,000 households. The services that the Company provides include repair and maintenance of buildings, ancillary facilities and equipments, security services, environmental hygiene, greening, and high-end services such as clubhouse entertainment and social and cultural activities, and the types of building we serve are multi-storey residential buildings, high-rise residential buildings, commercial/residential high-rise complex, villas, office towers and large-scaled shopping malls.

In order to improve and optimize the efficiency of our management, the Company is dedicated to the building of an information system and the office automation standard in the course of providing property management service. We have launched the ERP resources management system within the Company premise to further enhance our efficiency and to be in line with the Company's strategy for sustainability development.

Xiamen Huaqiao City Real Estate Management Service Co., Ltd. has been pursuing the policy of keeping abreast with the owners' needs and offering them with tailor-made quality products and services. We have built up interactive platforms for the interflow of culture and life, business and information among owners. We strive to promote the establishment of a peaceful community with high-end innovative property services for residents.

Through various channels, the Company also solicits owners' opinions and feedback which are valuable to the Company. We regularly gather information and report to the relevant departments in order to take follow-up actions and persistently improve our products and services. The Company has set up a dedicated department to handle customers' enquiries and complaints, aiming to provide the owners with satisfactory property services in every detail. Under the principle of 'Serve in a human-oriented way. Build the homes with love', we endeavor to offer quality, value-added and caring property management services. Accordingly, the Company has not only gained the applause and credit from local owners, but also won the recognition and goodwill over the industry.

Hotel Operation

During the year, with the objective of sustaining a steady growth, the Group has also been expanding into the hotel business. We are planning to develop five-star hotels for high-end tourists and business travelers in order to diversify our property portfolio.



Yuzhou International Hotel

The total site area of Yuzhou International Hotel is 60,018 sq.m., with GFA of 125,221 sq.m.. As a high-end hotel and shopping center complex, Yuzhou International Hotel will be a villa resort with more than 400 deluxe guest rooms, villas, semi-apartments and shopping mall.

The project is located at the junction of Huandao Road (環島路) and Huli Avenue (湖里大道) in Huanwan Central Region (環灣中心區) of eastern Xiamen. Located at the front-row site of Huanwan, the lake-side hotel is also embraced by the sea. Moreover, it is adjacent to Huandao Road and Xiamen International Convention and Exhibition Center.

The region is designed to the project comprise two islands on the lake (湖心島), namely the Island of Arts and Culture (opera theatre) and the Island of Water Sports (swimming and diving plaza), a 8 km long bay-side foot path, tourist tram and bicycle lane, hot spring resort and wetland park, etc. With the panorama view of fabulous natural and heritage landscape, Huanwan Central Region is the most featured one among all the major areas in Wuyuan Bay (五緣灣).

Projects	Site Area (sq.m.)	Location	Unit Land Cost (RMB/sq.m.)	Address	a	b
					Total GFA Completed (sq.m.)	Total GFA Under Development (sq.m.)
Completed Projects						
Yuzhou Overseas City	27,703	Xiamen	830	Hexiang West Road and Hubin West Road, Siming District	239,627	—
Yuzhou Shuilian Manor	12,909	Xiamen	910	West of Jinshang Road North	29,126	—
Yuzhou Hai Tian Plaza	6,316	Xiamen	396	Xiagang Yonggugong, Siming District	65,104	—
Yuzhou Harbour City	20,089	Xiamen	761	Hubin North Road, Siming District	191,649	—
Yuzhou New City	25,610	Xiamen	647	Haotou, Dongdu, Huli District	93,473	—
Yuzhou Garden	27,345	Xiamen	586	Jinshang Road, Huli District	92,888	—
Galaxy Garden	26,367	Xiamen	1,718	Fanghu, Huli District	93,556	—
Yuzhou New Manor	45,619	Xiamen	493	No 414-417, Nanshan Road, Huli District	118,892	—
Projects Under Development						
Yuzhou Golden Seacoast	70,793	Xiamen	1,611	West of the Xinggang Road, Haicang District	122,285	120,715
Yuzhou World Trade Center	19,454	Xiamen	845	No.75, Xiahe Road	136,312	68,164
Yuzhou Jingqiao International Oriental Venice	49,738 706,397	Shanghai Fuzhou	1,242 2,568	No.333 Jingang Road, Pudong New Area Longjiang Village, Chengmen Town, Cangshan District	91,763 60,615	142,750 84,338
Yuzhou Gushan No. One	234,160	Fuzhou	1,831	Niushan Village, Yangli, Gushan Town, Jinan District	—	87,576
Yuzhou International Hotel	60,018	Xiamen	1,175	East of Huli Avenue, South of Huandao Road, Huli District	—	125,221
Yuzhou Square (Previously known as Yuzhou Gangyi Square)	3,333	Xiamen	2,417	Hubin South Road, Siming District	—	60,251
Yuzhou Yuanbo City	90,750	Xiamen	949	Tongji Road, Xike Town, Tongan District	—	480,252
Yuzhou Diyuan Manor	52,715	Xiamen	1,609	Fanghu, Huli District	—	193,767
Yuzhou Huaqiao City	446,757	Hefei	377	West of Songlin Road, Northeast of Planning Road, Taohua Town, Feixi County	—	175,960
Projects Held for Future Development						
Yuzhou Zunhai	107,622	Xiamen	4,983	Area of 05-11, East of Xinggang Road and North of Jiaosong Road	—	—
Yuzhou Jimei District Site	123,240	Xiamen	2,557	Area of 11-10, East of Xingbin Road and North of Xingdong Road, Jimei	—	—
Yuzhou F1 Plaza	15,652	Xiamen	4,109	South of West Lianqian Road, West of Yundingzhong Road	—	—
Yuzhou Orient Golf	55,986	Xiamen	1,490	Maqing Road, Haicang District	—	—
Yuzhou Kangqiao New Town	12,955	Shanghai	3,554	No 1033, Kangqiao Road, Kangqiao Town	—	—
Total	1,926,073				1,335,659	1,538,994

c	d=a+b+c	e	f	g	h	i=e+f+g+h	j=i-e	k	l=jxk
Total GFA Held for Further Development (sq.m.)	Total GFA (sq.m.)	Sold Saleable GFA (sq.m.)	Pre-sold Saleable GFA (sq.m.)	Held for Sale Only (sq.m.)	Held for Investment Only (sq.m.)	Total Saleable GFA (sq.m.)	Land reserve (sq.m.)	Interest in the Project %	Attributable GFA (sq.m.)
—	239,627	231,719	—	3,926	1,101	236,746	5,027	100%	5,027
—	29,126	27,009	—	316	—	27,325	316	100%	316
—	65,104	61,015	—	3,560	—	64,575	3,560	100%	3,560
—	191,649	181,572	—	4,441	—	186,013	4,441	60%	2,665
—	93,473	84,987	—	5,784	—	90,771	5,784	100%	5,784
—	92,888	89,442	—	2,678	—	92,120	2,678	100%	2,678
—	93,556	73,802	—	17,889	—	91,691	17,889	100%	17,889
—	118,892	118,620	—	21	—	118,641	21	100%	21
—	243,000	55,846	98,267	37,923	41,314	233,350	177,504	100%	177,504
—	204,476	43,052	54,728	35,754	49,838	183,372	140,320	100%	140,320
—	234,513	39,150	82,266	94,323	15,765	231,504	192,354	100%	192,354
220,559	365,512	56,467	4,936	277,719	15,733	354,855	298,388	80%	238,710
—	87,576	—	—	83,224	—	83,224	83,224	60%	49,934
—	125,221	—	—	—	102,142	102,142	102,142	100%	102,142
—	60,251	—	—	—	57,861	57,861	57,861	100%	57,861
—	480,252	—	184,982	263,568	10,059	458,609	458,609	100%	458,609
—	193,767	—	—	161,189	15,336	176,525	176,525	98%	172,995
972,600	1,148,560	—	45,929	999,631	98,700	1,144,260	1,144,260	100%	1,144,260
301,000	301,000	—	—	301,000	—	301,000	301,000	100%	301,000
535,000	535,000	—	—	535,000	—	535,000	535,000	100%	535,000
79,000	79,000	—	—	55,000	—	55,000	55,000	100%	55,000
89,956	89,956	—	—	89,956	—	89,956	89,956	100%	89,956
49,241	49,241	—	—	49,241	—	49,241	49,241	100%	49,241
<u>2,247,356</u>	<u>5,121,640</u>	<u>1,062,681</u>	<u>471,108</u>	<u>3,022,143</u>	<u>407,849</u>	<u>4,963,781</u>	<u>3,901,100</u>		<u>3,802,826</u>

Directors' and Senior Management's Biographies

Board of Directors

The Board of Directors consists of seven Directors, of whom four are executive Directors and the remaining three are independent non-executive Directors. The Directors are appointed for a term not exceeding three years. The power and duties of our Board of Directors include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association.

Executive Directors

Lam Lung On (林龍安), aged 45, was designated as the Chairman of our Board and our Executive Director on 9 October 2009. He founded our Group in December 1994. He is also a member of the remuneration committee and the nomination committee of our Company. Since December 1994, Mr. Lam has held positions including but not limited to chairman, vice-chairman, director and general manager in most of our subsidiaries and is primarily responsible for formulating our development strategies and supervising our project planning, financing, design and marketing. He has over fifteen years of experience in residential, commercial and hotel property development and investment. Mr. Lam is an adjunct professor and an executive member of the Council of Jimei University in Xiamen. In 2006, Mr. Lam became an honorary citizen of Xiamen accredited by the mayor of Xiamen. He has been a member of the 8th Standing Committee of the All-China Federation of Returned Overseas Chinese, the 9th Central Committee of the China Democratic National Construction Association, the 7th Standing Committee of the Fujian Provincial Federation of Returned Overseas Chinese and the Standing Committee of the 11th Xiamen Municipal Committee of Chinese People's Political Consultative Conference. Mr. Lam also serves as executive deputy chairman of the 3rd Council of the China Federation of Overseas Chinese Entrepreneurs, deputy chairman of the 14th Xiamen Municipal Federation of Returned Overseas Chinese, life honorary chairman of the Hong Kong Federation of Fujian Associations, life honorary chairman of the 9th Hong-Kong Xiamen Friendship Union and deputy chairman of the 11th Committee of the Xiamen General Chamber of Commerce. Mr. Lam graduated from the University of Science and Technology of China with a master's degree in Engineering in November 1996. Mr. Lam is the spouse of Ms. Kwok Ying Lan, our Executive Director, and the elder brother of Mr. Lin Longzhi, our Executive Director and the brother-in-law of Mr. Lin Conghui, our Executive Director. Mr. Lam has not held any directorship in any other public listed companies in the past three years. Mr. Lam worked for Xiamen Land Development Company, a state-owned enterprise, before he founded our Group.

Kwok Ying Lan (郭英蘭), aged 39, was designated as our Executive Director on October 9, 2009. She is also our General Manager. Since joining our Group in April 1997, Ms. Kwok has held positions including but not limited to chairman, director and general manager in most of our subsidiaries and is primarily responsible for overseeing our Purchasing Department. Ms. Kwok has over twelve years of experience in property development and financial management. Ms. Kwok has been an executive director of the Xiamen Association of Enterprises with Foreign Investment. She is the spouse of Mr. Lam Lung On, our Executive Director, and the sister-in-law of Mr. Lin Longzhi and Mr. Lin Conghui, our Executive Directors. Ms. Kwok has not held any directorship in any other public listed companies in the past three years. Ms. Kwok worked for China Construction Bank Xiamen Branch, a state-owned bank, before she joined our Company.

Lin Longzhi (林龍智), aged 41, was designated as our Executive Director on 9 October 2009. He is also our Vice General Manager. Since joining our Group in December 1997, Mr. Lin has held positions including but not limited to chairman, director and general manager in most of our subsidiaries and is primarily responsible for the supervision of daily operations of our Office of General Affairs, Human Resources Department, Initial Development Department, Customer Services Department and Legal Department. Mr. Lin has almost twelve years of experience in property development and investment. Mr. Lin has been a member of the 12th Xiamen Municipal People's Congress and an executive director of the 4th Standing Committee of the Xiamen Real Estate Association. He also serves as a member of the Standing Committee of the Chinese People's Political Consultative Conference of Quangan District, Xiamen, and deputy chairman of the Xiamen Association of Enterprises with Foreign Investment. Mr. Lin is the younger brother of Mr. Lam Lung On, our Executive Director, the brother-in-law of Ms. Kwok Ying Lan, our Executive Director and the brother-in-law of Mr. Lin Conghui, who is also our Executive Director. Mr. Lin has not held any directorship in any other public listed companies in the past three years.

Lin Conghui (林聰輝), aged 39, was designated as our Executive Director on October 9, 2009. Since joining our Group in July 1998, Mr. Lin has held positions including but not limited to chairman and director in most of our subsidiaries and is primarily responsible for our Group's quality control, budget formation, approval and review. Mr. Lin has over eleven years of experience in project management. He graduated from Tongji University with a diploma in Architecture Engineering in January 2006. Mr. Lin is the brother-in-law of Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, our Executive Directors. Mr. Lin has not held any directorship in any other public listed companies in the past three years.

Independent Non-Executive Directors

Gu Jiande (辜建德), aged 67, was appointed as an independent non-executive Director on 9 October 2009. He is also a member of the audit committee and the chairman of the remuneration committee and the nomination committee of our Company. He has been an independent non-executive director of Xiamen International Trade Group Corp., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (600755), since May 2009. He has been an independent non-executive director of Xiamen International Airport Co., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (600897), since May 2008. He was the president of Jimei University from May 1997 to September 2009, and is an executive member and secretary-general of the Council of Jimei University. Mr. Gu has been awarded Special Government Allowance by State Council of China since October 1993 recognizing his outstanding contribution to the national higher education; Tan Kah Kee Outstanding Contribution Awards by Chiyu Tan Kah Kee Education Fund in October 2002; second prize of Scientific and Technical Development of Fujian Province and Xiamen City by Fujian Municipal People's Government in 1992 and Xiamen Municipal People's Government in 1995, respectively; the second prize of Institute of Higher Learning Scientific and Technical Achievement by Department of Education of Fujian Province in June 1984. Mr. Gu is the author of a number of publications and articles on various natural science and social science publications, including *Ordinary Differential Equations* (Xiamen University Press, August 1993); *Systems Engineering and Forecasting of Talents Demand*, (Xiamen University Press, November 1991); *Forecasting of Talents Demand in Fujian* (Xiamen University Press, September 1991); *Economic and Social Development and Demand for Talents in Fujian* (Xiamen University Press, April 1991); *Stability and Boundary of a Class of Generalized Continuous Hopfield Neural Network* (Dalian Maritime University Press, August 1996); *Stability and Boundedness of a Class of Second Order Ordinary Differential Equations* (Journal of Xiamen University (Natural Science), September 1993); *The Stability of the Large Scale Systems of a Class of Differential Equation with Delay (Theory of Ordinary Differential Equation and its Applications*, Science Press, October 1992); *Estimation of Delayed Quantity of A Class of Differential Equation with Delay* (Journal of Xiamen University (Natural Science), March 1991); and *Motion Stability of Linear Large Scale Systems* (Control Theory & Applications, 2nd Phase, 1985). Mr. Gu graduated from Peking University with an undergraduate certificate in mathematics in May 1968.

Lam Kwong Siu (林廣兆), aged 75, was appointed as an independent non-executive Director on 9 October 2009. He is also a member of the audit committee of our Company. He has more than fifty years of banking experience. In addition, Mr. Lam has held the following positions in the banking sector:

- a non-executive director of Bank of China International Limited (formerly known as BOCI Capital Limited) since July 2002;
- an independent non-executive director of CITIC Ka Wah Bank Limited (formerly known as The Hong Kong Chinese Bank, Limited) since January 2002;
- the vice chairman of BOC International Holdings Limited, a wholly owned subsidiary of the Bank of China Ltd since October 2001; and
- an independent non-executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited) since 1996. CITIC International Financial Holdings Limited is a Hong Kong incorporated company which was listed on the Hong Kong Stock Exchange (00183) until the withdrawal of its listing in November 2008.

Mr. Lam has served the following companies in the capacity of:

- an independent non-executive director of Xinyi Glass Holdings Limited, a Cayman Islands incorporated company listed on the Hong Kong Stock Exchange (00868) since August 2004;
- an independent non-executive director of Fujian Holdings Ltd., a Hong Kong incorporated company listed on the Hong Kong Stock Exchange (00181) since December 2003;
- an independent non-executive director of China Overseas Land & Investment Ltd., a Hong Kong incorporated company listed on the Hong Kong Stock Exchange (00688) since September 2003;
- an independent non-executive director of Wing On Travel (Holdings) Limited (formerly known as Ananda Wing On Travel (Holdings) Limited), a Bermuda incorporated company listed on Hong Kong Stock Exchange (01189) until January 2003; and
- an independent non-executive director of Lai Fung Holdings Limited, a Cayman Islands incorporated company listed on the Hong Kong Stock Exchange (01125) from June 1999 to July 2001.

Mr. Lam was awarded the HKSAR Silver Bauhinia Star in 2003. He was a delegate of the Hong Kong Special Administrative Region of the PRC to the 10th National People's Congress. He currently serves as the honorary chairman of the Hong Kong Federation of Fujian Associations, chairman of the Hong Kong Fukien Chamber of Commerce, deputy chairman of the Fujian Hong Kong Economic Co-operation, life honorary chairman of the Chinese General Chamber of Commerce, adviser of the Hong Kong Chinese Enterprises Association and the honorary president of the Chinese Bankers Club of Hong Kong.

Wee Henry Soon Chiang (also known as Wee Toon Kian) (黃循強), aged 63, was appointed as an independent non-executive Director on 9 October 2009. He is also the chairman of the audit committee, and a member of the remuneration committee and the nomination committee of our Company. He has more than 30 years' experience in public accounting practice. Mr. Wee was an independent non-executive director of The Quaypoint Corporation Limited (formerly known as Techwayson Holdings Limited), a Cayman Island incorporated company listed on the Hong Kong Stock Exchange (02330), from September 2001 to November 2006. He is the founder of Henny Wee & Co., a firm of Certified Public Accountants (Practising) registered at Hong Kong Society of Accountants in February 1988. Mr. Wee is the partner of Henny Wee & Co. since 1988. Mr. Wee received a bachelor's degree in Commerce from the University of Newcastle, New South Wales, in March 1971. He became an Associate Member of the Institute of Chartered Accountants (Australia) in July 1975, and a Certified Public Accountant (Practising) of the Hong Kong Society of Accountants, now known as the Hong Kong Institute of Certified Public Accountants, since 1988.

Senior Management

Yip Wai Ming (葉偉明), aged 44, has been appointed deputy general manager of the Company since February 2010, and is responsible for strategic planning, corporate finance activities, investor relations and financial management of the Group. Mr. Yip has more than 20 years of experience in corporate finance and accounting. Prior to joining the Company, Mr. Yip was the chief financial officer of Haier Electronics Group Co., Ltd., a company listed on the Stock Exchange, from 2004 to 2009 and was vice president of Hi Sun Technology (China) Ltd., a company listed on the Stock Exchange, from 2001 to 2003. Prior to that, Mr. Yip had held senior positions in other listed company, in the investment banking arm of a European bank and in an international accountancy firm. Mr. Yip graduated from the University of Hong Kong with a bachelor's degree in social sciences and from the University of London with a bachelor's degree in laws. He is a fellow of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants, respectively.

Gao Chuanjian (高川建), aged 55, is the Vice General Manager of our Group. Mr. Gao joined the Group in May 2003. He is responsible for supervising Yuzhou Commercial Investment and Management Co. and Huaqiao Cheng Properties Co. Mr. Gao has more than twenty years of experience in the real estate development industry. Prior to joining our Group, Mr. Gao has worked as general manager in Xiamen Gulong Group Real Estate Company Limited, a property development company, from September 2000 to May 2003. From June 1985 to April 2000, he has worked in Xiamen TM Real Estate Development Co., Ltd., during which he has served as a vice general manager from 1990 to 1992 where he was responsible for the management of real estate development and construction engineering operations. From October 1980 to June 1985, he worked at the Administration Committee of Xiamen Special Economic Zone. Mr. Gao graduated from the Nanjing Institute of Technology (currently known as Southeast University) with a diploma in Architecture in 1978.

Fu Chunyu (傅春宇), aged 41, is our Assistant General Manager. Mr. Fu has more than nine years of relevant experience in property and engineering design and management. He joined our Group in February 2009. He reports directly to our General Manager and is responsible for formulating our development strategies, advising our General Manager on major decisions of the Company, management of the Construction Management Department and Project Audit Department and supervising the projects of our subsidiaries in Shanghai, Fuzhou and Hefei as well as overseeing the preparatory work in relation to our new investment projects. Prior to joining our Group, Mr. Fu has served as the vice president of marketing operations at North Carolina Chinese Business Association, a non-profit organization located in Raleigh, North Carolina, U.S., from January 2008 to November 2008. He has worked as a quality assurance engineer in Motricity Inc. in Durham, North Carolina, U.S., from January 2005 to May 2008. From May 2002 to October 2004, he has served as a software developer in Web Commerce Group in Raleigh, North Carolina, U.S. From August 1999 to January 2001, Mr. Fu has worked as a design architect in DLR Group in Seattle, Washington, U.S. From December 1993 to August 1997, he has worked as an architect and computer-aided-design manager in Prodecon Architects in Singapore. From August 1989 to December 1993, he has worked as a design architect in China Northeast Architectural Design & Research Institute Co., Ltd. in Xiamen. Mr. Fu received a master's degree in Business Administration from Duke University on December 30, 2007, a master's degree in Science from the North Carolina State University on May 18, 2002, a master's degree in Architecture from the North Carolina State University on May 15, 1999 and a bachelor's degree in Science from the Tongji University in July 1989.

Lin Yuhua (林宇華), aged 38, is our Chief Financial Officer and is responsible for financial management and financial strategies development of our Group. Ms. Lin joined our Group in May 2001. Ms. Lin has nearly sixteen years of relevant experience in financial management. She has served as the financial controller of Yuzhou Co. from August 2008 to July 2009 and the manager of the financial department of Yuzhou Co. from May 2001 to July 2008. Prior to joining the Group, Ms. Lin was the manager of the audit department of Xiamen Huacheng Accounting Firm Co., Ltd. from October 2003 to August 2005; manager of the audit department of Xiamen Xuchu Accounting Firm Co., Ltd. from May 2003 to October 2003; manager of the financial department of Huaqiaocheng Company from May 2001 to May 2003; financial controller of Xiamen Jianxing Leasing Co., Ltd. from February 1995 to May 2001; and an accountant in Xiamen Mechanical Metallurgical Industry Co., Ltd. from July 1993 to February 1995. Ms. Lin graduated from Xiamen University with a diploma in Business Management in July 2001. She has been a member of the Chinese Institute of Certified Public Accountants since September 2005 and was recognized as a senior accountant by Fujian Professional Senior Practising Accountants Review Committee in May 2007. She was qualified as an International Finance Manager by the International Financial Management Association in December 2006.

Chiu Yu Kang (邱于廣), aged 32, is our Financial Controller and Company Secretary. Mr. Chiu joined our Company in October 2008 and is responsible for oversight of our Company's financial reporting procedures, company secretary matters, internal controls and compliance with the requirements under the Listing Rules with regard to financial reporting, company secretarial and other related issues. Prior to joining our Company, Mr. Chiu worked in an international C.P.A. firm. Mr. Chiu has over eight years experience on financial management, business assurance and advisory and accounting. Mr. Chiu graduated with a master's degree in Economics and a bachelor's degree in Business Administration from the University of Hong Kong. He is a member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise property development, property investment, the provision of management services and hotel operation. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 110.

The directors recommend the payment of a final dividend of HK7.5 cents per ordinary share in respect of the year to shareholders on the register of members on 17 May 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

Use of proceeds from the Company's initial public offering

The proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange in November 2009, after deduction of related issuance expenses, amounted to approximately RMB1.39 billion. For the details of the use of proceeds, please refer to page 23 of management discussion and analysis.

Financial highlight

A summary of the published results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the audited financial statements and the prospectus of the Company dated 20 October 2009, is set out on page 4. 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 Company and the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 111.

Share capital

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

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

Distributable reserves

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies law of the Cayman Islands, amounted to RMB2,040,753,000, of which RMB158,646,000 has been proposed as a final dividend for the year.

Charitable contributions

During the year, the Group made charitable contributions totalling RMB1,133,000.

Major customers and suppliers

In the year under review, no sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for over 30% of the total sales for the year and of the total purchases for the year, respectively.

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Lam Lung On (*Chairman*)
Ms. Kwok Ying Lan
Mr. Lin Longzhi
Mr. Lin Conghui

Independent non-executive directors:

Mr. Gu Jiande	(appointed on 9 October 2009)
Mr. Lam Kwong Siu	(appointed on 9 October 2009)
Mr. Wee Henny Soon Chiang	(appointed on 9 October 2009)

Directors *(continued)*

In accordance with article 84 of the Company's articles of association, Miss Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui will retire by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company. The independent non-executive directors are appointed for periods of three years.

The Company has received annual confirmations of independence from Messrs. Gu Jiande, Lam Kwong Siu and Wee Henny Soon Chiang, and as at the date of this report still considers them to be independent.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 42 to 46 of the annual report.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting 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' remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' interests in contracts

Save as disclosed in note 37 to the financial statements, no director had a material interest, either 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 during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' interests in shares

At 31 December 2009, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Note	Directly beneficially owned	Through spouse	Total	Percentage of the Company's issued share capital
Mr. Lam Lung On	(a)	900,000,000	900,000,000	1,800,000,000	75.0
Ms. Kwok Ying Lan	(a)	900,000,000	900,000,000	1,800,000,000	75.0

(a) Ms. Kwok Ying Lan and Mr. Lam Lung On are married to each other.

Save as provided above, none of the directors have any interests in the share capital of the Company or its associated corporations.

Substantial shareholders interests in shares

At 31 December 2009, the Company is not aware of any person, other than a director or chief executive of the Company, who has an interest in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report, being the latest practical date prior to the date of this report.

Audit Committee

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the consolidated financial statements and results of the Group for the year ended 31 December 2009.

Directors' interest in a competing business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2009, the following Directors were considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Lam Lung On, the Chairman and an Executive Director, Ms. Kwok Ying Lan, the Executive Director and their associates ("Lam Family Group") which compete with the Company's leasing business currently own retail properties in the PRC. Mr. Lam Lung On and Ms. Kwok Ying Lan is our controlling shareholders.

Directors' interest in a competing business *(continued)*

Non-competition Undertakings

Minimizing competition by way of leasing. For so long as the Lam Family Group holds any of the Lam Family Group's retail properties, we expect there will be actual or potential competition between the Lam Family Group's retail property leasing business and our Company's leasing business in terms of leasing. To minimize competition by way of leasing upon listing of our Company on 2 November 2009 ("Listing Date"), our controlling shareholders undertake not to, and shall procure certain of their associates not to, renew any existing leases of the Lam Family Group's retail properties which expire or are otherwise terminated within six months after Listing. Please see pages 184 to 187 "— Non-Competition Undertakings from our Controlling Shareholders" of global offering prospectus of the Company dated 20 October 2009 for more details. By virtue of such arrangements, upon listing, the involvement of the Lam Family Group in the retail property leasing business will be reduced to that of passive owners of the properties concerned. The Lam Family Group will not have the opportunity to use their expertise and industry knowledge to secure better returns from their properties.

No further acquisitions. Our controlling shareholders undertake not to, and shall procure certain of their associates not to, acquire any additional investment properties, whether from our Company or otherwise, which would result in competition between the business of our Company and the business of our controlling shareholders and certain of their associates. Where our Company is required to dispose of unsold retail properties for the purpose of repaying investors involved in our projects, our Company will not sell any such retail properties to our controlling shareholders or certain of their associates and may acquire such unsold properties itself where appropriate. Please see pages 184 to 187 "— Non-Competition Undertakings from our Controlling Shareholders" of global offering prospectus of the Company for more details.

Disposal of all Lam Family Group's retail properties. To completely eliminate competition between the Lam Family Group's retail property leasing business and our Company's leasing business, our controlling shareholders undertake to, and shall procure the Lam Family Group to, sell all the Lam Family Group's retail properties to independent third parties on an arm's length basis no later than six months after the Listing. Our Company has no intention to sell any commercial properties or retail properties held by us in Xiamen within six months immediately after the Listing. In the event that the Lam Family Group fails to sell all the Lam Family Group's retail properties after the six-month period, our controlling shareholders undertake to sell, and shall procure the Lam Family Group to sell, all such remaining Lam Family Group's retail properties (the "Residual Properties") to our Company at a price to be determined with reference to an independent valuation of the Residual Properties concerned (the "Injection of Residual Properties"). The Injection of Residual Properties, if any, shall constitute connected transactions of our Company and our Directors confirm that our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules. Please see pages 184 to 187 "— Non-Competition Undertakings from our Controlling Shareholders" of global offering prospectus of the Company for more details.

The Retail Property Leasing Business has not been included into our Company's business (other than to the extent of any Injection of Residual Properties) after taking into consideration: (i) our Directors' view that any competition posed or to be posed by the retail property leasing business to our Company's business is or will be immaterial; and (ii) undertakings by our Controlling Shareholders in relation to the disposal of all the Lam Family Group's retail properties to independent third parties within six months after the Listing.

Apart from the Lam Family Group's retail property leasing businesses above, the controlling shareholders of our Company and their associates do not engage in any other business which may compete, directly or indirectly, with the business of our Group.

Auditors

The financial statements have been audited by the Company's auditors, Ernst & Young, who will retire and, being eligible, will offer themselves for reappointment at the forthcoming annual general meeting.

There has been no change of the auditors of the Company since the listing of the Company's shares on the Hong Kong Stock Exchange on 2 November 2009.

ON BEHALF OF THE BOARD

Lam Lung On

Chairman

Hong Kong
30 March 2010

The Company is committed to achieving and maintaining high standards of corporate governance, which it believes is essential for the growth of the Company and its subsidiaries (together the “Group”) and for safeguarding and maximizing the interests of the Company’s shareholders.

The Company has been in compliance with the provision of the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) since the Company’s shares are listed on the Stock Exchange on 2 November 2009 (the “Listing Date”).

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 its directors (the “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 throughout the period from the Listing Date to 31 December 2009.

Board of directors

The board of directors of the Company (the “Board”) is established in accordance with the provisions of Rule 3.10 of the Listing Rules. The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. Under the leadership of the chairman of the Board (the “Chairman”), the Board is responsible for formulating and overseeing the overall strategies and policies of the Company, approving the annual budget and business plans, as well as assessing the Company’s performance and supervising the work of the management. Implementation and execution of Board policies and strategies and daily administrative matters are delegated to the executive Directors and management of the Company.

The Board is comprised of four executive directors and three independent non-executive directors since the Listing Date and up to the date of this report. The executive directors are Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Lin Longzhi and Mr. Lin Conghui whereas the independent non-executive directors are Mr. Gu Jiande, Mr. Lam Kwong Siu and Mr. Wee Henry Soon Chiang. The Chairman is Mr. Lam Lung On.

Pursuant to the provision of Rule 3.13 of the Listing Rules, the Company has received the confirmation statements of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent.

Mr. Lam Lung On is the spouse of Ms. Kwok Ying Lan and the elder brother of Mr. Lin Longzhi, and the brother-in-law of Mr. Lin Conghui. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the Directors are set out on pages 42 to 46 of this report.

Board meetings will be held at least four times a year at approximately quarterly intervals upon the listing of the Company and any ad hoc meeting will be held when necessary. Before a board meeting is convened, notice will be given and relevant information will be provided to the Directors pursuant to the Listing Rules and the Code.

Since the shares of the Company were only listed on the Stock Exchange on 2 November 2009, the Board did not hold any meeting during the period from the Listing Date to 31 December 2009.

Chairman and chief executive officer

The roles of the Chairman and the general manager of the Company are segregated and not exercised by the same individual.

Mr. Lam Lung On, being the Chairman and founder of the Group, 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. Ms. Kwok Ying Lan, being the general manager of the Company, is responsible for the daily management of the business of the Company, implementation of policies, business objectives and plans as formulated and adopted by the Board and is accountable to the Board for the overall operation of the Group.

Non-executive directors

Each of the three independent non-executive directors of the Company has entered into a letter of appointment with the Company for a specific term of three years with effect from the Listing Date.

Remuneration committee

The Company established a remuneration committee on 9 October 2009 with terms of reference in compliance with the Code. The remuneration committee of the Company (the "Remuneration Committee") consists of three members, comprising two of independent non-executive Directors, Mr. Gu Jiande and Mr. Wee Henry Soon Chiang, and one executive Director, Mr. Lam Lung On. The chairman of the Remuneration Committee is Mr. Gu Jiande. The primary duties of the Remuneration Committee are to determine the policy and structure for the remuneration of executive directors, to evaluate the performance of executive directors and senior management, to review incentive schemes and directors' service contracts and to fix the remuneration packages for all directors and senior management, and to make recommendations to the Board of the remuneration of non-executive directors

The Remuneration Committee will meet at least twice annually, or more frequently if circumstances require. Since the shares of the Company were only listed on the Stock Exchange on 2 November 2009, no committee meeting has been held for the financial year ended 31 December 2009.

Auditor's remuneration

For the year ended 31 December 2009, the total fee paid/payable to the external auditors of the Company, Ernst & Young, in respect of audit and non-audit services is set out below:

	For the year ended 31 December 2009 RMB'000
Annual audit services	1,770
Reporting accountants in relation to the listing	3,085

Audit committee

The Company established an audit committee on 9 October 2009 with terms of references in compliance with the Code. The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Gu Jiande, Mr. Lam Kwong Siu and Mr. Wee Henny Soon Chiang. The chairman of the Audit Committee is Mr. Wee Henny Soon Chiang, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee is to assist the Board in considering how the Board should apply financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The primary duties of the Audit Committee include:

- to make recommendations to the Board on the appointment, reappointment or removal of external auditor, and to consider the remuneration and terms of such appointment;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor the integrity of financial statements of the Company and its annual and interim reports and to review any significant financial reporting judgments contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to review the Group's financial and accounting policies and practices;
- to review and approve connected transactions and provide advice and comments to the Board;
- to ensure that the management has fulfilled its duty to maintain an effective internal control system; and
- to consider other matters as the Board may from time to time determine.

The Audit Committee will meet at least twice annually, or more frequently if circumstances require. At least once a year the Audit Committee shall meet with the external and internal auditors without executive directors present. Since the Company was only listed on the Stock Exchange on 2 November 2009, for the year ended 31 December 2009, no committee meeting has been held. Subsequent to our balance sheet date, the Audit Committee has reviewed the system of internal controls and the financial statements for the year ended 31 December 2009 with recommendation to the Board for approval.

Nomination committee

The Company established a nomination committee on 9 October, 2009 with terms of reference in compliance with the Code. The nomination committee consists of three members, comprising two of independent non-executive Directors, Mr. Gu Jiande and Mr. Wee Henny Soon Chiang, and one executive Director, Mr. Lam Lung On. The chairman of the nomination committee is Mr. Gu Jiande. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as Directors, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

The Nomination Committee will meet at least once annually, or more frequently if circumstances require. Since the shares of the Company were only listed on the Stock Exchange on 2 November 2009, no committee meeting has been held for the financial year ended 31 December 2009.

Internal controls

The Board has the responsibility to maintain and review the Company's internal control system to ensure the Company's assets and shareholders' interests are safeguarded. The Board also reviews the internal control and risk management systems to ensure their effectiveness.

The Company's management has developed internal control policies and procedures for various business activities of the Group, which are implemented by the Group's divisions and subsidiaries in their respective scope of business.

For the year ended 31 December 2009, the Board has conducted an annual review of the effectiveness of the Group's internal control system, by reviewing the effectiveness of material controls and implementing risk management through the Audit Committee with the assistance of an international independent internal audit and business consulting firm. The risks faced by the Company have been identified and evaluated by interviewing and questionnaire survey on Directors and management, and adequately managed by internal control activities embedded in the Group's operational process and governance structure.

Directors' responsibility on the financial statements

The Board, supported by the accounts department, is responsible for the preparation of the financial statements of the Company and the Group. The board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibility of the external auditor of the Company on the financial statements of the Company and the Group are set out in the independent auditors' report on page 57.

**To the shareholders of Yuzhou Properties Company Limited**

*(Formerly known as Yuzhou International Holdings Company Limited)
(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements of Yuzhou Properties Company Limited set out on pages 58 to 110, which comprise the consolidated and company statements of financial position 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 statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and 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.

Ernst & Young

Certified Public Accountants

18th Floor, Two International Finance Centre

8 Finance Street, Central

Hong Kong

30 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	6	1,991,801	1,759,803
Cost of sales		(1,003,672)	(1,010,236)
Gross profit		988,129	749,567
Other income and gains	6	5,410	6,499
Selling and distribution costs		(48,038)	(42,398)
Administrative expenses		(57,213)	(61,396)
Other expenses		(21,955)	(24,357)
Fair value gains on investment properties	16	932,094	108,088
Finance costs	8	(1,158)	(12,854)
PROFIT BEFORE TAX	7	1,797,269	723,149
Income tax expense	11	(703,237)	(354,053)
PROFIT FOR THE YEAR		1,094,032	369,096
Attributable to:			
Owners of the Company	12	1,101,042	292,178
Minority interests		(7,010)	76,918
		1,094,032	369,096
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14		
— Basic (RMB per share)		0.58	0.16
— Diluted (RMB per share)		0.58	0.16

Details of the dividend proposed for the year are disclosed in note 13 to the financial statements.

YUZHOU PROPERTIES COMPANY LIMITED Annual Report 2009
Consolidated Statement of Comprehensive Income
 Year ended 31 December 2009

	2009	2008
	RMB'000	RMB'000
PROFIT FOR THE YEAR	1,094,032	369,096
Exchange difference on translation of foreign operations	(5,929)	3,486
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,088,103	372,582
Attributable to:		
Owners of the Company	1,098,074	295,101
Minority interests	(9,971)	77,481
	1,088,103	372,582

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	166,633	165,297
Investment properties	16	2,422,070	1,443,551
Prepaid land lease payments	17	512,463	586,930
Deferred tax assets	29	76,614	36,843
Total non-current assets		3,177,780	2,232,621
CURRENT ASSETS			
Prepaid land lease payments	17	404,148	63,549
Properties under development	19	3,585,106	3,412,056
Completed properties held for sale	20	688,704	836,423
Prepayments for acquisition for land		1,319,735	194,843
Prepayments, deposits and other receivables	21	367,987	247,197
Due from related parties	22	—	27,294
Prepaid corporate income tax		15,844	42,040
Prepaid land appreciation tax		10,714	12,717
Restricted cash	23	1,755	8,178
Cash and cash equivalents	23	1,570,026	196,547
Total current assets		7,964,019	5,040,844
CURRENT LIABILITIES			
Receipts in advance	24	3,211,798	1,816,212
Trade payables	25	703,488	807,622
Other payables and accruals	26	181,202	220,238
Interest-bearing bank and other borrowings	27	783,000	971,553
Due to related parties	22	1,787	578,506
Tax payable		213,556	101,300
Provision for land appreciation tax	28	335,597	182,964
Total current liabilities		5,430,428	4,678,395
NET CURRENT ASSETS		2,533,591	362,449
TOTAL ASSETS LESS CURRENT LIABILITIES		5,711,371	2,595,070
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	1,446,050	1,392,950
Deferred tax liabilities	29	435,904	188,880
Total non-current liabilities		1,881,954	1,581,830
Net assets		3,829,417	1,013,240
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	211,528	1
Reserves	31(a)	3,335,070	879,095
Proposed final dividend	13	158,646	—
		3,705,244	879,096
Minority interests		124,173	134,144
Total equity		3,829,417	1,013,240

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

Notes	Attributable to owners of the Company										
	Issued capital	Share premium	Statutory	Merger reserve	Exchange	Other reserve	Retained profits	Proposed	Total	Minority interests	Total equity
			surplus reserve		fluctuation reserve			final dividend			
			RMB'000		RMB'000			RMB'000			
(Note 30)	(Note 31(a)(iii))	(Note 31(a)(i))	(Note 31(a)(iv))								
At 1 January 2008	–	–	33,771	71,027	31,469	–	535,054	–	671,321	107,494	778,815
Total comprehensive income for the year	–	–	–	–	2,923	–	292,178	–	295,101	77,481	372,582
Issue of share on incorporation	1	–	–	–	–	–	–	–	1	–	1
Deemed distribution to the then equity owners	31(a)(iii)	–	–	(71,000)	–	–	–	–	(71,000)	–	(71,000)
Capital contribution from the then equity owners	–	–	–	1	–	–	–	–	1	–	1
Transfer from retained profits	–	–	9,256	–	–	–	(9,256)	–	–	–	–
Acquisition of minority interests	–	–	–	–	–	(16,328)	–	–	(16,328)	(831)	(17,159)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(50,000)	(50,000)
At 31 December 2008	1	–*	43,027*	28*	34,392*	(16,328)*	817,976*	–	879,096	134,144	1,013,240

Notes	Attributable to owners of the Company										
	Issued capital	Share premium	Statutory	Merger reserve	Exchange	Other reserve	Retained profits	Proposed	Total	Minority interests	Total equity
			surplus reserve		fluctuation reserve			final dividend			
			RMB'000		RMB'000			RMB'000			
(Note 30)	(Note 31(a)(iii))	(Note 31(a)(i))	(Note 31(a)(iv))								
At 1 January 2009	1	–	43,027	28	34,392	(16,328)	817,976	–	879,096	134,144	1,013,240
Total comprehensive income for the year	–	–	–	–	(2,968)	–	1,101,042	–	1,098,074	(9,971)	1,088,103
Arising from group reorganisation	(1)	(359,346)	–	–	–	–	–	–	(359,347)	–	(359,347)
Loan capitalisation issue of shares	71,073	642,273	–	–	–	–	–	–	713,346	–	713,346
Capitalisation issue of shares	87,573	(87,573)	–	–	–	–	–	–	–	–	–
Issue of shares in connection with the listing	52,882	1,374,934	–	–	–	–	–	–	1,427,816	–	1,427,816
Share issue expenses	–	(53,713)	–	–	–	–	–	–	(53,713)	–	(53,713)
Deemed distribution to the then equity owners	31(a)(iii)	–	–	(28)	–	–	–	–	(28)	–	(28)
Transfer from retained profits	–	–	12,908	–	–	–	(12,908)	–	–	–	–
Proposed final dividend	13	–	–	–	–	–	(158,646)	158,646	–	–	–
At 31 December 2009	211,528	1,516,575*	55,935*	–*	31,424*	(16,328)*	1,747,464*	158,646	3,705,244	124,173	3,829,417

* These reserve accounts comprise the consolidated reserves of RMB3,335,070,000 (2008: RMB879,095,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,797,269	723,149
Adjustments for:			
Finance costs	8	1,158	12,854
Bank interest income	6	(2,084)	(1,254)
Depreciation	7	4,856	6,342
Amortisation of prepaid land lease payments	7	10,886	10,890
Fair value gains on investment properties	16	(932,094)	(108,088)
		879,991	643,893
Payment of land lease premiums		(125,264)	(64,006)
(Increase)/decrease in properties under development		(8,454)	24,327
Decrease in completed properties held for sale		147,719	123,042
Increase in prepayments for acquisition of land		(1,319,735)	(39,177)
(Increase)/decrease in prepayments, deposits and other receivables		(120,790)	151,615
Increase/(decrease) in receipts in advance		1,395,586	(734,175)
(Decrease)/increase in trade payables		(104,134)	118,995
Decrease in other payables and accruals		(39,036)	(15,468)
Cash generated from operations		705,883	209,046
Interest received		2,084	1,254
Interest paid		(122,665)	(156,738)
PRC corporate income tax paid		(24,118)	(100,153)
PRC land appreciation tax paid		(178,778)	(60,242)
Net cash flows from/(used in) operating activities		382,406	(106,833)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of minority interests		—	(17,159)
Purchases of items of property, plant and equipment		(6,192)	(19,809)
Additions of investment properties		(46,425)	(102,701)
Decrease/(increase) in restricted cash		6,423	(3,297)
Net cash flows used in investing activities		(46,194)	(142,966)

Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	1,683,440	960,000
Repayment of bank and other borrowings	(1,818,893)	(638,597)
Proceeds from issue of shares	—	1
Proceeds from issue of shares in connection with the listing	1,427,816	—
Decrease in amounts due from related parties	20,056	331,774
Decrease in amounts due to related parties	(215,482)	(227,286)
Capital contribution from the then equity owners	—	1
Deemed distribution to the then equity owners	(28)	(71,000)
Dividends paid to minority shareholders	—	(50,000)
Share issue expenses	(53,713)	—
Net cash flows from financing activities	1,043,196	304,893
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	196,547	137,967
Effect of foreign exchange rate changes, net	(5,929)	3,486
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,570,026	196,547
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,570,026	196,547

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	1	—
CURRENT ASSETS			
Due from shareholders		—	1
Due from subsidiaries	18	2,221,569	—
Prepayments, deposits and other receivables	21	256	—
Cash and cash equivalents	23	60,249	—
Total current assets		2,282,074	1
CURRENT LIABILITIES			
Other payables and accruals	26	21,600	—
Due to a related party	22	882	—
Due to subsidiaries	18	7,326	—
Total current liabilities		29,808	—
NET CURRENT ASSETS		2,252,266	1
Net assets		2,252,267	1
EQUITY			
Issued capital	30	211,528	1
Reserves	31(b)	1,882,093	—
Proposed final dividend	13	158,646	—
Total equity		2,252,267	1

Lam Lung On
Director

Kwok Ying Lan
Director

1. Corporate Information and Group Reorganisation

The Company was incorporated as Yuzhou International Holdings Company Limited in the Cayman Islands on 23 April 2008 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Pursuant to a special resolution dated 2 June 2008, the name of the Company was changed to Yuzhou Properties Company Limited.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 November 2009 (the "Listing Date").

On 23 April 2008, the Company was incorporated with an authorised share capital of United States dollar (the "US\$") 50,000 divided into 50,000 ordinary shares of US\$1.00 each. On the same day, 1 ordinary share of US\$1.00 of the Company was allotted and issued, and credited as fully paid, to Offshore Incorporation (Cayman) Limited, which was subsequently transferred to Mr. Lam Lung On ("Mr. Lam"). To rationalise the corporate structure in preparation for the listing of its shares on the Stock Exchange (the "Listing"), the Company underwent a group reorganisation (the "Reorganisation"), further details of which are set out in the Company's prospectus dated 20 October 2009.

Upon the completion of the Reorganisation on 9 October 2009, the Company became the holding company of the companies then comprising the Group.

During the year, the Group was principally engaged in property development, property investment, property management and hotel operations in Xiamen, Shanghai, Fuzhou and Hefei, the People's Republic of China (the "PRC" or "Mainland China").

2.1 Basis of Presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies then comprising the Group on 9 October 2009. Since the Company and the companies then comprising the Group were under common control both before and after the completion of the Reorganisation, the Reorganisation was accounted for using merger method of accounting.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2009 and 2008 include the results and cash flows of all companies then comprising the Group, as if the current group structure had been in existence throughout the years ended 31 December 2009 and 2008, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2008 has been prepared to present the state of affairs of the Group as if the current group structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at the respective dates.

In the opinion of the directors of the Company, the consolidated financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

2.2 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs, as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values. No amount is recognised in respect of goodwill or excess of the acquirers’ interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Under the purchase method of accounting, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

3.1 Issued but not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First time Adopters</i> ²
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues</i> ³
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs issued in October 2008</i>	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

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

² Effective for annual periods beginning on or after 1 January 2010

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

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.2 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is a member of the key management personnel of the Group;
- (c) the party is a close member of the family of any individual referred to in (a) or (b); or
- (d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

3.2 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of lease terms and 20 years
Leasehold improvements	Over the shorter of lease terms and 5 years
Furniture, fixtures and office equipment	2 to 5 years
Motor vehicles	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. The Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably, therefore, the Group's investment properties under construction continue to be measured at cost until construction is completed.

3.2 Summary of Significant Accounting Policies *(Continued)*

Investment properties *(Continued)*

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

3.2 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, restricted cash, due from related parties and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3.2 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.2 Summary of Significant Accounting Policies *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related parties and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.2 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3.2 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

- (a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreement, and the collectibility of related receivables is reasonably assured;
- (b) from the rendering of services, when the services are rendered;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

3.2 Summary of Significant Accounting Policies *(Continued)*

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits or share premium within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The financial statements are presented in RMB, which is the Group’s presentation currency. The functional currency of the Company is Hong Kong dollar while RMB is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.2 Summary of Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. Significant Accounting Judgements and Estimates *(Continued)*

Judgements *(Continued)*

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each reporting date.

Estimation uncertainty

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

Valuation of properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square meter sold during the year multiplied by the average cost per square meter of that particular phase of the project.

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

4. Significant Accounting Judgements and Estimates *(Continued)*

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of investment properties

Investment properties are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the reporting date are used.

5. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties;
- (b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;
- (c) the property management segment engages in the provision of management services to properties;
- (d) the hotel operation segment engages in the development and operation of hotels; and
- (e) the others segment comprises corporate income and expense items.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income and finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets, due from related parties, prepaid corporate income tax, prepaid land appreciation tax, restricted cash and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, due to related parties, tax payable, provision for land appreciation tax and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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5. Operating Segment Information (Continued)

Year ended 31 December 2009

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Others RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	1,940,884	25,008	25,909	—	—	1,991,801
Other revenue	3,272	—	10	1	43	3,326
Total	1,944,156	25,008	25,919	1	43	1,995,127
Segment results	866,726	945,582	4,137	(278)	(19,824)	1,796,343
<i>Reconciliation:</i>						
Interest income						2,084
Finance costs						(1,158)
Profit before tax						1,797,269
Tax						(703,237)
Profit for the year						1,094,032
Segment assets	8,697,057	3,854,678	64,896	409,060	1,076,233	14,101,924
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(4,635,078)
Corporate and other unallocated assets						1,674,953
Total assets						11,141,799
Segment liabilities	6,433,055	660,606	69,040	7,460	1,561,405	8,731,566
<i>Reconciliation:</i>						
Elimination of intersegment payables						(4,635,078)
Corporate and other unallocated liabilities						3,215,894
Total liabilities						7,312,382
Other segment information:						
Depreciation and amortisation	15,377	60	104	—	201	15,742
Capital expenditure	321,936	46,425	309	3,514	540	372,724*
Fair value gains on investment properties	—	932,094	—	—	—	932,094

* Capital expenditure consists of additions to property, plant and equipment, additions to investment properties under construction and additions to prepaid land lease payments.

5. Operating Segment Information (Continued)

Year ended 31 December 2008

	Property development	Property investment	Property management	Hotel operation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:						
Sales to external customers	1,716,479	21,560	21,764	—	—	1,759,803
Other revenue	3,613	24	7	—	1,601	5,245
Total	1,720,092	21,584	21,771	—	1,601	1,765,048
Segment results	632,936	111,081	4,384	(14)	(13,638)	734,749
<i>Reconciliation:</i>						
Interest income						1,254
Finance costs						(12,854)
Profit before tax						723,149
Tax						(354,053)
Profit for the year						369,096
Segment assets	4,304,640	2,109,620	17,319	150,502	2,024,265	8,606,346
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(1,656,500)
Corporate and other unallocated assets						323,619
Total assets						7,273,465
Segment liabilities	3,064,164	216,501	16,732	98,880	1,104,295	4,500,572
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,656,500)
Corporate and other unallocated liabilities						3,416,153
Total liabilities						6,260,225
Other segment information:						
Depreciation and amortisation	16,951	45	66	—	170	17,232
Capital expenditure	70,327	103,304	225	12,354	306	186,516*
Fair value gains on investment properties	—	108,088	—	—	—	108,088

* Capital expenditure consists of additions to property, plant and equipment, additions to investment properties under construction and additions to prepaid land lease payments.

Notes to Financial Statements

31 December 2009

6. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties; gross rental income, net of business tax, received and receivable from investment properties and property management fee income, net of business tax, received and receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2009 RMB'000	2008 RMB'000
Revenue		
Sales of properties	1,940,884	1,716,479
Rental income	25,008	21,560
Property management fees	25,909	21,764
	1,991,801	1,759,803
Other income and gains		
Bank interest income	2,084	1,254
Rental income from properties held for sale	2,723	2,198
Others	603	3,047
	5,410	6,499

7. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	Notes	2009 RMB'000	2008 RMB'000
Cost of properties sold		983,790	1,000,657
Amortisation of prepaid land lease payments	17	10,886	10,890
Depreciation	15	4,856	6,342
Minimum lease payments under operating leases for land and buildings		1,337	1,312
Auditors' remuneration		1,770	596
Employee benefit expense (including directors' remuneration) (Note 9)			
Wages and salaries		24,411	16,537
Retirement benefit scheme contributions		1,843	1,062
		26,254	17,599
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		4,335	2,112

8. Finance Costs

An analysis of finance costs is as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Interest on bank loans wholly repayable within five years	100,319	152,419
Interest on bank loans wholly repayable beyond five years	15,123	—
Interest on other loans	7,223	4,319
Total interest expense on financial liabilities not at fair value through profit or loss	122,665	156,738
Less: Interest capitalised	(121,507)	(143,884)
	1,158	12,854

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Fees	87	—
Other emoluments:		
Salaries, allowances and benefits in kind	3,800	3,300
Retirement benefit scheme contributions	46	18
	3,846	3,318
	3,933	3,318

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9. Directors' Remuneration (Continued)

The remuneration of each of the directors for the year ended 31 December 2009 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Lam Lung On	—	1,600	11	1,611
Ms. Kwok Ying Lan	—	1,600	11	1,611
Mr. Lin Longzhi	—	360	12	372
Mr. Lin Conghui	—	240	12	252
	—	3,800	46	3,846
Independent non-executive directors:				
Mr. Gu Jiande	29	—	—	29
Mr. Lam Kwong Siu	29	—	—	29
Mr. Wee Henry Soon Chiang	29	—	—	29
	87	—	—	87
	87	3,800	46	3,933

The remuneration of each of the directors for the year ended 31 December 2008 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Lam Lung On	—	1,500	—	1,500
Ms. Kwok Ying Lan	—	1,200	2	1,202
Mr. Lin Longzhi	—	360	8	368
Mr. Lin Conghui	—	240	8	248
	—	3,300	18	3,318
Independent non-executive directors:				
Mr. Gu Jiande	—	—	—	—
Mr. Lam Kwong Siu	—	—	—	—
Mr. Wee Henry Soon Chiang	—	—	—	—
	—	—	—	—
	—	3,300	18	3,318

There were no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. Five Highest Paid Individuals

The five highest paid individuals during the year included four (2008: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2008: one) non-director, highest paid employee for the year are as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Salaries, allowances and benefits in kind	900	153
Retirement benefit scheme contributions	11	8
	911	161

The remuneration of the non-director, highest paid employee for the year fell within the band of nil to RMB1,000,000.

11. Income Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2008: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for the year.

An analysis of the income tax charges for the year is as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Current:		
PRC corporate income tax	162,570	136,053
PRC land appreciation tax (note 28)	333,414	200,358
	495,984	336,411
Deferred:		
Current year (note 29)	207,253	17,642
Total tax charge for the year	703,237	354,053

Notes to Financial Statements

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11. Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates for the year, are as follows:

	Group			
	2009		2008	
	RMB'000	%	RMB'000	%
Profit before tax	1,797,269		723,149	
At the statutory income tax rate	449,317	25.0	180,787	25.0
Lower tax rate for specific provinces or local authority	(51,854)	(2.9)	(42,476)	(5.9)
Tax losses utilised from previous period	—	—	(2,534)	(0.3)
Income not subject to tax	(3,824)	(0.2)	(1,532)	(0.2)
Expenses not deductible for tax	17,051	0.9	26,299	3.6
Tax losses not recognised	17,904	1.0	13,718	1.9
Effect on withholding tax on the distributable profits of the Group's PRC subsidiaries	14,580	0.8	19,505	2.7
LAT	333,414	18.6	200,358	27.7
Tax effect of LAT	(73,351)	(4.1)	(40,072)	(5.5)
Tax charge at the Group's effective rate	703,237	39.1	354,053	49.0

12. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2009 includes a profit of RMB159,302,000 (2008: Nil) which has been dealt with in the financial statements of the Company (note 31(b)).

13. Dividend

	2009	2008
	RMB'000	RMB'000
Proposed final — HK7.5 cents (2008: Nil) per ordinary share	158,646	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of the basic earnings per share amount for the year ended 31 December 2009 is based on the profit for the year attributable to equity holders of the Company of RMB1,101,042,000 (2008: RMB292,178,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2009 of 1,898,630,137 (2008: 1,800,000,000), on the assumption that the Reorganisation and the capitalisation issue had been completed on 1 January 2008.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

15. Property, Plant and Equipment

Group

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009						
At 1 January 2009:						
Cost	4,485	1,660	14,056	17,962	147,822	185,985
Accumulated depreciation	(1,333)	(444)	(8,019)	(10,892)	—	(20,688)
Net carrying amount	3,152	1,216	6,037	7,070	147,822	165,297
At 1 January 2009, net of accumulated depreciation	3,152	1,216	6,037	7,070	147,822	165,297
Additions	478	—	230	1,970	3,514	6,192
Depreciation provided during the year	(112)	(276)	(1,541)	(2,927)	—	(4,856)
At 31 December 2009, net of accumulated depreciation	3,518	940	4,726	6,113	151,336	166,633
At 31 December 2009:						
Cost	4,963	1,660	13,825	19,932	151,336	191,716
Accumulated depreciation	(1,445)	(720)	(9,099)	(13,819)	—	(25,083)
Net carrying amount	3,518	940	4,726	6,113	151,336	166,633

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15. Property, Plant and Equipment (Continued)

Group

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008						
At 1 January 2008:						
Cost	1,800	892	10,407	18,714	135,468	167,281
Accumulated depreciation	(1,233)	(47)	(6,040)	(8,131)	—	(15,451)
Net carrying amount	567	845	4,367	10,583	135,468	151,830
At 1 January 2008, net of accumulated depreciation	567	845	4,367	10,583	135,468	151,830
Additions	2,685	768	3,649	353	12,354	19,809
Depreciation provided during the year	(100)	(397)	(1,979)	(3,866)	—	(6,342)
At 31 December 2008, net of accumulated depreciation	3,152	1,216	6,037	7,070	147,822	165,297
At 31 December 2008:						
Cost	4,485	1,660	14,056	17,962	147,822	185,985
Accumulated depreciation	(1,333)	(444)	(8,019)	(10,892)	—	(20,688)
Net carrying amount	3,152	1,216	6,037	7,070	147,822	165,297

The Group's leasehold land and buildings included above are situated in Mainland China and are held under long term leases.

16. Investment Properties

Group

	Completed RMB'000	Under construction RMB'000	Total RMB'000
At 1 January 2008	790,000	442,762	1,232,762
Additions	—	102,701	102,701
Transfers	34,212	(34,212)	—
Net gains from fair value adjustments	108,088	—	108,088
At 31 December 2008 and 1 January 2009	932,300	511,251	1,443,551
Additions	—	46,425	46,425
Transfers	170,906	(170,906)	—
Net gains from fair value adjustments	932,094	—	932,094
At 31 December 2009	2,035,300	386,770	2,422,070

16. Investment Properties (Continued)

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	Group	
	2009 RMB'000	2008 RMB'000
Long term leases	302,817	284,914
Medium term leases	2,119,253	1,158,637
	2,422,070	1,443,551

The Group's completed investment properties were revalued on 31 December 2009 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis. The Group's investment properties under construction were measured at cost until such time as fair value can be determined reliably or construction is completed. As the Group has concluded that the fair value of its investment properties under construction cannot be measured reliably, they have been measured at fair value when completed.

At 31 December 2009, certain of the Group's completed investment properties of RMB1,354,007,000 (2008: RMB834,000,000), were pledged to banks to secure the loans granted to the Group (note 27).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a).

17. Prepaid Land Lease Payments

	Group	
	2009 RMB'000	2008 RMB'000
Carrying amount at beginning of year	650,479	698,381
Additions during the year	320,107	64,006
Amortised during the year	(10,886)	(10,890)
Transferred to properties under development	(43,089)	(101,018)
Carrying amount at end of year	916,611	650,479
Current portion	(404,148)	(63,549)
Non-current portion	512,463	586,930

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	Group	
	2009 RMB'000	2008 RMB'000
Long term leases	784,824	527,479
Medium term leases	131,787	123,000
	916,611	650,479

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17. Prepaid Land Lease Payments (Continued)

Included in the Group's non-current balance of prepaid land lease payments are certain parcels of land held for property development projects in the amounts of RMB512,463,000 as at 31 December 2009 (2008: RMB586,930,000) for which the Group has experienced delays in commencing construction due to the uncertainty over the designated land use purpose or the plot ratio of the land. As of the date of approval of these financial statements, the Group has begun the application process for the permits required to commence construction of the relevant projects, and the Group has not received any warning notice or been subject to any penalties in the nature of idle land fees for its delay in commencing construction from the local land bureau. Based on its understanding of current PRC laws and regulations, the Company's PRC legal advisor is of the opinion that the Group has begun the application process for the permits required for the commencement of construction of the relevant projects in accordance with normal procedures and will not be required to pay idle land fees or forfeit the land for such projects. Accordingly, the directors of the Company consider that no provision for idle land fees or land forfeiture is required for the land included in the non-current balance of prepaid land lease payments up to the date of approval of these financial statements.

18. Interests in Subsidiaries

	Company	
	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	1	—

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,221,569,000 (2008: Nil) and RMB7,326,000 (2008: Nil), respectively, are unsecured, interest-free and repayable on demand.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Xiamen Yaozhou Real Estate Development Company ** (Note) (廈門堯洲房地產開發有限公司)	The PRC	RMB10,800,000	—	100%	Property development
Xiamen Gangyi Real Estate Marketing Agent Co., Ltd. ** (Note) (廈門港誼房產營銷代理有限公司)	The PRC	HK\$5,000,000	—	100%	Marketing
Xiamen Yuzhou Commercial Investment & Management Co., Ltd. ** (Note) (廈門禹洲商業投資管理有限公司)	The PRC	HK\$5,000,000	—	100%	Property management

18. Interests in Subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. * ⁸ (Note) (廈門帝元保稅儲運有限公司)	The PRC	RMB20,000,000	—	98%	Property development
Xiamen Kim International Realty Development Co., Ltd. ** (Note) (廈門金國際地產發展有限公司)	The PRC	US\$9,950,000	—	100%	Property development
Xiamen Richville Development Ltd. ** (Note) (廈門貴豐房地產開發有限公司)	The PRC	US\$5,000,000	—	100%	Property development
Xiamen Ganyi Real-Estate Co., Ltd. ** (Note) (廈門港誼置業有限公司)	The PRC	RMB5,000,000	—	100%	Property development
Xiamen Fengzhou Real-Estate Co., Ltd. ** (Note) (廈門豐洲置業有限公司)	The PRC	HK\$18,000,000	—	60%	Property development
Xiamen Yuzhou Hotel Invest & Manage Co., Ltd. ** (Note) (廈門禹洲酒店投資管有限公司)	The PRC	RMB50,000,000	—	100%	Hotel operation
Xiamen Yuzhou Group Realty Invest Co., Ltd. * ⁸ (Note) (廈門禹洲集團地產投資有限公司)	The PRC	RMB20,000,000	—	100%	Property development
Xiamen Skyplaz Realty & Development Co., Ltd. * ⁸ (Note) (廈門海天房地產開發有限公司)	The PRC	US\$6,600,000	—	100%	Property development
Hefei Yuzhou Real Estate Development Co., Ltd. ** (Note) (合肥禹洲房地產開發有限公司)	The PRC	US\$7,677,345	—	100%	Property development
Xiamen Huaqiao City Real Estate Co., Ltd. ** (Note) (廈門華僑城房地產開發有限公司)	The PRC	RMB20,000,000	—	100%	Property development
Anhui Overseas City Construction & Development Co., Ltd. ** (Note) (安徽華僑城建設發展有限公司)	The PRC	US\$3,000,000	—	100%	Property investment
Xiamen Yuzhou Group Ltd. * ⁸ (Note) (廈門禹洲集團股份有限公司)	The PRC	RMB55,800,000	—	100%	Property investment

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18. Interests in Subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Kangtai Real Estate Development Co., Ltd. * [®] (Note) (上海康泰房地產開發有限公司)	The PRC	RMB30,000,000	—	100%	Property development
Shanghai Kangtai Property Management Co., Ltd. * [®] (Note) (上海康泰物業管理有限公司)	The PRC	RMB1,000,000	—	100%	Property management
Shanghai Yuejiang Realty Co., Ltd. * [®] (Note) (上海悅江置業有限公司)	The PRC	RMB48,000,000	—	100%	Property development
Shanghai Yanhai Real Estate Development Co., Ltd. * [®] (Note) (上海燕海房地產開發經營有限責任公司)	The PRC	RMB48,450,000	—	100%	Property development
Shanghai Liyade Property Investment Co., Ltd. * [®] (Note) (上海利雅德投資置業有限公司)	The PRC	RMB10,000,000	—	100%	Property development
Shanghai Yuzhou Hotel Management Co., Ltd. * [®] (Note) (上海禹洲酒店管理有限公司)	The PRC	RMB2,000,000	—	100%	Hotel management
Xiamen Huaqiao City Real Estate Management Service Co., Ltd. * [®] (Note) (廈門華僑城物業經營服務有限公司)	The PRC	RMB3,000,000	—	100%	Property management
Xiamen Yuzhou Property Development Co., Ltd. * [®] (Note) (廈門禹洲房地產開發有限公司)	The PRC	RMB23,600,000	—	100%	Property development
Fujian Yingfeng Real Estate Investment Co., Ltd. * [®] (Note) (福建盈豐地產投資有限公司)	The PRC	RMB50,000,000	—	80%	Property investment
Fujian Big World Huaxia Real Estate Development Co., Ltd. * [®] (Note) (福建大世界華夏房地產有限公司)	The PRC	RMB40,000,000	—	80%	Property development
Fujian Wanlong Property Management Co., Ltd. * [®] (Note) (福建萬龍物業管理服務有限公司)	The PRC	RMB5,000,000	—	80%	Property management
Hefei Ludong Real Estate Development Co., Ltd. * [®] (Note) (合肥廬東房地產開發有限責任公司)	The PRC	RMB80,000,000	—	100%	Property development
Hefei Kangli Realty Co., Ltd. * [®] (Note) (合肥市康麗置業有限公司)	The PRC	RMB10,080,000	—	100%	Property development

18. Interests in Subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai San You Properties Development Company Limited * [@] (Note) (上海三佑置業發展有限公司)	The PRC	RMB10,000,000	—	100%	Property development
Goastal Greenland Development (Fujian) Limited ** (Note) (沿海綠色家園發展(福建)有限公司)	The PRC	US\$10,000,000	—	60%	Property development

* Not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

Registered as a wholly-foreign-owned enterprise under the PRC law.

@ Registered as domestic limited liability companies under the PRC law.

& Registered as a contractual joint venture under PRC law.

^ Newly acquired/incorporated during the year.

Note: The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. Properties Under Development

	Group	
	2009 RMB'000	2008 RMB'000
Properties under development expected to be completed: Within normal operating cycle included under current assets	3,585,106	3,412,056
Properties under development expected to be completed within normal operating cycle and recoverable:		
Within one year	2,135,127	1,960,714
After one year	1,449,979	1,451,342
	3,585,106	3,412,056

All the Group's properties under development are located in Mainland China and are held under long term leases.

At 31 December 2009, certain of the Group's properties under development of RMB1,040,415,000 (2008: RMB994,072,000), were pledged to banks to secure the loans granted to the Group (note 27).

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20. Completed Properties Held for Sale

All the Group's completed properties held for sale are located in Mainland China and are held under long term leases. All the completed properties held for sale are stated at cost.

21. Prepayments, Deposits and Other Receivables

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Prepayments	250,113	116,764	256	—
Deposits and other receivables	117,874	130,433	—	—
	367,987	247,197	256	—

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in the Group's other receivables as at 31 December 2009 are amounts due from minority shareholders of the Group's subsidiaries of RMB15,544,000 (2008: RMB15,527,000). The balances with the minority shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

22. Due from/to Related Parties

An analysis of the balances with related parties is as follows:

Notes	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Due from related parties:				
Mr. Lam (ii)	—	2,892	—	—
Ms. Kwok Ying Lan ("Ms. Kwok") (ii)	—	24,402	—	—
	—	27,294	—	—
Due to related parties:				
Ms. Kwok	1,787	549,033	882	—
Ms. Ye Biyun (i)	—	4,750	—	—
Mr. Lin Conghui (ii)	—	250	—	—
Mr. Lam Wang Yu (iii)	—	1,642	—	—
Xiamen Zongheng Group Co., Ltd ("Zongheng Group") (iv)	—	10,348	—	—
Xiamen Zongheng Group Communication Management Co., Ltd ("Zongheng Communication Management Co.") (iv)	—	12,479	—	—
Xiamen Gangyi Capital Company Limited ("Gangyi Capital Co.") (v)	—	4	—	—
	1,787	578,506	882	—

22. Due from/to Related Parties (Continued)

Notes:

- (i) Ms. Ye Biyun is the mother of Ms. Kwok, a director of the Company.
- (ii) Mr. Lam, Ms. Kwok and Mr. Lin Conghui are directors of the Company.
- (iii) Mr. Lam Wang Yu is the son of Mr. Lam and Ms. Kwok.
- (iv) Zongheng Group and Zongheng Communication Management Co. are companies controlled by Mr. Lam and Ms. Kwok.
- (v) Gangyi Capital Co. is a company controlled by Ms. Ye Biyun and Mr. Lin Conghui.

Save as the amount due to Zongheng Communication Management Co. which is trade in nature and repayable according to the terms of the relevant contract, the above balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from/to related parties approximate to their fair values.

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

23. Cash and Cash Equivalents

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash and bank balances	1,571,781	204,725	60,249	—
Less: Restricted cash (notes)	(1,755)	(8,178)	—	—
Cash and cash equivalents	1,570,026	196,547	60,249	—

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,509,305,000 (2008: RMB198,116,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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23. Cash and Cash Equivalents *(Continued)*

Notes:

- (a) According to relevant documents issued by the Xiamen Municipal Land and Housing Administrative Bureau, certain property management companies of the Group are required to place part of their management fees received at banks as guarantee deposits for the public maintenance fund of the related properties. The deposits can only be used for the maintenance of the relevant properties. At 31 December 2009, such guarantee deposits amounted to RMB1,705,000 (2008: RMB2,258,000).
- (b) According to the relevant mortgage facility agreement signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificate of the relevant property has been passed to the bank. As at 31 December 2009, such deposits amounted to RMB50,000 (2008: RMB50,000).
- (c) According to the relevant loan facility agreements signed by certain subsidiaries of the Group with the banks, the subsidiaries are required to place the pre-sale proceeds of their properties at designated bank accounts. The deposits can only be used for the payment of property development cost incurred by the subsidiary and the repayment of the relevant loan. As at 31 December 2009, such deposits amounted to nil (2008: RMB5,870,000).

24. Receipts in Advance

Receipts in advance represented amounts received from buyers in connection with the pre-sale of properties during the year.

25. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Due within 1 year or on demand	257,669	498,578
Due within 1 to 2 years	445,819	309,044
	703,488	807,622

The trade payables are non-interest-bearing and unsecured. The carrying amounts of these balances approximate to their fair value.

26. Other Payables and Accruals

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Accruals	682	1,164	—	—
Other payables	180,520	219,074	21,600	—
	181,202	220,238	21,600	—

The carrying amounts of other payables approximate to their fair values.

Included in the Group's other payables as at 31 December 2009 are amounts due to the minority shareholders of the Group's subsidiaries of RMB12,631,000 (2008: RMB12,631,000). The balances with the minority shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

27. Interest-bearing Bank and Other Borrowings

	Group					
	2009			2008		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured			—	7.56	2009	69,691
Bank loans — secured	5.40 — 6.53	2010	783,000	7.56	2009	756,862
Other loans — unsecured			—	8.69	2009	145,000
			783,000			971,553
Non-current						
Bank loans — unsecured	5.40	2011 — 2012	324,050			—
Bank loans — secured	5.40 — 6.90	2011 — 2019	1,122,000	7.56 — 8.32	2010 — 2011	1,392,950
			1,446,050			1,392,950
			2,229,050			2,364,503

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27. Interest-bearing Bank and Other Borrowings (Continued)

	Group	
	2009 RMB'000	2008 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	783,000	826,553
In the second year	196,050	1,167,950
In the third to fifth years, inclusive	875,000	225,000
Beyond five years	375,000	—
	2,229,050	2,219,503
Other loans repayable:		
Within one year or on demand	—	145,000
	2,229,050	2,364,503

- (a) Certain of the Group's bank loans are secured or guaranteed by:
- (i) mortgages over the Group's properties under development with an aggregate carrying value at the end of the reporting period of approximately RMB1,040,415,000 (2008: RMB994,072,000);
 - (ii) pledges over the Group's investment properties with an aggregate carrying value at the end of the reporting period of approximately RMB1,354,007,000 (2008: RMB834,000,000);
 - (iii) corporate guarantees executed by certain subsidiaries of the Group to the extent of RMB259,050,000 (2008: RMB1,000,000,000); and
 - (iv) joint and several personal guarantees executed by Mr. Lam and Ms. Kwok, directors of the Company, to the extent of RMB450,000,000 as at 31 December 2009 (2008: Nil).
- (b) All bank borrowings of the Group are denominated in RMB.
- (c) The carrying amounts of the Group's borrowings approximate to their fair values.
- (d) Other loans represented entrusted loans obtained from Zongheng Group through a financial institution. The loans were unsecured, bore interest at 8.69% per annum and were repayable within one year. The other loans have been fully repaid by the Group in July 2009.

28. Provision for Land Appreciation Tax

	Group	
	2009 RMB'000	2008 RMB'000
At beginning of year	182,964	30,131
Charged to the consolidated income statement during the year (note 11)	333,414	200,358
Payment for the year	(180,781)	(47,525)
At end of year	335,597	182,964

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the 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 gains arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale 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.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

29. Deferred Tax

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Deferred tax assets	76,614	36,843
Deferred tax liabilities	(435,904)	(188,880)
	(359,290)	(152,037)

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29. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows:

	Withholding tax RMB'000	Tax losses RMB'000	Revaluation on investment properties RMB'000	Provision of LAT RMB'000	Total RMB'000
At 1 January 2008	—	2,534	(142,353)	5,424	(134,395)
Credited/(charged) to the consolidated income statement during the year (note 11)	(19,505)	(2,534)	(27,022)	31,419	(17,642)
At 31 December 2008 and 1 January 2009	(19,505)	—	(169,375)	36,843	(152,037)
Credited/(charged) to the consolidated income statement during the year (note 11)	(14,580)	—	(232,444)	39,771	(207,253)
At 31 December 2009	(34,085)	—	(401,819)	76,614	(359,290)

The Group had unutilised tax losses of approximately RMB222,044,000 as at 31 December 2009 (2008: RMB132,524,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of related benefits through future taxable profits is probable. The Group did not recognise deferred tax assets on unutilised tax losses arising in the PRC of RMB222,044,000 as at 31 December 2009 (2008: RMB132,524,000) due to the unpredictability of future profit streams.

Pursuant to the new corporate income tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Share Capital

Shares

	2009 RMB'000	2008 RMB'000
Authorised:		
100,000,000,000 (2008: 50,000) ordinary shares of HK\$0.1 each (2008: US\$1.00 each)	8,813,679	343
Issued and fully paid:		
2,400,000,000 (2008: 100) ordinary shares of HK\$0.1 each (2008: US\$1.00 each)	211,528	1

On 23 April 2008, the Company was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. 100 fully paid shares of US\$1.00 each were issued and allotted at par for cash to Mr. Lam and Ms. Kwok on the same date. During the year, the movements in share capital were as follows:

- (a) Pursuant to a written resolution of the shareholders of the Company passed on 14 September 2009, the authorised share capital of the Company was increased by HK\$5,000 by the creation of 50,000 ordinary shares of HK\$0.10 each, ranking pari passu in all respects with the existing ordinary shares of the Company. 100 fully paid ordinary shares of HK\$0.10 each were issued and allotted at par for cash to Mr. Lam and Ms. Kwok on the same date.
- (b) Pursuant to a written resolution of the shareholders of the Company passed on 14 September 2009, the authorised share capital of the Company was diminished by US\$50,000 by the cancellation of 50,000 shares of US\$1.00 each. 100 issued shares of US\$1.00 each were repurchased by the Company at par for cash prior to the cancellation of the shares.
- (c) Pursuant to a written resolution of the shareholders of the Company passed on 9 October 2009, the authorised share capital of the Company was increased from HK\$5,000 to HK\$10,000,000,000 by the creation of 99,999,950,000 ordinary shares of HK\$0.10 each, ranking pari passu in all respects with the existing ordinary shares of the Company.
- (d) On 9 October 2009, the Company conditionally issued and allotted 806,398,958 ordinary shares of HK\$0.10 each as fully paid to Mr. Lam and Ms. Kwok pursuant to a written resolution of the shareholders of the Company passed on the same date by way of loan capitalisation of HK\$809,362,447 owed by the Company to Mr. Lam and Ms. Kwok. This issue and allotment of shares became unconditional on the Listing Date.
- (e) On 9 October 2009, the Company conditionally issued and allotted 993,600,942 ordinary shares of HK\$0.10 each at par as fully paid to the shareholders whose names appeared on the register of the members of the Company on the same date by way of capitalisation of HK\$99,360,094.20 which was then standing to the credit of the share premium account of the Company upon the listing of shares of the Company. This issue and allotment of shares became unconditional on the Listing Date.
- (f) On the Listing Date, the Company's shares were listed on the Stock Exchange and the Company issued 600,000,000 ordinary shares of HK\$0.10 each at HK\$2.7 per share with gross proceeds of approximately HK\$1,620,000,000.

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30. Share Capital (Continued)

A summary of the transactions with reference to the above movements in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
On incorporation	100	1	—	1	—	1
Issue of new shares — note (a)	100	—	1	—	1	1
Cancellation of shares — note (b)	(100)	(1)	—	(1)	—	(1)
Loan capitalisation issue — note (d)	806,398,958	80,640	728,722	71,073	642,273	713,346
Capitalisation issue — note (e)	993,600,942	99,360	(99,360)	87,573	(87,573)	—
Issue of shares in connection with the Listing — note (f)	600,000,000	60,000	1,560,000	52,882	1,374,934	1,427,816
	2,400,000,000	240,000	2,189,363	211,528	1,929,635	2,141,163
Share issue expenses	—	—	(54,669)	—	(48,184)	(48,184)
As at 31 December 2009	2,400,000,000	240,000	2,134,694	211,528	1,881,451	2,092,979

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 61 of the financial statements.

(i) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in note 1 above.

(ii) Statutory surplus reserves

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC, and were approved by the respective boards of directors.

(iii) Deemed distribution to the then equity owners upon the Reorganisation

Deemed distribution to the then equity owners represents the costs paid by the Group to the equity owners in respect of the acquisition of subsidiaries pursuant to the Reorganisation.

(iv) Other reserve

Certain amount of goodwill arising on the acquisition of minority interests was recognised as other reserve.

31. Reserves (Continued)**(b) Company**

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 23 April 2008 (date of incorporation) and at 31 December 2008	—	—	—	—
Issue of shares (note 30(a))	1	—	—	1
Loan capitalisation				
issue of shares	642,273	—	—	642,273
Capitalisation issue of shares	(87,573)	—	—	(87,573)
Issue of shares in connection with the Listing	1,374,934	—	—	1,374,934
Share issue expenses	(48,184)	—	—	(48,184)
Total comprehensive income for the year	—	(14)	159,302	159,288
Proposed final dividend	—	—	(158,646)	(158,646)
At 31 December 2009	1,881,451*	(14)	656*	1,882,093

* These reserve accounts comprise the Company's reserves available for distribution amounting to RMB1,882,107,000.

32. Notes to the Consolidated Statement of Cash Flows**Major non-cash transactions**

- (a) As part of the Reorganisation, on 21 September 2009, the Group acquired certain subsidiaries from Mr. Lam and Ms. Kwok at an aggregate consideration of approximately RMB359,347,000, which was settled by way of loan capitalisation as detailed in note 32(b) below.
- (b) On 9 October 2009, the Company conditionally issued and allotted 806,398,958 ordinary shares of HK\$0.10 each as fully paid to Mr. Lam and Ms. Kwok by way of loan capitalisation of approximately RMB713,346,000 owed by the Company to Mr. Lam and Ms. Kwok. This issue and allotment became unconditional on the Listing Date.

33. Financial Guarantees

The Group had the following financial guarantees as at the end of the reporting period:

	Group	
	2009 RMB'000	2008 RMB'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	2,379,720	1,719,307

33. Financial Guarantees *(Continued)*

At the end of the reporting period, the Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as security on the mortgage loans. Upon default on mortgage payments by these purchasers, the banks are entitled to take over the legal titles and can realise the pledged properties through open auction. The Group is obliged to repay the banks for the shortfall if the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans, and ends upon the earlier of (i) the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers.

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

34. Pledge of Assets

Details of the Group's banks loans which are secured by the assets of the Group, are included in note 27(a) to the financial statements.

35. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Within one year	35,471	15,753

35. Operating Lease Arrangements *(Continued)***(b) As lessee**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Within one year	1,024	1,229
In the second to fifth years, inclusive	525	1,963
	1,549	3,192

36. Commitments

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2009 RMB'000	2008 RMB'000
Contracted, but not provided for:		
Investment properties under construction and properties under development	1,275,330	1,235,825
Acquisition of land use rights	1,907,900	60,000
	3,183,230	1,295,825

At the end of the reporting period, the Company did not have any significant commitments.

Notes to Financial Statements

31 December 2009

37. Related Party Transactions

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

	Note	Group	
		2009 RMB'000	2008 RMB'000
Purchase of properties from Ms. Kwok	(i)	—	2,538
Interest expense paid to Zongheng Group	(ii)	7,223	4,319
Service fees paid to Xiamen Zongheng Group Communication Development Co., Ltd (“Zongheng Communication Development Co.”)	(iii)	1,303	3,148

Notes:

- (i) Properties were sold at prices mutually agreed by relevant parties. In the opinion of the directors of the Company, the transactions were entered into in the ordinary course of business of the Group.
- (ii) The interest expense is charged on the entrusted loans obtained from Zongheng Group as further detailed in note 27(d) to the financial statements.
- (iii) The service fees were incurred for the design, installation and testing of intelligence systems provided by Zongheng Communication Development Co. in relation to properties held for sale, at rate determined in accordance with terms and conditions set out in the contracts entered into between the relevant parties. Zongheng Communication Development Co. is a company controlled by Mr. Lam and Ms. Kwok.

The service fees paid to Zongheng Communication Development Co. in the amount of approximately RMB444,000 for the period from the Listing Date to 31 December 2009 also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

- (b) Compensation of key management personnel of the Group
- In the opinion of the Company's directors, the directors of the Company represented the key management personnel of the Group and details of the compensation of which are set out in note 9 to the financial statements.
- (c) Mr. Lam and Ms. Kwok have entered into a deed of indemnity dated 9 October 2009 in favour of the Company, to provide indemnities on a joint and several basis in respect, among others: (1) any additional taxation incurred on or before the Listing Date which is imposed on, pursuant to, arising or resulting from the change of the taxation policy or treatment of basis of calculation, of CIT and LAT by the relevant taxation authorities in the PRC; (2) any liabilities, damages, fines, penalties, costs, losses or expenses: (aa) for the failure to obtain relevant ownership certificates as required under the PRC laws in connection with any of the properties developed or owned by the Group; (bb) for the delay in the construction of certain property projects of the Group as required under PRC laws and regulations; and (cc) as a result of obtaining loans directly from any PRC third party entities other than banks under PRC laws and regulations.
- (d) Mr. Lam and Ms. Kwok have guaranteed certain bank loans of RMB450,000,000 (2008: Nil) made to the Group as at the end of the reporting period, as further detailed in note 27(a) to the financial statements.

38. Financial Instruments by Category

All financial assets and liabilities of the Company and the Group as at 31 December 2009 and 2008 are loans and receivables and financial liabilities stated at amortised cost, respectively.

39. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's assets are predominantly in the form of prepaid land lease payments, investment properties, properties under development and completed properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realised.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in Mainland China at the same saving rate as unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Since the Group has mainly entered into floating interest rate loans, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

A reasonably possible change of 50 basis point in interest rate, with all other variables held constant, would have no material impact on the Group's profit during the year and there would be no material impact on other components of the Group's equity.

Foreign currency risk

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

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

39. Financial Risk Management Objectives and Policies *(Continued)*

Foreign currency risk *(Continued)*

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

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

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

A reasonably possible change of 5% in the exchange rate between the Hong Kong dollar and the Renminbi would have no material impact on the Group's profit during the year and there would be no material impact on other components of the Group's equity.

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. There is no significant concentration of credit risk within the Group.

On top of the credit risk arising from the financial guarantees provided by the Group as detailed in note 33, the credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities are available for contingency purposes.

39. Financial Risk Management Objectives and Policies (Continued)**Liquidity risk** (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	At 31 December 2009				
	On demand or within 1 year	In the second year	3 to 5 years	Beyond 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	889,404	271,353	1,028,500	428,094	2,617,351
Trade payables	257,669	445,819	—	—	703,488
Other payables	180,520	—	—	—	180,520
Due to related parties	1,787	—	—	—	1,787
	1,329,380	717,172	1,028,500	428,094	3,503,146
Financial guarantees issued: Maximum amount guaranteed (note 33)	2,379,720	—	—	—	2,379,720

Group

	At 31 December 2008			
	On demand or within 1 year	In the second year	3 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	1,125,223	1,227,844	233,732	2,586,799
Trade payables	498,578	309,044	—	807,622
Other payables	219,074	—	—	219,074
Due to related parties	578,506	—	—	578,506
	2,421,381	1,536,888	233,732	4,192,001
Financial guarantees issued: Maximum amount guaranteed (note 33)	1,719,307	—	—	1,719,307

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39. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

Company

	At 31 December 2009 On demand or within 1 year RMB'000
Other payables	21,600
Due to a related party	882
Due to subsidiaries	7,326
	29,808

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the Company. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Interest-bearing bank and other borrowings	2,229,050	2,364,503
Less: Cash and cash equivalents	(1,570,026)	(196,547)
Net debt	659,024	2,167,956
Equity attributable to owners of the Company	3,705,244	879,096
Gearing ratio	18%	247%

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2010.

Major Investment Properties

Location	Use	Tenure	Attributable interest of the Group
Phase I of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC	Commercial and car parking space	Long term lease	100%
Phase II of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC	Commercial and car parking space	Long term lease	100%
Phase I of Yuzhou Jingqiao International, No. 333 Jingang Road, Pudong New Area, Shanghai, the PRC	Commercial	Medium term lease	100%
Phase II of Yuzhou Jingqiao International, Lane 50 Jinyu Road, Pudong New Area, Shanghai, the PRC	Commercial	Medium term lease	100%
Lot A, West of the Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC	Commercial	Long term lease	100%

Major Properties Under Development

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
West of the Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC	Residential and commercial	70,793	243,000	Under—development	2010	100%
Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC	Residential and car parking space	19,454	204,476	Under—development	2010	100%
No.333 Jingang Road, Pudong New Area, Shanghai, the PRC	Office, commercial and basement	49,738	234,513	Under—development	2010—2012	100%
Longjiang Village, Chengmen Town, Cangshan District, Fuzhou, Fujian Province, the PRC	Residential and commercial	706,397	365,512	Under—development	2010—2013	80%

Schedule of Major Properties

Major Properties Under Development (Continued)

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
Niushan Village, Yangli, Gushan Town, Jinan District, Fuzhou, Fujian Province, the PRC	Residential and car parking space	234,160	87,576	Under— development	2010	60%
East of Huli Avenue, South of Huandao Road, Huli District, Xiamen, Fujian Province, the PRC	Hotel	60,018	125,221	Under— development	2012	100%
Hubin South Road, Siming District, Xiamen, Fujian Province, the PRC	Office	3,333	60,251	Under— development	2012	100%
Tongji Road, Xike Town, Tongan District, Xiamen, Fujian Province, the PRC	Residential and commercial	90,750	480,252	Under— development	2012	100%
Fanghu, Huli District, Xiamen, Fujian Province, the PRC	Residential and car parking space	52,715	193,767	Under— development	2011	98%
West of Songlin Road, Northeast of Planning Road, Taohua Town, Feixi County, Hefei, Anhui Province, the PRC	Residential and commercial	446,757	1,148,560	Under— development	2014	100%

Major Completed Properties Held for Sale

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
Hubin North Road, Siming District Xiamen, Fujian Province, the PRC	Residential and commercial	20,089	191,649	Completed	N/A	60%
Fanghu, Huli District, Xiamen, Fujian Province, the PRC	Residential and commercial	26,367	93,556	Completed	N/A	100%