POWERLONG
宝龙

Powerlong Real Estate Holdings Limited
寶龍地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1238

ANNUAL REPORT 2009

Contents

Group Introduction

Powerlong Real Estate Holdings Limited ("Powerlong" or the "Company") is a leading commercial property developer in China specializing in the development and operation of commercial property projects that are of high-quality, large-scale and in the form of complex.

On 14 October 2009, Powerlong listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and opened the door to the international capital market. The listing on the Stock Exchange represented the beginning of a new stage of development for Powerlong.

Powerlong is devoted to develop new city plazas in second and third tier cities in China with greatest growth potential. Existing projects are located in Fujian Province (Fuzhou and Quanzhou), Jiangsu Province (Wuxi, Suzhou, Yancheng, Changzhou and Suqian), Shandong Province (Qingdao,Yantai and Tai'an), Henan Province (Zhengzhou, Luoyang and Xinxiang), and Anhui Province (Bengbu).

Overview of Our Business

PROPERTY DEVELOPMENT

As at 31 December 2009, the Group had 18 projects at different phases of development. Of which, 6 were located in Jiangsu Province, including 2 projects at Wuxi, 1 project at Suzhou, 1 project at Yancheng, 1 project at Changzhou and 1 project at Suqian; 5 were located in Shandong Province, including 3 projects at Qingdao, 1 project at Yantai, 1 project at Tai'an; 3 were located in Fujian, including 1 project in Fuzhou, 2 projects in Quanzhou; 3 were located in Henan Province, including 1 project in Zhengzhou, 1 project in Luoyang, 1 project in Xinxiang and 1 at Bengbu in Anhui Province.

As at 31 December 2009, the total GFA completed under the Group's 18 projects were 2,402,962 square meters. Total GFA under construction were 3,844,719 square meters. Total GFA of land held for future development were 2,217,821 square meters.

PROPERTY INVESTMENT

As at 31 December 2009, the Group held completed commercial properties in 7 projects with a total of 544,964 square meters for leasing. These properties allow the Group to generate stable rental income. These commercial properties are located at Fuzhou in Fujian Province, Zhengzhou and Luoyang in Henan Province, Qingdao and Tai'an in Shandong Province, Bengbu in Anhui Province, and Wuxi in Jiangsu Province.

HOTEL DEVELOPMENT

As at 31 December 2009, the Group held hotel properties under construction in 7 projects with a total of 212,597 square meters. These properties allow the Group to generate stable and recurring income. These hotel properties are located in Qingdao, Yantai and Tai'an in Shandong Province, and Taicang, Yancheng and Changzhou in Jiangsu Province.

PROPERTY MANAGEMENT

The Company provide after-sales property management services to the households of each project developed by the Group through its wholly-owned property management subsidiaries. The services providing include maintenance of public utilities, cleaning of public area, gardening and landscaping, as well as other customer services.

As at 31 December 2009, the status of the Group's property development business was as follows:

PROPERTIES COMPLETED:

Project	Total GFA	Interest attributable to us	Attributable GFA	Investment Properties	Total Saleable Properties	Of which: car parking spaces	Of which, properties delivered
	square meters		square meters	square meters	square meters	square meters	square meters
Quanzhou (Golden Jiayuan, Anhai Haoyuan)	197,754	100%	197,754	–	197,754	–	197,754
Fuzhou	215,353	100%	215,353	94,768	120,585	25,170	95,415
Zhengzhou	247,195	100%	247,195	88,388	158,807	30,395	95,974
Tai'an	252,262	100%	252,262	56,318	195,944	13,367	140,527
Qingdao	471,943	100%	471,943	127,189	344,754	111,527	189,510
Bengbu	347,978	100%	347,978	107,020	240,958	50,265	168,959
Luoyang Phase I	372,263	100%	372,263	63,200	309,063	29,585	195,725
Wuxi Yuqi Phase I	128,105	100%	128,105	8,081	120,024	19,539	86,800
Suzhou Taicang Phase I	159,770	100%	159,770	–	159,770	14,971	133,435
Wuxi Wangzhuang I	10,339	80%	8,271	–	10,339	–	10,000
Sub-total	2,402,962		2,400,894	544,964	1,857,998	294,818	1,314,099

Overview of Our Business

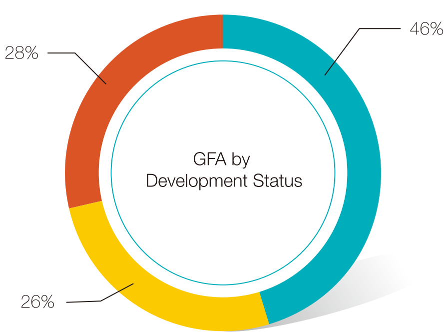
PROPERTIES UNDER CONSTRUCTION:

Project	Total GFA square meters	Interest attributable to us	Attributable GFA square meters	Investment Properties square meters	Properties held for sale square meters	GFA of hotel square meters
Tai'an	49,683	100%	49,683	–	–	49,683
Suzhou Taicang I	53,752	100%	53,752	–	–	53,752
Qingdao	233,582	100%	233,582	77,822	116,049	39,711
Bengbu	143,231	100%	143,231	76,694	66,537	–
Wuxi Wanzhuang II	273,848	80%	219,078	110,056	163,792	–
Qingdao Licang	363,664	100%	363,664	86,570	270,620	6,474
Yantai Haiyang	950,472	100%	950,472	–	915,472	35,000
Suqian	491,925	100%	491,925	120,706	371,219	–
Yancheng	485,661	100%	485,661	74,929	400,055	10,677
Changzhou	798,900	100%	798,900	124,000	657,600	17,300
Sub-total	3,844,719		3,789,949	670,778	2,961,344	212,597

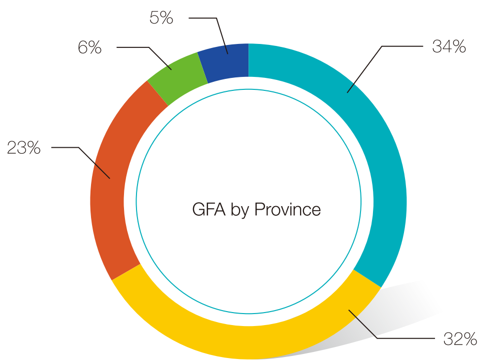
PROPERTIES HELD FOR FUTURE DEVELOPMENT:

Project	Total GFA square meters	Interest attributable to us	Attributable GFA square meters	Investment Properties square meters	Properties held for sale square meters	GFA of hotel square meters
Suzhou Taicang Phase II	54,223	100%	54,223	–	54,223	–
Luoyang Phase II	502,705	100%	502,705	76,441	426,264	–
Wuxi Yuqi Phase II	262,928	100%	262,928	–	262,928	–
Xinxiang	881,765	100%	881,765	80,000	791,765	10,000
Qingdao Jimo	516,200	100%	516,200	115,000	401,200	–
Sub-total	2,217,821		2,217,821	271,441	1,936,380	10,000

Landbank As at 31 December 2009



	square meters
Completed properties held for investment, operation and sale	2,402,962
Properties under development	3,844,719
Properties for future development	2,217,821
Total GFA	8,465,501



	square meters
Shandong	2,837,806
Jiangsu	2,719,450
Henan	2,003,927
Anhui	491,209
Fujian	413,108
Total GFA	8,465,501

Set out below is a map showing the cities where the Group's 18 projects are located.

Overview of Our Business

Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong
(Chairman of the Board of Directors and President)
Mr. Hoi Wa Fong *(Chief Executive Officer)*
Mr. Xiao Qing Ping *(Deputy President)*
Ms. Shih Sze Ni *(Chief Audit Officer and Deputy General Manager of the Cost Control Center)*
Ms. Liu Xiao Lan *(General Manager of the Commercial Group)*

Non-executive Director

Ms. Hoi Wa Fan

Independent non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

REMUNERATION COMMITTEE

Mr. Hoi Wa Fong *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

AUDIT COMMITTEE

Mr. Ngai Wai Fung *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

NOMINATION COMMITTEE

Mr. Hoi Kin Hong *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

COMPANY SECRETARY

Mr. Au-yeung Po Fung

AUTHORIZED REPRESENTATIVES:

Mr. Hoi Wa Fong
Mr. Au-yeung Po Fung

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

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The Center
99 Queen's Road Central
Hong Kong

WEBSITE

www.powerlong.com

AUDITOR

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

COMPLIANCE ADVISOR

WAG WorldSec Corporate Finance Limited
6/F, New Henry House
10 Ice House Street
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

12th–15th Floor
Gubei International Fortune Center
1452 Hongqiao Road
Changning District
Shanghai
PRC

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
Agricultural Bank of China Co., Ltd.
China Merchants Bank Co., Ltd.
China CITIC Bank Corporation Limited

LEGAL ADVISOR

Sidley Austin

Corporate Development Milestones 2009

1991-2000

Developed **Phase 1 & 2 of Xiamen Powerlong Centre** and tapped into the real estate industry that is principally engaged in the development of residential properties

2003

Completion of **Jinjiang Powerlong Golden Jiayuan**

2004

Construction commenced at **Quanzhou Anhai Powerlong Haoyuan, Fuzhou Powerlong City Plaza**

2005

Completion of **Jinjiang Powerlong Golden Jiayuan, Quanzhou Anhai Powerlong Haoyuan**

Construction commenced at **Suzhou and Taicang Powerlong Phase I**

2006

Completion of **Fuzhou Powerlong**

Construction commenced at **Tai'an Powerlong Phase I, Zhengzhou Powerlong, Luoyang Powerlong, Bengbu Powerlong**

2007

Completion of **Suzhou and Taicang Powerlong Phase I**

Construction commenced at **Wuxi Powerlong Phase I, Wuxi Yuqi Phase I, Qingdao Powerlong, Tai'an Powerlong Phase II**

2008

Completion of **Zhengzhou Powerlong, Wuxi Powerlong Phase I, Tai'an Powerlong Phase I, Bengbu Powerlong Phase I**

Construction commenced at **Wuxi Powerlong Phase II**

2009

The Company's shares were listed on the Hong Kong Stock Exchange

Completion of **Bengbu Phase II (Area A), Qingdao Phase I & Areas ABEF of Phase II, Luoyang Phase I, Tai'an Phase II, Wuxi Yuqi Phase I**

1991 1999 2000 2001 2002 2003 2004 2005 2006 2009

Honors and Awards

By leveraging on our outstanding designs and architecture, we have achieved remarkable results in our property development business and brought us many major awards. During the year, new awards received by us were as follows:

▲ We were included in the top 100 real estate enterprises nationwide in China by China Real Estate Top 100 Research Group.

▲ We were recognized as a top brand in commercial and tourism related property management development by China Real Estate Top 100 Research Group.

▲ We were accredited by China Real Estate Review (中國房地產報) as Top 10 Municipal Conglomerate in China.

▲ We were selected by the Executive Committee of the China Association of Housing and Transportation (中國住交會組委會) as a CIHAF Well-known Real Estate Enterprise in China of 2009.

▲ We were recognized by Xiamen Daily (廈門日報) as the Brand Real Estate Enterprise with High Growth in the real estate industry of Xiamen.

▲ We were ranked by 21 Century Economic Review as the Best Performance Brand in IPO of 2009.

▲ Wuxi Powerlong City Plaza was selected by the Executive Committee of the China Association of Housing and Transportation (中國住交會組委會) as a CIHAF Best Real Estate Project in China of 2009.

▲ Yancheng Powerlong City Plaza was accredited by Yanfu Public News as the Commercial Real Estate Project with Best Investment Value of 2009.

▲ Qingdao Powerlong City Plaza was awarded the Commercial Real Estate Project with Best Investment Value of 2009 by China Commercial Real Estate Enterprises Association.

In addition, Mr. Hoi Kin Hong, the Chairman of the Board of Directors, was awarded Contributor to Real Estate Brands in China in 2009. Mr. Hoi Wa Fong, the Chief Executive Officer, was awarded Ten Outstanding Entrepreneurs of Real Estate Industry in China by CIHAF in 2009.

HOI Kin Hong
Chairman and President

Chairman's Statement

Chairman's Statement

Dear respectable shareholders,

On behalf of the Board of Powerlong, I hereby present our operating results for the year of 2009. As such, I first wish to express my sincere gratitude to the support and trust from all shareholders.

The year of 2009 was a landmark for Powerlong. Faced with the complicated and ever-changing macro-economic environment and market, our management studied and tracked the changes in moving trends on an ongoing basis, and made timely decisions that were promptly implemented. Expenditures were strictly controlled and new sources of income were actively explored in a prudent and practical manner. Efforts were devoted to the sales, construction and commercial leasing activities in full force. Administrative reforms were implemented proactively and hence excellent satisfactory operating results were achieved. In 2009, revenue increased by 161% to approximately RMB4,136 million, net profit increased by 224% to approximately RMB3,041million, net profit after deducting the fair value gains from revaluation on investment properties increased by 314% to approximately RMB1,222 million.

ACCELERATE ITS PACE OF DEVELOPMENT AND DEVOTE TO EXPAND ITS SCALE OF OPERATION

Powerlong has been engaging in the operation of commercial properties since 2003. After years of efforts, we have established a sound foundation for its operation and management, and have built up comparative advantages in the industry. We are now well-positioned for a rapid development. In 2009, apart from the substantial growth in revenue and profit, other performance indicators of Powerlong, such as area under construction, area completed and area delivered, all reached historical new heights. Projects under construction were successfully completed as scheduled as to construction works, sales and leasing. The construction and sales of new projects that commenced construction also achieved satisfactory results. The number of projects that commenced operation increased from 1 in 2008 to 4. The area of investment properties increased from approximately 205,022 sq. m. in 2008 to approximately 544,964 sq. m. The successful listing of Powerlong in October 2009 was an important milestone that implied its pace of development would accelerate in future.

EXTENSIVE REFORM OF STANDARDIZATION AND ADMINISTRATION MECHANISMS TO IMPROVE OPERATING EFFICIENCY

In 2009, we have made significant progresses in terms of establishing standards. A number of results derived from standardization were achieved and applied. Of which, we have achieved preliminary results in the research and development of standard stores units for Powerlong City Plaza. Overall unit quality was enhanced. Different product series were initially formed. The projects in Yangcheng and Suqian were projects for trial run of standard stores, the results of which were relatively satisfactory. With respects to planning, construction and sales, remarkable progresses were achieved. In future we will continue to conclude results and experiences from standardization to perfect its framework. This will also be applied broadly in every aspect from land acquisition, project development and construction, delivery and operation.

While we are driving the progress in standardization, we re-classified the administration mechanisms for commercial properties into three phases, namely pre-investment exploration, development and construction as the second phase and commercial operation as the third phase. Three deputy presidents were assigned to handle these three different phases of work. This allowed the administration mechanisms to be more well-defined and the responsibilities more specific. In addition, we proactively implemented our performance appraisal system, so as to strengthen our mechanisms for motivation. Operation efficiencies and work effectiveness were enhanced substantially.

HEADQUARTER SUCCESSFULLY MOVED TO SHANGHAI AND PEOPLE BANK WAS EXPANDED

In February 2010, our administrative headquarter was successfully moved from Xiamen to Shanghai. With the headquarter set up in Shanghai, the Company will be benefitted from retaining talents, gaining additional business resources and obtaining latest market information. In future we will fully capitalize on the advantages of people in Shanghai, and actively acquire more talents in the industry to join us for the creation of the most outstanding management team in the industry.

DEVELOPMENT STRATEGIES AND FUTURE OUTLOOK

We believe that the economy of China will grow steadily in the long-term. Progresses on urbanization and change the model of commercial spending will bring enormous opportunities for commercial properties in the development of mega commercial complex. Short-term policies and movements in the market will not change the upward moving change of the market in the long term. Our unique business model in the commercial properties operation, standardization of operation system, low cost land bank, and an experienced management team are our competitive advantages that will allow us to lead in the development of commercial properties in China.

Chairman's Statement

In 2010, our goal is to acquire new land bank for 10 commercial property projects. We also plan to accelerate our pace of development and construction for projects and enhance our capabilities in commercial operation and management. We will continue to push ahead in standardization setting and reform of administration mechanisms. This will lay a solid foundation to the rapid development of Powerlong. In the coming few years, we will further add different unit specifications to the existing standard store model, and rapidly covering second and third tier cities in a comprehensive manner. We will selectively tap into the first tier cities, and penetrate the fourth tier cities with a combination of different business models. This will ultimately achieve a total coverage at different tiers of cities in China. We wish to complete the construction of over 100 commercial property projects as soon as practicable. Powerlong will become the leading and most influential commercial properties operator in China and continue to create value for our shareholders.

Finally, on behalf of the Board, I wish to express my sincere appreciation to the Group's investors, business partners and customers for their trust and support. At the same time, I also wish to take this opportunity to thank the fellow members of the Board for their excellent contribution and the dedication of all staff.

Chairman and President
Hoi Kin Hong

9 April 2010

HOI Wa Fong
Executive Director

Management Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW

Results

During the year under review, the Group achieved a total revenue of RMB4,135,739,000 (2008: RMB1,583,766,000), representing an increase of 161%. Net profit surged 224% to RMB3,041,070,000 (2008: RMB937,316,000) and the portion attributable to equity holders of the Company was RMB3,042,669,000 (2008: RMB932,658,000), representing a rise of 226%. Basic and diluted earnings per share attributable to equity holders of the Company amounted to RMB93.93 cents and RMB93.92 cents, respectively (2008: RMB31.09 cents and RMB31.09 cents, respectively) for the year ended 31 December 2009.

For the year ended 31 December 2009, the Group conducted its business activities in the following major business segments, namely property development, property investment, property management and other property development related services. During the year under review, property development remains the core business and key revenue driver of the Group.

The surge in revenue was largely derived from overwhelming responses to the sales of the Group's nine projects launched during the year, revenue generated from property sales amounted to RMB4,008,255,000 (2008: RMB1,511,760,000).

The rental income from investment properties was RMB94,047,000 (2008: RMB53,290,000). The growth in the rental income on investment properties was mainly due to the openings of new projects completed in 2009 and the increase in GFA for leasing.

MARKET REVIEW

In the first quarter of 2009, the global economic condition continued to remain sluggish and the governments of various countries adopted proactive bailout policies against the financial tsunami to ease the economic downturn. With the stimulus package introduced by the China's Central Government in effect, confidence in the real-estate market was being restored gradually in the second quarter of 2009. Since then, the market has staged a robust comeback with residential property prices rising to a new height, which indicated the revival of property market in China.

Management Discussion and Analysis

Property Development

During the year under review, the Group adhered closely to its schedules of completions and deliveries as originally planned. The completed and delivered projects aggregated a total GFA of approximately 669,090 square meters (2008: 287,274 square meters), and represented a growth of 133% when compared with last year, highlighted as follows:

Projects completed and delivered in 2009

Items	Approximate GFA completed (square meter)	Approximate GFA sold & delivered (square meter)
Fuzhou		
Commercial	—	495
Taicang		
Commercial	5,138	5,138
Zhengzhou		
Commercial	—	55,929
Tai'an		
Commercial	168,960	23,847
Residential	—	55,082
Bengbu		
Commercial	114,730	23,919
Residential	—	32,292
Luoyang		
Commercial	241,300	94,923
Residential	101,378	100,802
Qingdao		
Commercial	235,591	77,347
Residential	124,825	112,163
Wangzhuang		
Commercial	—	353
Yuqi		
Commercial	28,475	19,470
Residential	80,091	67,330
Total		
Commercial	794,194	301,421
Residential	306,294	367,669
	1,100,488	669,090
Add: Car park spaces completed	211,722	
	1,312,210	

Management Discussion and Analysis

Property Sales Performance

Benefited from the favorable macroeconomic environment in China, the Group achieved remarkable property sales performance during the year under review through the provision of products at different tiers. Major sales growth of the Group during the year were attributable to Qingdao project in Shandong Province, and Zhengzhou project and Luoyang project in Henan Province, as highlighted in the following table.

Items	Approximate GFA sold & delivered (square meter)	Revenue (RMB'000)	Average selling price (RMB/square meter)
Fuzhou			
Commercial	495	9,255	18,697
Taicang			
Commercial	5,138	18,314	3,564
Zhengzhou			
Commercial	55,929	659,042	11,784
Tai'an			
Commercial	23,847	146,634	6,149
Residential	55,082	256,497	4,657
Bengbu			
Commercial	23,919	255,731	10,692
Residential	32,292	112,218	3,475
Luoyang			
Commercial	94,923	490,656	5,169
Residential	100,802	275,115	2,729
Qingdao			
Commercial	77,347	831,694	10,753
Residential	112,163	603,135	5,377
Wangzhuang			
Commercial	353	7,205	20,411
Yuqi			
Commercial	19,470	125,973	6,470
Residential	67,330	216,786	3,220
Total			
Commercial	301,421	2,544,504	8,442
Residential	367,669	1,463,751	3,981
	669,090	4,008,255	5,991

For the year of 2009, the total contracted sales area of the Group reached approximately 395,358 square meters (2008: 322,936 square meters), while total contracted sales value in 2009 amounted to RMB2,902,543,000 (2008: RMB1,811,086,000). This represented an increase of 60% when compared with the corresponding year of 2008.

Among the Group's projects available for sale during the year under review, its large-scale commercial and residential projects, including Qingdao Powerlong City Plaza, Zhengzhou Powerlong City Plaza and Luoyang Powerlong City Plaza were the key revenue contributors to this segment. Phases I and II in the commercial section of Qingdao Powerlong City Plaza, Phase II in the commercial section of Bengbu Powerlong City Plaza, Phase II in the commercial section of Tai'an Powerlong City Plaza also reached delivery stage and the respective revenue was recognised in the year of 2009. Apart from the above, Wuxi Wangzhuang Powerlong City Plaza Project achieved steady contracted sales on a monthly basis.

Meanwhile, Yancheng Powerlong City Plaza and Suqian Powerlong City Plaza have reached the stage of presale in the second half of 2009 with overwhelming success in their respective launches. Thirteen out of the Group's eighteen projects have now been launched.

Hotel Development

The Group continues to develop its hotel business for the long-term recurring income stream in the future. The Group is now developing three luxurious hotels in Suzhou, Qingdao and Tai'an, respectively, and has engaged Sheraton Hotels and Resorts International Group to carry out their management services as hotel operator. During the year under review, such hotels were under construction in full speed. Among others, Suzhou Taicang Hotel will officially commence operation by end of April 2010.

Investment Properties and Ancillary Services

To generate stable and recurrent income, the Group also holds some of its commercial properties for leasing. As at 31 December 2009, the Group had an aggregate GFA of approximately 544,964 square meters (2008: 205,022 square meters) held as investment properties, which was increased by 165% compared with the year of 2008.

During the year under review, the Group recorded a rental income from investment properties of approximately RMB94,047,000 (2008: RMB53,290,000), which was increased by 76% when compared with the year of 2008. This was mainly attributable to the completion of construction works for properties at Qingdao and Bengbu, which resulted in an increase of GFA for leasing.

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's development pipeline for the next three to four years.

As at 31 December 2009, the Group had a quality land bank amounting to a total GFA of approximately 6,062,539 square meters, approximately 63% were under development and construction, and approximately 37% of the land bank was held for future development. The land bank will be used for the development of large-scale commercial properties, quality residential properties, apartments and hotels with supermarkets, department stores, cinema complexes, food courts and other leisure facilities.

The Group has successfully expanded its land bank through open tendering and bidding during the year under review:

- **Jimo project at Qingdao, Shandong Province**
  On 23 December 2009, the Group acquired a piece of land with total site area of approximately 152,178 square meters and GFA of approximately 570,000 square meters at a total consideration of RMB228,270,000. This piece of land is located east to North-South Trunk of Yantai Qingdao Expressway, north to East-West Trunk of Ao Lan Road, west to Datong Street and south to Zhenhua Street. It is adjacent to Mosui River and within one kilometer from the People's Government of Jimo. The project has huge potential and it is intended to construct the standard stores of Powerlong City Plaza, residential units and street shops.

Management Discussion and Analysis

Property Management and Related Services

During the year under review, the income from property management and related services generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB33,437,000 (2008: RMB15,955,000), representing an increase of 110% as compared with the year of 2008.

Outlook

The Chinese Government has recently implemented various measures to tame the liquidity in the market. It is expected that the sentiment of the residential property market may be affected in the short-run. However, in the long-run, the Group remains optimistic toward the prospect of the commercial property market in China. The Central Economic Work Conference emphasises the commercial real estate industry being one of the nation's economic pillars. Together with rapid urbanisation and increasing housing demand in China, the Group is well-positioned to capture business opportunities and to develop commercial and residential properties of high quality that are well-received by customers.

The Group will continue to maintain focus on the development of large-scale complex projects. The Group will consolidate its presence in large-scale commercial complex business at Shandong Province, Jiangsu Province, Henan Province, and Fujian Province as well as second and third tier cities which are economically well developed, for which the Group enjoys well-established local market knowledge and a reputable brand name with proven track record. The successful sales launched and risen in average selling price in these projects have built a solid foundation for the Group's operating results in 2010. In parallel, the Group will continue to seek for business opportunities in other cities with regional economic importance and high growth potentials.

Looking ahead, the Group is to adhere to its vision of "Creditability, Courteous, Innovation, Enthusiasm" through top quality products, flexible marketing strategies, and strategic alliance to maximise the Group's profits as well as our shareholders' returns.

FINANCIAL ANALYSIS

Revenue

The total revenue for the Group for the year of 2009 was RMB4,135,739,000. In terms of the overall unit selling price and volume of transactions, a table of analysis on the sales of properties is provided as follows:

Type sold and delivered	GFA (square meter)	Average selling price (RMB/square meter)
Commercial	301,421	8,442
Residential	367,669	3,981
Total	669,090	5,991

In 2009, the Group successfully completed the development and delivered residential and commercial units in Luoyang Powerlong City Plaza, Qingdao Powerlong City Plaza, Yuqi Powerlong Riverside Garden, Tai'an Powerlong City Plaza, and Bengbu Powerlong City Plaza. Therefore, the total GFA delivered reached 669,090 square meters (2008: 287,274 square meters).

Management Discussion and Analysis

Segmental Information

The Group's business is currently categorised into four operating segments – property development, property investment, property management and other property development related services. An analysis of the Group's revenue is as follows:

Revenue Stream

	Year ended 31 December		
	2009 **RMB'000**	2008 RMB'000	Change between 2009 and 2008 RMB'000
Sales of property	**4,008,255**	1,511,760	2,496,495
Rental income from investment properties	**94,047**	53,290	40,757
Property management services	**33,437**	15,955	17,482
Other services related to property development	**—**	2,761	(2,761)
Total	**4,135,739**	1,583,766	2,551,973

Sales of property remains the Group's core business activity representing 96.9% of the total revenue in 2009. Rental income and property management services income accounted for 2.3% and 0.8%, respectively of total revenue in 2009.

Cost of Sales

Cost of sales comprises land acquisition costs, construction costs, decoration costs, capitalised interest expenses, amortization of land premium and business taxes. Cost of sales in 2009 increased by 111% from RMB869,057,000 to RMB1,829,484,000, being in line with the increase in revenue.

Gross Profit and Margin

Gross profit increased from RMB714,709,000 in 2008 to RMB2,306,255,000 in 2009. Gross profit margin increased from 45% in 2008 to 56% in 2009, which was mainly attributable to the proportion of revenue from commercial properties accounting for 64%, for which the gross profit margin is higher.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2009 was RMB244,469,000, which increased by 21% from approximately RMB201,845,000 in 2008, which selling and marketing cost increased from approximately RMB60,927,000 in 2008 by 9% to approximately RMB66,218,000 in 2009 and administrative expenses increased from RMB140,918,000 in 2008 by 26% to RMB178,251,000 in 2009, which was mainly attributable to the amortization of land use right arising from the huge land bank held by the Group.

Revaluation Gains on Investment Properties

The Group recorded a revaluation gain of approximately RMB2,425,853,000 in 2009. The increase by about RMB1,569,813,000 as compared with last year was mainly due to the substantial increase in area completed of the Group's investment properties during the year under review.

Income Tax Expenses

Income tax expenses increased by 318% from RMB345,313,000 in 2008 to RMB1,442,165,000 in 2009. The increase was mainly attributable to the profit from property development and the increase in revaluation gains on investment properties.

Management Discussion and Analysis

Profit Attributable to Equity Holders of the Company

The Group achieved a profit attributable to equity holders of RMB3,042,669,000 (2008: RMB932,658,000), increased by RMB2,110,011,000 or 226% as compared with last year. Basic earnings per share rose by 202% to RMB93.93 cents from RMB31.09 cents in 2008.

Net profit margin for the year under review increased from 19% in 2008 to 30% in 2009, which was mainly attributable to the proportion of area in commercial properties delivered increased from 21% in 2008 to 45% in 2009.

Liquidity and Financial Resources

The long-term funding and working capital required by the Group primarily comes from income generated from core business operations, bank borrowings and cash proceeds raised from the initial public offering of shares in mid-October 2009, which were used to finance its business operations and investment in development projects. The Group's liquidity position was well-managed in 2009. The Group had net cash (cash and cash equivalents, including restricted cash, less total borrowings) of RMB312,200,000. Gearing ratio (total borrowings over total asset) stood at a healthy level of 15% as at 31 December 2009. The Group's cash and cash equivalents (including restricted cash) amounted to RMB2,484,116,000 in total. Total borrowings as at 31 December 2009 was RMB2,171,916,000.

Of the total borrowings, RMB1,145,715,000 was repayable within one year while RMB1,026,201,000 was repayable after more than one year. The effective interest rate as at 31 December 2009 was 4.41% (2008: 7.12%).

The fund raising transactions of the Group were mainly denominated in Renminbi and HK$.

The Group has established a treasury policy with the objective of better controlling of treasury functions and lowering cost of funds. In providing funds to all its operations, funding terms have been reviewed and monitored at Group level.

In accomplishing the aim of minimising interest risk, it is the policy of the Group to continue to closely monitor and manage the Group's loan portfolio by its existing agreements' interest margin spread with market interest rates and offers from banks.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements or lease agreements.

Pledge of Assets

As at 31 December 2009, the Group pledged properties, properties under construction and land use rights with carrying amount of RMB5,082,250,000 to secure bank facilities granted to the Group. The total secured loan balance outstanding as at 31 December 2009 amounted to RMB2,171,916,000.

Financial Guarantees

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2009 **RMB'000**	2008 *RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's property units	**1,065,978**	1,029,327

Capital Commitment

(1) Commitments for property development expenditures

	31 December 2009 RMB'000	31 December 2008 RMB'000
Contracted but not provided for:		
— Property development activities	**999,922**	1,544,969
— Acquisition of land use rights	**139,356**	910,590
Total	**1,139,278**	2,455,559

(2) Operating lease commitments

	31 December 2009 RMB'000	31 December 2008 RMB'000
No later than one year	**4,838**	—
1-2 years	**7,016**	—
2-3 years	**6,681**	—
Total	**18,535**	—

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

In October 2009, the Group raised net proceeds of approximately RMB2,158,276,000 from initial public offering. During the year ended 31 December 2009, the Company had applied approximately RMB309.2 million to redeem the Secured Bonds and Secured Notes issued by Superb Miles Limited, approximately RMB133.0 million, RMB40.0 million, RMB198.0 million, RMB110.6 million and RMB256.6 million to settle outstanding land premium in relation to Xinxiang Project, Yantai Project, Suqian Project, Licang Project and Yancheng Project respectively, approximately RMB100 million to finance the land premium in relation to Jimo Project recently acquired and approximately RMB264.0 million for the development in relation to Wuxi Project and Qingdao Project. The balance of untilised proceeds from initial public offering is approximately RMB746.8 million, which will be used for future land acquisition and working capital of the Group.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2009, the Group employed a total of 1,936 employees (2008: 1,498 employees). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group has reviewed the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. Share option schemes were adopted on 16 September 2009 to attract and retain eligible employees to contribute to the Group. As at 31 December 2009, no option had been exercised or cancelled under the scheme. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

Property Projects Portfolio

1. Fuzhou Powerlong City Plaza

Project Overview:

- Fuzhou Powerlong City Plaza is located at Taijiang District, Fuzhou
- The project has become one of the commercial landmark in Fuzhou with most people throughput.
- The local government is planning to build Taijiang District into the new CBD of Fuzhou

Key Statistics	
Interest attributable to us	100%
Date of acquisition	September 2003
Date of completion	November 2006
Site area (square meter)	72,874
Total GFA(1) (square meter)	Completed
Commercial	156,909
Residential	33,274
Car parking spaces	25,170
Total	**215,353**

	Major tenants	**Area (square meter)**
1	Xinhuadu Department Stores	29,891
2	Carrefour	20,665
3	Changle Country Benefits Hotels	7,313
4	Fuzhou Powerlong Amusement Management	6,880
5	Gome Electrics	6,052
6	Genesis Entertainment	5,171
7	Jinyi Cinema	5,131
8	Haosha Fitness Club	2,147
9	Yinhe Billiard City	1,290
10	Heima Ice Skating Ring	1,229
11	Korean Crusine	688
	Total	**86,457**

Occupancy of GFA held for leasing (As at 31 December 2009) 93%

Note: (1) The total area developed. 94,768 sq. m. of commercial area is held for investment purpose.

2. Zhengzhou Powerlong City Plaza

Project Overview:

- The population at Henan Province is the highest among all provinces in China. Zhengzhou is the provincial capital of Henan Province and is also one of the cities in Henan Province that is most economically developed and populated.
- Zhengzhou Powerlong City Plaza is located in the centre of Zhengzhou new District close to the central business district
- Zhengzhou Powerlong City Plaza consists of a large-scale multi-functional commercial complex, which houses a shopping mall, an ice skating rink, department stores and food court.

Key Statistics	
Interest attributable to us	100%
Date of acquisition	March 2005
Date of completion	December 2008
Site area (square meter)	113,984
Total GFA[(1)] (square meter)	Completed
Commercial	201,602
Residential	15,197
Car Parking Spaces	30,395
Total	**247,194**

Major tenants		Area (square meters)
1	Da Shang Supermarket	21,965
2	Outlets	21,023
3	Heng Dian Cinema	8,920
4	Royal Bath	5,168
5	Food Court	4,083
6	Guan Jun Ice Skating Rink	2,657
	Total	**63,817**

Occupancy of GFA held for lease (As at 31 December 2009) 84%

Note: (1) The total area developed. 88,388 sq. m. of commercial area is held for investment purpose.

Property Projects Portfolio

3. Qingdao Powerlong City Plaza

Project Overview:

- The project is located in Chengyang central business district, Qingdao City, Shandong Province.
- It houses a large indoor amusement park, shops, with mixed uses in commercial and residential properties as well as luxurious hotels etc.
- This complex will house the large amusement park in Asia and Lotte, a major chain supermarket.
- Tenancy agreements were entered into with major tenants such as Chengyang Cinema prior to the completion of Area CD .

Key Statistics		
Interest attributable to us		100%
Date of acquisition		July 2006
Expected date of completion		Phase 1: December 2009 Phase 2: June 2010
Site area (square meter)		319,808
Total GFA[(1)] (square meter)	**Completed**	**Under construction**
Commercial	235,591	93,803
Residential	121,829	64,149
Hotel	—	39,711
Total	**360,416**	**197,663**

	Major tenants	**Area (square meter)**
1	Outlets	33,822
2	Powerlong Amusement	18,564
3	Clothing shops	4,365
4	Qingdao KFC Company Limited	695
5	Felihao Women's Fitness Club	696
6	Children's Amusement Park	522
7	Jin Qiao Yuan Rice Noodles	519
8	Ajisen	503
9	Yong He Soy Bean Drink	353
	Total	**60,040**

Occupancy of GFA held for lease (As at 31 December 2009) 73%

Note: (1) Total GFA for two phases. This also includes car parking spaces of 147,445 sq. m. As to the area completed for commercial properties, 127,189 sq. m. will be held for investment purpose.

4. Bengbu Powerlong City Plaza

Project Overview:

- Bengbu is located at northern Anhui Province.
- Powerlong City Plaza is located in the central business district at Weihe Road within five minutes' travelling time.
- The project is comprised of seven blocks of high-rise apartments, three blocks of high-rise serviced apartments and a large multi-functional commercial complex.

Key Statistics

Interest attributable to us	100%
Date of acquisition	December 2005
Expected date of completion	Phase I: December 2009 Phase II: February 2010
Site area (square meter)	192,313

	Completed	Under construction
Total GFA[(1)] (square meter)		
Commercial	166,778	105,526
Residential	130,935	—
Total	**297,713**	**105,526**

Major tenants		**Area (square meters)**
1	Ruijing Tianchen Department Store	21,844
2	Tesco	17,625
3	Lixin Games	7,276
4	Chain Furniture Store	4,245
5	Wangzi Hotel	2,988
6	Shui Diao Ge Tou KTV	3,779
7	Xiao Wei Yang	587
	Total	**58,344**

Occupancy of GFA held for lease (As at 31 December 2009) 81%

Note: (1) Total GFA for two phases. This also includes car parking spaces of 87,970 sq. m. As to the area completed for commercial properties, 107,020 sq. m. will be held for investment purpose.

Property Projects Portfolio

5. Wuxi Wangzhuang Powerlong City Plaza

Project Overview:

- Wuxi is located at eastern Jiangsu Province.
- Powerlong City Plaza is located at Wangzhuang, the northwestern part of Wuxi New District
- The project is comprised of hotel-style apartments, shops and a commercial complex project.
- The shopping centre is comprised of a supermarket, a mall, a household electric good retailer and a cinema complex.
- On 22 January 2010, Carrefour had commenced its operation. It is expected that operation will commence in December 2010.

Key Statistics

Interest attributable to us		80%
Date of acquisition		August 2006
Expected date of completion		Phase I: August 2008 Phase II: October 2010
Site area (square meter)		77,020
	Completed	**Under construction**
Total GFA (square meter)		
Commercial	151,226	—
Residential	8,871	74,034
Total	**160,097**	**74,034**

Major tenants		**Area (square meters)**
1	Carrefour	25,633
2	Dongfang Cinema	4,000
3	KTV	3,296
4	Shun Wang Ji	471
	Total	**33,401**

Occupancy of GFA held for lease (As at 31 December 2009) 31%

Note: (1) Total GFA for two phases. This also includes car parking spaces of 50,055 sq. m. It is expected that an area of 110,056 sq. m. will be held for investment purpose. The construction of commercial section was preliminarily completed. It is expected that it will be fully completed by the second half of 2010.

Directors and Senior Management

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 58, is the Chairman of the Board and the president of the Group. He is primarily responsible for the overall strategy and investment decision. Hoi Kin Hong founded the Powerlong Group Development Co., Ltd. in 1992 and has served as its chairman and president ever since. Since the establishment of Powerlong Group Development Co., Ltd., he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. For two consecutive years in 2006 and 2007, Hoi Kin Hong was recognized as a Contributor to Real Estate Brands in China by the China Index Academy. Hoi Kin Hong is a member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. In addition, Hoi Kin Hong has also made substantial contributions to charitable and social organizations in China and has been appointed as an Ambassador of China Charities by Charitable Work Development.

HOI Wa Fong, aged 32, is an executive Director of the Board and the chief executive officer of the Group. He is primarily responsible for the overall management of the business operations of the Group. Hoi Wa Fong joined Xiamen Powerlong Decoration Design Works Company Limited in 1999 and served as the deputy general manager. In October 2001, Hoi Wa Fong resigned from his position in Xiamen Powerlong Decoration Design Works Company Limited and joined Xiamen Powerlong Real Estate Development Co., Ltd. as deputy general manager, responsible for financial and daily operation. He was promoted to deputy president and later became an executive deputy president of Xiamen Powerlong Group in December 2003 and June 2004, respectively, primarily responsible for the overall management of the business of Xiamen Powerlong Group. Hoi Wa Fong was named as one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province in 2006. Hoi Wa Fong received an EMBA from the Cheung Kong Graduate School of Business in October 2007. Hoi Wa Fong is the son of Hoi Kin Hong.

XIAO Qing Ping, aged 61, is an executive Director of the Board and the deputy president of the Group. He is primarily responsible for the administrative management of the Company. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Powerlong Group Development Co., Ltd. in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Powerlong Group Development Co., Ltd. Group and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 29, is an executive Director of the Board and the chief audit officer and deputy general manager of the cost control center of the Group. She is primarily responsible for the audit and internal control of the Company. Shih Sze Ni joined Xiamen Powerlong Hotel in January 2003 as a director and was primarily responsible for financial management. She then joined Powerlong Group Development Co., Ltd. in May 2005 as a director and chief financial officer. In November 2007, she resigned from her positions in Xiamen Powerlong Hotel and Powerlong Group Development Co., Ltd. and joined the Group as an executive Director and the head of the audit department as well as the general manager of the cost control center. She graduated from Central Queensland University in Australia with a master's degree in arts administration in 2001. Shih Sze Ni is the wife of Hoi Wa Fong.

LIU Xiao Lan, aged 44, is an executive Director of the Board and the general manager of the commercial group of the Company who is responsible for the commercial property operation. Between 1998 and 2002, she worked as a sales manager and marketing manager in the China office of Beckman Coulter, Inc. She joined Powerlong Group Development Co., Ltd. in June 2002 and served as the assistant to the chief deputy president and vice general manager of the real estate center of Powerlong Group Development Co., Ltd. in January 2005. In November 2007, she resigned from her position in Powerlong Group Development Co., Ltd. and joined the Group as an assistant to the president and secretary of the Board. She graduated from Fujian University of Traditional Chinese Medicine in 1988 and completed the advanced business administration program for the Youth Presidents in China offered by Chinese Academy of Social Sciences in 2004.

NON-EXECUTIVE DIRECTOR

HOI Wa Fan, aged 34, is a non-executive Director of the Board. Hoi Wa Fan is a managing director of Pou Long Construction and Land Investment Company Limited and is responsible for the overall management and business development of Pou Long Construction and Land Investment Company Limited. Between 2000 and 2006, she was a managing director of Nicole, a fashion brand concept store in Macau. She is a member of All-China Youth Federation. Hoi Wa Fan is the daughter of Hoi Kin Hong.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

NGAI Wai Fung, aged 48, is an independent non-executive Director of the Board. He is currently a director and Head of Listing Services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton, respectively), an independent integrated corporate services provider, vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its China Affairs Committee and Membership Committee, and the non-executive chairman of Top Orient Group of Companies. He was the company secretary of Industrial and Commercial Bank of China (Asia) Limited, a company listed on the Stock Exchange, in 2005, an executive director of Top Orient Capital (Asia) Ltd. from 2003 to 2005, the company secretary of China Unicom Limited, a company listed on the Stock Exchange, from 2001 to 2003, the executive director, the company secretary and the chief financial officer of the then Oriental Union Holdings Limited (now known as CY Foundation Group Limited), a company listed on the Stock Exchange, from 1999 to 2001. Ngai Wai Fung is an associate of the Association of Chartered Certified Accountants in the United Kingdom, an associate of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators and a fellow of the Hong Kong Institute of Chartered Secretaries. Ngai Wai Fung has over 18 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers including major red chips companies. Ngai Wai Fung is currently an independent non-executive director and a member of the Audit Committee of China Life Insurance Company Limited, Franshion Properties (China) Limited, Bosideng International Holdings Limited, China Railway Construction Corporation Limited and Bawang International (Group) Holdings Limited, all of which are companies listed on the Stock Exchange. Ngai Wai Fung received a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a master's degree in Business Administration from Andrews University of Michigan in 1992. He is currently a doctoral candidate in Finance at Shanghai University of Finance and Economics. He was appointed as the independent non-executive Director of the Company in June.

MEI Jian Ping, aged 50, is an independent non-executive Director of the Board. He has been a professor of finance at Cheung Kong Graduate School of Business in Beijing, China since 2006 and a fellow at the Wharton School of University of Pennsylvania, Financial Institutions Center since 2004. He was a tenured associate professor of finance from 1996 to 2005 and an assistant professor of finance from 1990 to 1995 at New York University. From 2003 to 2008, he also taught at Tsinghua University as a special term professor of finance. Mr. Mei has been the chairman of the board of Shanghai Zhangjiang JRtan.com. Inc. since 2000 and a director of Cratings.com Inc., USA since 1999. Since 2009, Mr. Mei has served on the board of Zhong De Securities Company Limited. Mr. Mei worked as a consultant for various financial institutions, such as Deutsche Bank, UBS, NCH Capital and Asia Development Bank. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor's degree in Mathematics from Fudan University in 1982, a master's degree in Economics and a Ph.D. in Economics (Finance) from Princeton University in 1988 and 1990, respectively. He was appointed as the independent non-executive Director of the Company in June 2008.

NIE Mei Sheng, aged 69, is an independent non-executive Director of the Board. She has been an independent non-executive director of NEO-China Land Group (Holdings) Limited (00563) since October 2003. She has more than 18 years experience working at the China Southwest Municipal Engineering Design Institute. From 1994 to 1998, she served as the director general of the Science & Technology Department and was a member of the Science and Technology Committee of the Ministry of Construction. She has been the deputy director of the Science and Technology Committee and the chairwoman of the Housing Industrialization Office since 1998. Nie Mei Sheng has also served as the chairwoman of the Estate Chamber of the China National Federation of Industry and Commerce since 2001. She has been a standing committee member of the China National Federation of Industry and Commerce since 2004. In addition, she has served as the vice chairwoman of the China Urban water supply and drainage Association and the economic consultant to Jieyang City, Guangdong Province since 2006 and the chairwoman of Jing Rui (China) Real Estate Research Institution since 2007.

Nie Mei Sheng won numerous awards in China and overseas, including A-level Science and Technology Progress Prize by the Ministry of Construction, A-level Science and Technology Progress Prize by the State Education Commission, Jinguo Jiangong Pacesetter by the Center Government Office. She was recognized by the 4th Women Conference of the UN as a female scientific & technological expert. Nie Mei Sheng is a visiting professor of Shanghai University and an academician of the World Productivity Academy. Nie Mei Sheng graduated from civil engineering department of Tsinghua University specializing in water supply and drainage in 1963.

Directors and Senior Management

SENIOR MANAGEMENT

AU-YEUNG Po Fung, aged 43, is the deputy president, chief financial officer and company secretary. Before joining the Group, Au-Yeung Po Fung was in charge of financial management for a number of companies across different industries, including property developers, financial institutions, conglomerates and international audit firms. He was a financial controller at SPG Land Holdings Limited, a company listed on the Stock Exchange. Au-Yeung Po Fung graduated from the Hong Kong Polytechnic University, is a charter holder of the CFA Institute, member of Hong Kong Society of Financial Analysts, fellow member of the Hong Kong Institute of Certified Public Accountants and associate member of the Institute of Chartered Accountants in England and Wales. He joined the Group in November 2007.

LIN Feng Li, aged 42, is the deputy president. He is responsible for project management, construction, cost, marketing and quality management. Between 1994 to 2008, he was the deputy general manager, director and general manager for Eastern China in Xiamen Ju Heng Xing Real Estate Development Company, Xiamen Beifu Real Estate Marketing Agency and Xiamen Haosi Housing Investment Company Limited. He graduated from Zhong Nan University of Finance in 1990, majoring in investment and economics. He joined the Group in 2008.

HONG Qun Feng, aged 37, is the deputy president. Hong Qun Feng is responsible for investment, strategic co-operation and product planning of the Group. Between 1992 to 2005, he was the market manager, assistant to the general manager and manager of Xiamen Jindu Property Company, Xiamen Chengyi Property Company and Xiamen Bairun Property Consulting Company Limited. He joined the Group in 2004.

WANG Ke Xi, aged 52, is the general manager of the construction development centre. Wang Ke Xi is responsible for managing the progress of project development and quality management. He is qualified as a senior project supervisor. He was the division head of Jia Mu Si Construction Development Company and the general manager of Jia Mu Si Jing Chang Real Estate Development Company Limited. In 1985, he graduated from Jia Mu Si Technical Institute with a major in civil construction. He joined the Group in May 2005.

LEUNG Yuk Ming, aged 36, is the Head of Corporate Finance and Investor Relations Director. He has extensive experiences in investment banking, Listing Rules compliance and accounting. In his career, Leung Yuk Ming has worked for Macquarie Capital (Hong Kong) Limited, DBS Asia Capital Limited, the listing division of the Stock Exchange and Ernst & Young. Leung Yuk Ming received his bachelor's degree in Commerce and bachelor's degree in Laws from the University of Calgary and the University of London respectively. He is a charter holder of the CFA Institute, member of Hong Kong Society of Financial Analysts and member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in May 2009.

YOU Xiao Di, aged 35, is the general manager of the capital management centre. He is primarily responsible for the capital and asset management of the Group. He worked in Zhong Ke Xin Securities Company from 1997 to 2002 in the investment banking department. Before joining the Group, he worked as the head of investment banking of Xiamen Enrich Asset Management Company Limited. You Xiao Di joined Powerlong Group Development Co., Ltd. in February 2005. In November 2007, he resigned from his position in Powerlong Group Development Co., Ltd. and joined the Group as the deputy chief financial officer and the chief investment cooperation officer. He graduated from Xiamen University with a bachelor's degree in finance in 1997 and obtained a Master of Business Administration degree in 2007.

LIAO Min Shun, aged 46, is the general manager of the financial management centre. He is primarily responsible for the financial management and banking financing of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of Fujian Da Shi Jie Enterprises Group Company Limited. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant, Certified Taxation Accountant, and Financial Planner. He joined the Company in August 2009.

ZHAO Feng, aged 47, is the general manager of the cost control centre. He is responsible for the procurement, tendering and cost control of the Company. Between 1993 and 2010, he was the managing director of Modern Construction Design Group (Hong Kong) Company Limited, the deputy chief of the operation and administration department of Shanghai Modern Construction Design (Group) Company Limited, and the chief cost engineer of Shanghai Industrial Holdings Limited. He was graduated from University of Tongji in 1999 with a major in management from the postgraduate programme. He was also awarded the professional senior Master of Business Administration jointly awarded by the University of Hong Kong and University of Fudan. He joined the Company in February 2010.

SHEN Yi Heng, aged 59, is the deputy executive general manager of our commercial group. He is primarily responsible for the operation and management of our commercial group. Between 1993 and 2010, he was the general manager of Wuxi Xie He Plaza Hotel, the sales director of Shanghai Shimao Plaza, the senior vice president of Shanghai Zhengda Plaza, the general manager of Shanghai Chuan Qi Commercial Centre and the president of Shanghai De Mao Marketing and Planning Company Limited. He joined the Company in March 2010.

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "**Board**") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2009. The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended 31 December 2009.

BOARD OF DIRECTORS

The Board consists of 9 Directors, 5 of whom are executive Directors, 1 of whom is a non-executive Director and 3 of whom are independent non-executive Directors. The biographies of the Directors are set out on pages 28 to 29 of this annual report. The list of Directors is set out in the listing document dated 25 September 2009 and will also be disclosed from time to time on the Company's website. The Board's major functions and duties are to oversee the management, businesses, strategic directions and financial performance of the Group as well as to maximize the financial performance of the Group and make decisions in the best interest of the Group. The Board is also fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The Board has delegated the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated various responsibilities to these Board committees as set out in their terms of reference, respectively.

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

The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded. In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive Directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years. One third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

Corporate Governance Report

All Directors, including independent non-executive Directors, have given sufficient time and effort to the affairs of the Group. Independent non-executive Directors have provided the Board with their diversified expertise, experience and professional advice. The Board believes that the ratio between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Board also believes that the views and participation of the independent non-executive Directors in the Board and committee meetings provide independent judgment on the issues relating to strategy, performance, conflict of interest and management process to ensure that the interests of all shareholders are considered and safeguarded.

The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. During the year of 2009, the Board held 2 meetings. At these Board meetings, Directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance and internal control system, including financial, operational and compliance controls and risk management systems.

Attendance of the individual directors at the Board meetings is set out as follows:-

Executive Directors	
Mr. Hoi Kin Hong *(Chairman of the Board and Nomination Committee)*	2/2
Mr. Hoi Wa Fong *(Chairman of the Remuneration Committee)*	2/2
Mr. Xiao Qing Ping	2/2
Ms. Shih Sze Ni	2/2
Ms. Liu Xiao Lan*	1/1
Non-executive Director	
Ms. Hoi Wa Fan	2/2
Independent non-executive Directors	
Mr. Ngai Wai Fung *(Chairman of Audit Committee)*	1/2
Mr. Mei Jian Ping	1/2
Ms. Nie Mei Sheng*	1/1

* *appointed on 10 August 2009*

All Board members have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which records in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Hoi Kin Hong is the Chairman of the Board and Mr. Hoi Wa Fong is the Chief Executive Officer of the Company. Mr. Hoi Kin Hong is the father of Mr. Hoi Wa Fong. Despite their relationship, the division of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Hoi Kin Hong, being the Chairman of the Board, is responsible for providing leadership to the Board and ensuring that the Board functions effectively, that Directors receive in timely manner adequate information which is complete and reliable and that all Directors are properly briefed on issues arising at Board meetings. The Chairman also encourages Directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. Hoi Wa Fong, being the Chief Executive Officer of the Company, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2009 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" contained in this annual report.

BOARD COMMITTEES

As an integral part of good corporate governance, the following committees have been set up:

Audit Committee

The Audit Committee comprises all the independent non-executive Directors:

Mr. Ngai Wai Fung *(Chairman of Audit Committee)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

The Audit Committee has been established with written terms of reference based upon the provisions and recommended practices of the CG Code. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the external auditors before submission to the Board;
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement and make recommendations to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and the associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year ended 31 December 2009, the Audit Committee held one meeting to review the annual results, and to make recommendations to improve the Company's internal control. The chief financial officer, internal audit officer and representatives of the external auditors attended the meeting.

Attendance of individual members of the audit committee at the meeting for the year ended 31 December 2009 is set out as follows:

Committee Members	**Meetings Attended/Total**
Mr. Ngai Wai Fung	1/1
Mr. Mei Jian Ping	1/1
Ms. Nie Mei Sheng	1/1

Auditors' Remuneration

For the year ended 31 December 2009, the fees paid/payable to the auditors of the Company in respect of annual audit services and non-audit services amounted to RMB2,700,000 and RMB100,000, respectively.

Remuneration Committee

The Remuneration Committee comprises three members, the majority of which are independent non-executive Directors:

Mr. Hoi Wa Fong *(Chairman of the Remuneration Committee)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

The Remuneration Committee has adopted written terms of reference prepared by reference to the suggested terms of reference stated under the CG Code Provision B.1.3. The Remuneration Committee has been delegated with the powers and authorities to implement the share option scheme of the Company and to deal with all compensation matters regarding the Directors and senior management of the Company in accordance with the terms and conditions of their respective agreement/contract with the relevant member of the Group.

The Remuneration Committee did not hold committee meeting for the year ended 31 December 2009 because the Company was only listed on 14 October 2009. The Remuneration Committee considers that it is not necessary to review the remuneration policy to the Board and members of senior management in the first year after listing.

Nomination Committee

The Nomination Committee comprises three members, the majority of which are independent non-executive Directors:

Mr. Hoi Kin Hong *(Chairman of the Nomination Committee)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

The Nomination Committee has adopted written terms of reference in accordance with CG Code Provision A.4.5. The Nomination Committee has been delegated with the powers and authorities to review the structure, size and composition of the Board, make recommendation to the Board on selection of candidates for directorships, appointment, reappointment of directors and Board succession and assessing the independence of independent non-executive Directors.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

The appointment, re-election and removal of Directors are governed by the Company's Articles of Association. Pursuant to the Company's Articles of Association, any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, whereas any director appointed as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, at each annual general meeting of the Company, one-third of the directors shall retire from office by rotation and be eligible for re-election thereat, such that all directors should be subject to retirement by rotation at annual general meeting at least once every three years.

During the period from 14 October 2009 (the date of the Company's listing) to 31 December 2009, there was no meeting held by the nomination committee. The nomination committee considers that it is not necessary to review the composition of the Board during the first year of listing.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing and monitoring the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the parameter of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2009. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

SHAREHOLDER RELATIONS

The Company has adopted a policy of disclosing clear and relevant information to shareholders through publication of announcements, notices, circulars, interim and final reports in a timely manner. To enhance the Company's transparency, other information of the Company is published at the Company's website at http://www.powerlong.com. In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. In addition to the Chairman, the chairman of the Board committees, or in their absence, other members of the respective committees, are available to answer any queries that shareholders may have. The Chairman will propose separate resolutions for each issue to be considered at the annual general meeting. The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman. Vote results are posted on the Company's website.

Report of the Directors

The directors (the "**Directors**") of the Company have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and hotel operation. The principal activities of its principal subsidiaries are set out in note 12 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out on pages 55 to 116 of this annual report.

The Directors recommended the payment of a final dividend of RMB6 cents per ordinary share for the year ended 31 December 2009. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on 11 June 2010, will be payable on 25 June 2010 to the shareholders whose names appear on the register of members of the Company on 11 June 2010. The register of members of the Company will be closed from Monday, 7 June 2010 to Friday, 11 June 2010 (both days inclusive). In order to qualify for the above mentioned proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 4 June 2010.

RESERVES

Movement in the reserves of the Company and the Group during the year are set out in note 17 and note 29 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at December 2009, the reserve of the Company available for distribution was approximately RMB3,388 million (2008: nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers were approximately 31% of the Group's total purchases during the year under review and the purchases attributable to the Group's largest supplier was approximately 13% of the Group's total purchases during the year under review.

None of the Directors, their associates or any shareholders (who to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2009 are set out in note 18 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to RMB5,060,000 (2008: RMB5,658,000).

Report of the Directors

PROPERTY AND EQUIPMENT

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year under review are set out in note 16 to the consolidated financial statements.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 117-120 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over shares of the Company under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Hoi Kin Hong *(Chairman)*
Mr. Hoi Wa Fong *(Chief Executive Officer)*
Mr. Xiao Qing Ping
Ms. Shih Sze Ni
Ms. Liu Xiao Lan *(appointed on 10 August 2009)*

Non-executive Directors

Ms. Hoi Wa Fan

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng *(appointed on 10 August 2009)*

In accordance with article 16 of the Company's Articles of Association, Ms. Shih Sze Ni, Ms. Liu Xiao Lan, and Ms. Nie Mei Sheng will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from 14 October 2009. Each of the Independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 14 October 2009. None of the Directors, including Directors being proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Company has received, from each of the Independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent non-executive Directors are independent.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 26 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the "Continuing Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

SHARE OPTION SCHEMES

Pursuant to the shareholder's resolutions of the Company on 16 September 2009, the Company has adopted a Share Option Scheme and a Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

1. **Purpose of the Share Option Scheme:**
   The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Share Option Scheme**
   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2009:**
   The maximum number of shares which maybe issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 360,000,000 shares (representing approximately 8.8% of the issued capital as at 31 December 2009).

4. **Maximum entitlement of each participant under the Share Option Scheme:**
The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

   (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

   (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

5. **The period within which the shares must be exercised under the Share Option Scheme:**
An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**
There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price:**
Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchanges daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchanges daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. **The remaining life of the Share Option scheme:**
It will remain in force for a period of 10 years, commencing on 16 September 2009.

Since the adoption of the Share Option Scheme and up to 31 December 2009, no options had been granted under the Share Option Scheme.

B. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

1. Purpose of the Pre-IPO Share Option Scheme:

The Pre-IPO Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) have or may have made to the Group. The Pre-IPO Share Option Scheme will provide the Pre-IPO Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Pre-IPO Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain relationship with the Pre-IPO Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Pre-IPO Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the " Pre-IPO Eligible Participants") to subscribe for such number of new shares as the Board may determine:

(i) any full-time employees, executives or officers of the Company; or

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company; or

(iii) any full-time employees of any subsidiaries of the Company of the level of manager or above and other full-time employees of the Company or its subsidiaries who have been in employment with the Group for over 3 years from the date of the adoption of the Pre-IPO Share Option Scheme.

3. Total number of shares available for issue under the Pre-IPO Share Option Scheme and percentage of issued share capital as at 31 December 2009:

40,000,000 shares (representing approximately 0.98% of the issued capital as at 31 December 2009 and no further option could be granted under the Pre-IPO Share Option Scheme.

4. **The period within which the shares must be exercised under Pre-IPO Share Option Scheme:**

Exercise Period	Number of Options Exercisable
From 16 September 2010 to 15 September 2012	1st phase options, being 20% of the total number of options granted
From 16 September 2011 to 15 September 2013	2nd phase options, being 20% of the total number of options granted
From 16 September 2012 to 15 September 2014	3rd phase options, being 20% of the total number of options granted
From 16 September 2013 to 15 September 2015	4th phase options, being 20% of the total number of options granted
From 16 September 2014 to 15 September 2016	5th phase options, being 20% of the total number of options granted

5. **The minimum period for which an option must be held before it can be exercised:**

Minimum Period	Number of Options Exercisable
12 months from 16 September 2009	1st phase options, up to 20% of the total number of options granted
24 months from 16 September 2009	2nd phase options, up to 20% of the total number of options granted
36 months from 16 September 2009	3rd phase options, up to 20% of the total number of options granted
48 months from 16 September 2009	4th phase options, up to 20% of the total number of options granted
60 months from 16 September 2009	5th phase options, up to 20% of the total number of options granted

6. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

7. **The basis of determining the exercise price:**
The exercise price shall be a price equivalent to 10% discount of the offer price of the global offering of the Company's shares.

8. **Movements of the Pre-IPO Share Option Scheme of the Company:**

		Number of share options			
Category	**Exercise Period**	**As at 1 January 2009**	**Granted during the year**	**Exercised/ Lapsed/ Cancelled during the year**	**As at 31 December 2009**
Mr. Hoi Kin Hong	16 September 2010 to 15 September 2012	–	1,400,000	–	1,400,000
	16 September 2011 to 15 September 2013	–	1,400,000	–	1,400,000
	16 September 2012 to 15 September 2014	–	1,400,000	–	1,400,000
	16 September 2013 to 15 September 2015	–	1,400,000	–	1,400,000
	16 September 2014 to 15 September 2016	–	1,400,000	–	1,400,000
	Total	–	7,000,000	–	7,000,000

Category	Exercise Period	Number of share options As at 1 January 2009	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2009
Mr. Hoi Wa Fong	16 September 2010 to 15 September 2012	–	440,000	–	440,000
	16 September 2011 to 15 September 2013	–	440,000	–	440,000
	16 September 2012 to 15 September 2014	–	440,000	–	440,000
	16 September 2013 to 15 September 2015	–	440,000	–	440,000
	16 September 2014 to 15 September 2016	–	440,000	–	440,000
	Total	–	2,200,000	–	2,200,000
Mr. Xiao Qing Ping	16 September 2010 to 15 September 2012	–	360,000	–	360,000
	16 September 2011 to 15 September 2013	–	360,000	–	360,000
	16 September 2012 to 15 September 2014	–	360,000	–	360,000
	16 September 2013 to 15 September 2015	–	360,000	–	360,000
	16 September 2014 to 15 September 2016	–	360,000	–	360,000
	Total	–	1,800,000	–	1,800,000

Category	Exercise Period	Number of share options As at 1 January 2009	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2009
Ms. Shi Sze Ni	16 September 2010 to 15 September 2012	–	240,000	–	240,000
	16 September 2011 to 15 September 2013	–	240,000	–	240,000
	16 September 2012 to 15 September 2014	–	240,000	–	240,000
	16 September 2013 to 15 September 2015	–	240,000	–	240,000
	16 September 2014 to 15 September 2016	–	240,000	–	240,000
	Total	–	1,200,000	–	1,200,000
Ms. Liu Xiao Lan	16 September 2010 to 15 September 2012	–	240,000	–	240,000
	16 September 2011 to 15 September 2013	–	240,000	–	240,000
	16 September 2012 to 15 September 2014	–	240,000	–	240,000
	16 September 2013 to 15 September 2015	–	240,000	–	240,000
	16 September 2014 to 15 September 2016	–	240,000	–	240,000
	Total	–	1,200,000	–	1,200,000
Directors	Total	–	13,400,000	–	13,400,000

Category	Exercise Period	Number of share options As at 1 January 2009	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2009
Employees	16 September 2010 to 15 September 2012	–	5,320,000	(420,000)	4,900,000
	16 September 2011 to 15 September 2013	–	5,320,000	(420,000)	4,900,000
	16 September 2012 to 15 September 2014	–	5,320,000	(420,000)	4,900,000
	16 September 2013 to 15 September 2015	–	5,320,000	(420,000)	4,900,000
	16 September 2014 to 15 September 2016	–	5,320,000	(420,000)	4,900,000
	Total	–	26,600,000	(2,100,000)	24,500,000
	Total	–	40,000,000	(2,100,000)	37,900,000

DISCLOSURE OF INTERESTS IN SECURITIES

Directors' interests in the shares and underlying shares of the Company

As at 31 December 2009, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in shares of the Company

Name of Director	Long/Short position	Capacity	Number of ordinary shares in the Company	Approximate percentage of the Company's issued shares*
Mr. Hoi Kin Hong *(Note 1)*	Long Position	Interest of a controlled corporation	1,800,000,000	44.04%
Mr. Hoi Wa Fong *(Note 2)*	Long Position	Interest of a controlled corporation	600,000,000	14.68%
Ms. Hoi Wa Fan *(Note 3)*	Long Position	Interest of a controlled corporation	300,000,000	7.34%

Notes:

1. *Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.*
2. *Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.*
3. *Walong Holdings Limited is wholly and beneficially owned by Hoi Wa Fan.*

* *The percentage represents the number of ordinary shares interested divided by the number of the company's issued shares at December 31 2009.*

(2) Interests in underlying shares of the Company – equity derivatives of the Company

Name of Director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Approximate percentage of the underlying shares over the Company's issued share* (Upon fully exercise of share options)
Mr. Hoi Kin Hong	Long Position	Beneficial owner	7,000,000	0.1696%
Mr. Hoi Wa Fong	Long Position	Beneficial owner	2,200,000	0.0533%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	1,800,000	0.0436%
Ms. Shih Sze Ni	Long Position	Beneficial owner	1,200,000	0.0291%
Ms. Liu Xiao Lan	Long Position	Beneficial owner	1,200,000	0.0291%

Note: Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Information on Share Option Scheme" and note 17 to the consolidated financial statements.

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2009.*

Save as disclosed above, as at 31 December 2009, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and no Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for equity or debt securities of the Company nor exercised any such right.

Interests of Substantial Shareholders

As at 31 December 2009, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Percentage of Shareholding*
Skylong *(Notes 1 and 2)*	Beneficial owner	1,800,000,000 (L)	44.04%
Sky Infinity *(Notes 1and 3)*	Beneficial owner	600,000,000 (L)	14.68%
Walong *(Notes 1 and 4)*	Beneficial owner	300,000,000 (L)	7.34%
Wason *(Notes 1 and 5)*	Beneficial owner	300,000,000 (L)	7.34%

Notes:

1. *The letter "L" denotes the person's long position in such securities.*
2. *Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.*
3. *Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.*
4. *Walong Holdings Limited is wholly and beneficially owned by Hoi Wa Fan.*
5. *Wason Holdings Limited is wholly and beneficially owned as to 70% by Che Iok Teng, as to 10% by each of Hoi Wa Lam (許華琳), Hoi Wa Lam (許華嵐) and Hoi Wa Weng.*

* *The percentage represents the number of ordinary shares interested divided by the number of the company's issued shares at December 31 2009.*

ENFORCEMENT OF THE NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 25 September 2009 (the "**Prospectus**"), in order to reduce competition with the Xiamen Powerlong Group, the Company acquired from the Xiamen Powerlong Group an aggregate of 58,265 square meters of retail GFA at the Mingfa Centre (a project jointly developed by the Xiamen Powerlong with independent third parties). The consideration for the acquisition was RMB600.0 million. Completion of the acquisition was expected to take place on 31 December 2009. As Mingfa Group Company Limited, the cooperation partner of the project, postponed in the delivery of the relevant properties to the Xiamen Powerlong Group, the date for the completion of the acquisition was postpone. The Company has entered into an amendment to the agreement on 31 December 2009 with the Xiamen Powerlong Group, pursuant to which the last stop date for the completion of the acquisition was postponed to on or before 30 June 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan, being the Directors, are interested in certain companies engaged in the hotel operation business, which is ancillary to the Group's core business, namely, commercial property development and operation. The hotels operated by such companies are Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel. The operation of these two hotels is distinct from the business model of the Group and are stand-alone hotels, while the hotels included in the Group's development projects are developed as part of the large- scale and multi-functional quality commercial complexes. As such, there are no actual or potential competition between these two hotels and the hotels to be included in the Group's development project. Details of Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel are set out in the Prospectus.

Save as disclosed above, as at 31 December 2009, none of the Directors nor their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

Each of Skylong Holdings Limited, Sky Infinity Limited, Walong Holdings Limited, Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan have undertaken to the Company, subject to the exceptions mentioned in the Prospectus, that he/he/it will not engage, and shall procure that their controlled affiliates (other than members of the Company) will not engage in any property development and hotel operation business in China. Details of the deed of non-competition ("Deed of Non-competition") in favour of the Company dated 16 September 2009 are set out in the Prospectus.

The Company has received from Skylong Holdings Limited, Sky Infinity Limited, Walong Holdings Limited, Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan an annual confirmation that it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition.

POST BALANCE SHEET EVENT

There were no significant post balance sheet events.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2009, certain directors and their closely related family members, as well as the companies controlled by certain directors and/or their respective closely related family members entered into transactions with the Group, for which are disclosed in "Related Party Transactions" set out in note 36 to the consolidated financial statement of the Group.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2009, the Group entered into the following connected transactions, which were granted with waivers by the Stock Exchange or waivers from shareholders' approval, subject to compliance with the disclosure requirements as set out in Rule 14A of the Listing Rules in the annual report. Details of these transactions are set out below:

A Continuing connected transactions which are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements

(1) Hotel accommodation services agreement with Macau Powerlong Group

On 4 September 2009, the Company and Macau Powerlong Group entered into the hotel accommodation services agreement (the "**Hotel Services Agreement**"), pursuant to which Macau Powerlong Group agreed to provide hotel accommodation services to the Group's employees and guests, who are primarily independent suppliers or service providers to the Company at the Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel for a term of three years commencing from 1 January 2009. Macau Powerlong Group provided such hotel accommodation services during the ordinary course of business, charged a discount of 50% to the normal room service charges and offered terms no less favorable than those offered by independent third parties for comparable services to the Group. The Company enjoyed a discount of 50% to the normal room service charges, a discount rate no less favorable than those offered by Macau Powerlong Group to the other independent purchasers who enter into bulk purchase agreements with it. Details of the Hotel Services Agreement has been set out in the Prospectus.

Macau Powerlong Group is 88.9% owned by Hoi Kin Hong and is therefore a connected person of the Company under the Listing Rules.

During the year under review, the total amount for the provision of hotel accommodation services by two hotels of Macau Powerlong Group to the Company under the Hotel Services Agreement was RMB3,441,000.

(2) Property management services agreements with the associates of Macau Powerlong Group and the Directors

On 4 September 2009, between the Company and 福州寶龍樂園遊樂有限公司 (Fuzhou Powerlong Amusement Management Company Limited) ("Fuzhou Amusement"), 青島寶龍樂園旅遊發展有限公司 (Qingdao Powerlong Amusement Development Company Limited) ("Qingdao Amusement"), Qingdao Outlets, 鄭州食全食美餐飲管理有限公司 (Zhengzhou Powerlong Food & Beverage Company Limited) ("Zhengzhou F&B") ,Zhengzhou Outlets, Hoi Kin Mei and Hoi Wa Fong, entered into the Property Management Services Agreements (the "**Property Management Services Agreements**"), pursuant to which the Company has agreed to provide property management services including security, cleaning and maintenance services, to the amusement park, retail stores, food court and offices operated and occupied by Fuzhou Amusement, Qindao amusement, Qindao Outlets and Zhengzhou F&B, and the commercial units owned by Hoi Kin Mei and Hoi Wa Fong for a term of three years ending 31 December 2011. Details of the Property Management Services Agreements are set out in the Prospectus.

The Company charged property management services fees at prevailing market rates and on terms no more favorable than those offered by independent third parties for comparable services to those companies and persons. The Directors are of the view that such transactions are conducted on normal commercial terms and in the ordinary course of business.

As each of Fuzhou Amusement, Qingdao Amusement, Qingdao Outlets, Zhengzhou Outlets and Zhengzhou F&B is wholly owned by Xiamen Powerlong Group, these companies are connected persons of the Company under the Listing Rules.

During the year under review, the total amount of service fees charged by the Company under the Property Management Services Agreements was RMB1,590,000.

(3) First office lease agreement of Fuzhou Powerlong

On 21 April 2008, between Xiamen Powerlong Information, a 51% owned subsidiary of Xiamen Powerlong Group, as landlord and Fuzhou Powerlong as tenant, entered into the lease agreement together with its supplemental agreement entered into by both parties on 4 September 2009 (the "**First Office Lease Agreement**"), pursuant to which the property located on the third floor of Powerlong Center, Xiamen, with an aggregate GFA of approximately 3,093 square meters, was leased to Fuzhou Powerlong and/or its subsidiaries for office use. The term of the lease will expire on 31 December 2011 and the annual rent is RMB1,484,832. Details of the First Office Lease Agreement are set out in the Prospectus.

Xiamen Powerlong Information is a 51% owned subsidiary of Xiamen Powerlong Group, which is in turn 88.9% indirectly owned by Hoi Kin Hong and is therefore a connected person of the Company.

During the year under review, the total amount of rent paid by Fuzhou Powerlong under the First Office Lease Agreement was RMB1,484,832.

(4) Second office lease agreement of Fuzhou Powerlong

On 21 April 2008, Fuzhou Powerlong as tenant and Zhang Hao Yao (張顥耀) and Zhang Ming Xuan (張銘軒) jointly as landlord entered into the lease agreement together with its supplemental agreement entered into by both parties on 4 September 2009 (the "**Second Office Lease Agreement**"), pursuant to which the property located at the second floor of Powerlong Center, Xiamen, with an aggregate GFA of approximately 2,930 square meters was leased to Fuzhou Powerlong and/or its subsidiaries for office use. The term of the lease will expire on 31 December 2011 and the annual rent is RMB1,406,616. Details of the Second Office Lease Agreement are set out in the Prospectus.

Zhang Hao Yao and Zhang Ming Xuan are the nephews of Hoi Kin Hong, an executive Director and Controlling Shareholder, and Zhang Hao Yao and Zhang Ming Xuan are therefore connected persons of the Company.

During the year under review, the total amount of rent paid by Fuzhou Powerlong under the Second Office Lease Agreement was RMB1,406,616.

B Continuing connected transactions which are subject to the reporting, announcement and independent shareholders' approval requirements

(5) Long-term Lease Agreements

Details of the Long-term Lease Agreements are set out in the Prospectus. Fuzhou Powerlong, Qingdao Powerlong, Zhengzhou Powerlong as landlord have entered into the following long term lease agreements ("Long-term Lease Agreements"):

Tenant	Location of property	Area of property (square meters)	Term	Annual rent payable (RMB)	Use of property
Fuzhou Amusement	Fuzhou Powerlong City Plaza	6,879.79	10	2.55 million	Amusement park
Zhengzhou F&B	Zhengdong District, Zhengzhou	4,091.29	8	1.60 million	Food court
Zhengzhou Outlets	Zhengdong District, Zhengzhou	21,023.18	15	8.38 million	Outlet retail stores
Qingdao Outlets	Chengyang District, Qingdao	33,822.39	15	14.84 million	Outlet retail stores
Qingdao Amusement	Chengyang District, Qingdao	18,563.73	10	14.25 million	Amusement park

As each of Fuzhou Amusement, Qingdao Outlets, Zhengzhou Outlets, Zhengzhou F&B and Qingdao Amusement is wholly owned by Xiamen Powerlong Group, these companies are connected persons of the Company under the Listing Rules.

During the year under review, the total amount of rent received by the Company under the Long-term Lease Agreements was RMB13,380,000.

Pursuant to Rule 14A.37 of the Listing Rules, independent non-executive Directors have reviewed the above continuing connected transactions referred to in points no. (1) to (5) and are of the opinion that the continuing connected transactions as stated in paragraphs (1) to (5) above have been:

(i) carried out in the usual and ordinary course of business of the Group;

(ii) conducted on normal commercial terms; and

(iii) entered into in accordance with the terms of the respective agreements.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors to perform certain agreed upon procedures in respect of the continuing connected transactions as set out in paragraphs (1) to (5) above to assist the Directors to evaluate whether the transactions:

(a) have been approved by the Board.

(b) were entered into in accordance with the terms of the relevant agreements governing the transactions; and

(c) the amount of each continuing connected transaction did not exceed the relevant limits as set out in the relevant announcement or the Company's prospectus.

The auditors have reported their factual findings on these procedures to the Board of Directors.

DIVIDEND

The Board has recommended the payment of a final dividend of RMB6.00 cents per ordinary share of the Company for the year ended 31 December 2009. The proposed final dividend, if approved by the shareholders of the forthcoming annual general meeting, will be paid to the shareholders on the register of members of the Company on 11 June 2010.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Since its listing on 14 October 2009, the Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2009. Information on the Company's corporate governance principles and practices is set out in the Corporate Governance Report on page 31 to page 35 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 June 2010 to Friday, 11 June 2010, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to the proposed final dividend and to attend and vote at the forthcoming annual general meeting of the Company to be held on 11 June 2010, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 4 June 2010. Subject to shareholders' approval of the proposed final dividend of shares at the annual general meeting to be held on Friday, 11 June 2010, will be paid on Friday, 25 June 2010 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 11 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and all Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2009.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors, namely Mr. Ngai Wai Fung, Mr. Mei Jian Ping and Ms. Nie Mei Sheng.

The Audit Committee has reviewed the annual results for the year ended 31 December 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2009 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

AUDITOR

The accounts for the year have been audited by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers as the auditors of the Company.

On behalf of the Board

Hoi Kin Hong
Chairman

Hong Kong, 9 April 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

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TO THE SHAREHOLDERS OF POWERLONG REAL ESTATE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 116, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 April 2010

Consolidated Balance Sheet

	Note	31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	323,917	226,149
Land use rights	7	61,343	38,490
Investment properties	8	6,507,786	3,391,894
Deferred income tax assets	20	30,596	38,408
		6,923,642	3,694,941
Current assets			
Land use rights	7	1,616,364	1,116,746
Properties under development	9	1,210,068	1,577,230
Completed properties held for sale	10	478,410	417,474
Trade and other receivables and prepayments	11	1,788,562	1,408,101
Prepaid taxes		11,639	120,109
Financial assets at fair value through profit or loss	13	11,517	—
Restricted cash	14	719,891	31,112
Cash and cash equivalents	15	1,764,225	205,302
		7,600,676	4,876,074
Total assets		14,524,318	8,571,015
OWNERS' EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital and premium	16	3,172,401	26,659
Other reserves	17	347,231	341,983
Retained earnings			
– Proposed final dividend	31	245,247	–
– Others		4,437,751	1,640,329
		8,202,630	2,008,971
Minority interests		26,927	34,501
Total equity		8,229,557	2,043,472

Consolidated Balance Sheet

	Note	31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*18*	**1,026,201**	547,276
Deferred income tax liabilities	*20*	**961,679**	367,692
		1,987,880	914,968
Current liabilities			
Borrowings	*18*	**1,145,715**	563,727
Secured bonds and secured notes	*19*	**—**	833,812
Trade and other payables	*21*	**901,829**	1,575,517
Advances from customers		**1,231,758**	2,267,935
Income tax payables	*22*	**1,027,579**	371,584
		4,306,881	5,612,575
Total liabilities		**6,294,761**	6,527,543
Total equity and liabilities		**14,524,318**	8,571,015
Net current assets/(liabilities)		**3,293,795**	(736,501)
Total assets less current liabilities		**10,217,437**	2,958,440

The notes on pages 61 to 116 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Balance Sheet

	Note	31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*12*	**359,918**	—
Current assets			
Other receivables and prepayments	*11*	**3,075,868**	923,239
Cash and cash equivalents	*15*	**36,261**	—
		3,112,129	923,239
Total assets		**3,472,047**	923,239
OWNERS' EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital and premium	*16*	**3,172,401**	26,659
Other reserves	*17*	**5,248**	—
Retained earnings/(accumulated losses)	*29*		
- Proposed final dividend	*31*	**245,247**	—
- Others		**1,536**	(25,166)
Total equity		**3,424,432**	1,493
LIABILITIES			
Current liabilities			
Secured bonds and secured notes	*19*	**—**	833,812
Other payables and accruals	*21*	**47,615**	87,934
Total liabilities		**47,615**	921,746
Total equity and liabilities		**3,472,047**	923,239
Net current assets		**3,064,514**	1,493
Total assets less current liabilities		**3,424,432**	1,493

The notes on pages 61 to 116 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2009	2008
	Note	**RMB'000**	RMB'000
Revenue	*5*	**4,135,739**	1,583,766
Cost of sales	*23*	**(1,829,484)**	(869,057)
Gross profit		**2,306,255**	714,709
Fair value gains on investment properties	*8*	**2,425,853**	856,040
Selling and marketing costs	*23*	**(66,218)**	(60,927)
Administrative expenses	*23*	**(178,251)**	(140,918)
Other losses — net	*24*	**(3,553)**	(37,786)
Operating profit		**4,484,086**	1,331,118
Fair value losses on embedded financial derivatives		**—**	(14,834)
Finance costs	*27*	**(851)**	(33,655)
Profit before income tax		**4,483,235**	1,282,629
Income tax expenses	*28*	**(1,442,165)**	(345,313)
Profit for the year		**3,041,070**	937,316
Other comprehensive income		**—**	—
Total comprehensive income for the year		**3,041,070**	937,316
Attributable to:			
Equity holders of the Company		**3,042,669**	932,658
Minority interests		**(1,599)**	4,658
		3,041,070	937,316
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB cents per share)	*30*		
— Basic		**93.93 cents**	31.09 cents
— Diluted		**93.92 cents**	31.09 cents
		RMB'000	RMB'000
Dividend	*31*	**245,247**	—

The notes on pages 61 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to the shareholders of the Company					
	Share capital and premium RMB'000 *(note 16)*	**Other reserves** RMB'000 *(note 17)*	**Retained earnings** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total equity** RMB'000
Year ended 31 December 2008						
Balance at 1 January 2008	1	341,983	707,671	1,049,655	35,645	1,085,300
Comprehensive income						
— Profit for the year	—	—	932,658	932,658	4,658	937,316
Other comprehensive income	—	—	—	—	—	—
Other movements						
— Issue of ordinary shares (note 16(b))	26,658	—	—	26,658	—	26,658
— Acquisition of additional interests in a subsidiary from minority interests	—	—	—	—	(5,802)	(5,802)
	26,658	—	—	26,658	(5,802)	20,856
Balance at 31 December 2008	26,659	341,983	1,640,329	2,008,971	34,501	2,043,472
Year ended 31 December 2009						
Balance at 1 January 2009	**26,659**	**341,983**	**1,640,329**	**2,008,971**	**34,501**	**2,043,472**
Comprehensive income						
— Profit/(loss) for the year	**—**	**—**	**3,042,669**	**3,042,669**	**(1,599)**	**3,041,070**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**
Other movements						
— Capitalisation issue (note 16(c))	**1,000,000**	**—**	**—**	**1,000,000**	**—**	**1,000,000**
— Issue of ordinary shares in connection with the listing (note 16(d))	**2,270,738**	**—**	**—**	**2,270,738**	**—**	**2,270,738**
— Share issuance costs in connection with the listing	**(124,996)**	**—**	**—**	**(124,996)**	**—**	**(124,996)**
— Employees share option scheme	**—**	**5,248**	**—**	**5,248**	**—**	**5,248**
— Acquisition of additional interests in a subsidiary from minority interests	**—**	**—**	**—**	**—**	**(2,017)**	**(2,017)**
— Disposal of a subsidiary	**—**	**—**	**—**	**—**	**(3,958)**	**(3,958)**
	3,145,742	**5,248**	**—**	**3,150,990**	**(5,975)**	**3,145,015**
Balance at 31 December 2009	**3,172,401**	**347,231**	**4,682,998**	**8,202,630**	**26,927**	**8,229,557**

The notes on pages 61 to 116 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash generated from operating activities	*32*	**1,547,071**	435,671
PRC corporate income tax paid		**(33,965)**	(77,524)
PRC land appreciation tax paid		**(41,936)**	(56,997)
Interest paid		**(132,435)**	(169,892)
Net cash inflow from operating activities		**1,338,735**	131,258
Cash flows from investing activities			
Acquisition of additional interests in subsidiaries from minority interests		**—**	(750)
Purchase of property and equipment		**(105,461)**	(108,356)
Purchase of investment properties		**(496,824)**	(323,107)
Purchase of land use rights		**(1,118,321)**	(988,321)
Prepayments for acquisition of properties from a related party	*36(d)*	**(300,000)**	(300,000)
Cash advances made to related parties		**(89,733)**	(174,553)
Repayments of cash advances by related parties		**302,813**	—
Net proceeds from disposals of property and equipment		**696**	1,628
Net proceeds from disposals of investment properties		**12,865**	43,254
Net cash outflow from investing activities		**(1,793,965)**	(1,850,205)
Cash flows from financing activities			
Issue of ordinary shares	*16(b)*	**—**	26,658
Issue of ordinary shares in connection with the listing	*16(d)*	**2,270,738**	—
Share issuance costs		**(112,462)**	(4,587)
Net proceeds on issue of convertible bonds and secured notes		**—**	73,456
Repayments of convertible bonds and secured notes, and secured bonds and secured notes		**(921,823)**	(304,992)
Proceeds from borrowings		**2,001,526**	611,800
Repayments of borrowings		**(937,477)**	(261,984)
(Increase)/decrease in guarantee deposits		**(652,062)**	3,459
Cash advances from related parties		**764,809**	628,878
Repayments of cash advances to related parties		**(397,988)**	—
Net cash inflow from financing activities		**2,015,261**	772,688
Net increase/(decrease) in cash and cash equivalents		**1,560,031**	(946,259)
Cash and cash equivalents at the beginning of the year		**205,302**	1,162,566
Effect of foreign exchange rate changes		**(1,108)**	(11,005)
Cash and cash equivalents at the end of the year	*15*	**1,764,225**	205,302

The notes on pages 61 to 116 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together the "Group") is principally engaged in property development, property investment, property management, and other property development related services.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 October 2009.

These consolidated financial statements have been approved for issue by the board of directors on 9 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and embedded financial derivatives which are carried at fair values.

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

The following new standards and amendments to standards relevant to the Group's operation have been issued that are mandatory for accounting periods beginning on or after 1 July 2009 or later periods and which the Group has not early adopted.

- HKAS 27 (revised) "Consolidated and separate financial statements" (effective for annual period beginning on or after 1 July 2009 and applicable for year ending 30 June 2010 or after). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

- HKFRS 3 (revised) "Business combinations" (effective for annual period beginning on or after 1 July 2009 and applicable for year ending 30 June 2010 or after). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- HKAS 1 (amendment) "Presentation of financial statements" (effective for annual period beginning on or after 1 January 2010). The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- HKFRS 2 (amendment) "Group cash-settled share-based payment transactions" (effective for annual period beginning on or after 1 January 2010). In addition to incorporating HK(IFRIC)-Int 8, "Scope of HKFRS 2", and HK(IFRIC)-Int 11, "HKFRS 2 – group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

(b) Consolidation

These consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between the group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (note 2(g)). The results of subsidiaries are accounted for by the Company on the basis of dividends received/receivable.

(ii) Transaction with minority interests

The Group applies a policy of treating transaction with minority interests as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated income statement. Purchase from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each group entity are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

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

(iii) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) Group entities (continued)

- income and expenses for each consolidated income statement of the group entities are translated at average exchange rates; and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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

(e) Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Motor vehicles	5 years
Furniture, fitting and equipment	3-10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains and losses in the consolidated income statement.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

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

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

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

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values of investment property are recognised as "fair value gains on investment properties" in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of investments in subsidiaries and non-financial assets

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

(h) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

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

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

(i) Completed properties held for sale

Completed properties remaining unsold at the end of the period are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses.

(j) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date—the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other (losses)/gains—net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(k) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

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

(n) Share capital

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

(o) Trade and other payables

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

(p) Borrowings, secured bonds and secured notes and borrowing costs

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

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

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Current and deferred income tax

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

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

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

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

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

(r) Employee benefits

(i) Employee leave entitlements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) Retirement benefits

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

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

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

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(s) Share-based payments

The Group operates an equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

(i) including any market performance conditions;

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payments (continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(t) Provisions and contingent liabilities

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

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, and type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Sales of properties

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

(ii) Rental income

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Property management

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

(iv) Interest income

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

(v) Construction and decoration services

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

(vi) Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Leases

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

(i) The Group is the lessee other than operating lease of land use rights

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

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold.

(w) Dividend distribution

Dividend distribution to the equity holders of the Group is recognised in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant group entities.

(x) Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3. FINANCIAL RISK MANAGEMENT

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

(a) Financial risk factor

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are in foreign currencies. As at 31 December 2009, major non-RMB assets and liabilities are cash and cash equivalents and bank borrowings dominated in Hong Kong dollar ("HK$"). Fluctuation of the exchange rate of RMB against HK$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

At 31 December 2009, if RMB had strengthened/weakened by 0.5% against HK$ with all other variables held constant, post-tax profit of the Group for the year ended 31 December 2009 would have increased/decreased by RMB1,294,000 (2008: nil) mainly as a result of foreign exchange gains or losses on translation of assets and liabilities denominated in HK$.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(ii) Interest rate risk

Other than deposit held in banks, the Group does not have significant interest bearing assets. The average rate of deposits held in banks throughout 2009 was 0.36% (2008: 0.72%). Any change in interest rates is not considered to have significant impact to the Group. The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest rate risk. At 31 December 2009, if interest rates on bank borrowings had been 0.5% higher/lower with all other variables held constant, interest charges for the year would have been RMB8,578,000 (2008: RMB4,818,000) larger/smaller, mainly as a result of larger/smaller interest expense on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, restricted cash and trade and other receivables.

For banks and financial institutions, deposits are only placed with reputable banks. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low. For the trade receivables arisen from sales of properties, the Group managed the credit risk by fully receiving cash not later than three months after delivery of property. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group also regularly reviews the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 34.

(iv) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

Management of the Group seek to effectively manage future cash flows and reduce exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting development schedule to ensure that the Group has available resources to finance projects of the Group, implementing cost control measures, adopting more flexible approach to pricing for property sales, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of select investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(iv) Liquidity risk (continued)

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for the borrowings and secured bonds and secured notes, balances of trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2009					
Bank borrowings	**1,231,536**	**557,264**	**381,382**	**231,262**	**2,401,444**
Trade and other payables	**901,829**	**—**	**—**	**—**	**901,829**
At 31 December 2008					
Bank borrowings	628,635	413,594	123,322	57,127	1,222,678
Secured bonds and secured notes	943,160	—	—	—	943,160
Trade and other payables	1,575,517	—	—	—	1,575,517

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

Consistent with other similar real estate companies, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total borrowings divided by total assets and multiplied by 100%. Total borrowings comprise secured bonds and secured notes (note (19)) and bank borrowings (note (18)), as shown in the consolidated balance sheet.

During the year, the Group's strategy was to maintain a gearing ratio within 25%. The gearing ratios at 31 December 2009 and 2008 were as follows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Total borrowings	**2,171,916**	1,944,815
Total assets	**14,524,318**	8,571,015
Gearing ratio	**15.0%**	22.7%

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial assets at fair value through profit or loss as at 31 December 2009 are measured at fair value by level 1. Its fair value is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

(c) Fair value of investment properties

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

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

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

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

The Group assesses the fair value of its completed investment properties based on valuations determined by independent and professional qualified valuers.

For investment properties under construction, it may somehow be difficult to reliably determine the fair value. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the factors, mainly but not limited to those set out below:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar constructions
- Status of construction permits

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Fair value of investment properties (continued)

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under development as at 31 December 2009 cannot be measured reliably since there are practical difficulties to obtain certain information, including but not limited to the construction progress and cost to completion of particular unit of investment properties under development, at a reasonable accurate level for a fair value assessment of these properties. Therefore, the investment properties under development as at 31 December 2009 were measured at cost.

5. SEGMENT INFORMATION

The board of directors of the Company, which is the chief operating decision-maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management, and other property development related services. As board of directors of the Company considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, property management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Sales of properties	**4,008,255**	1,511,760
Rental income of investment properties	**94,047**	53,290
Property management services	**33,437**	15,955
Other property development related services	**—**	2,761
	4,135,739	1,583,766

5. SEGMENT INFORMATION (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2009 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	4,008,255	94,047	65,829	32,930	–	4,201,061
Inter-segment revenue	–	–	(32,392)	(32,930)	–	(65,322)
Revenue	4,008,255	94,047	33,437	–	–	4,135,739
Segment results	2,078,970	2,472,756	(1,302)	(5,305)	(653)	4,544,466
Unallocated operating costs						(60,380)
Finance costs						(851)
Profit before income tax						4,483,235
Income tax expenses						(1,442,165)
Profit for the year						3,041,070
Depreciation (note 6)	5,230	–	414	1,561	–	7,205
Amortisation of land use rights recognised as expenses	15,039	–	–	–	–	15,039
Fair value gains on investment properties (note 8)	–	2,425,853	–	–	–	2,425,853

5. SEGMENT INFORMATION (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2008 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	1,511,760	53,290	15,955	16,163	—	1,597,168
Inter-segment revenue	—	—	—	(13,402)	—	(13,402)
Revenue	1,511,760	53,290	15,955	2,761	—	1,583,766
Segment results	550,175	842,727	5,450	(7,402)	(364)	1,390,586
Unallocated operating costs						(59,468)
Fair value losses on embedded financial derivatives						(14,834)
Finance costs						(33,655)
Profit before income tax						1,282,629
Income tax expenses						(345,313)
Profit for the year						937,316
Depreciation (note 6)	4,595	—	229	1,565	—	6,389
Amortisation of land use rights recognised as expenses	5,735	—	—	—	—	5,735
Fair value gains on investment properties (note 8)	—	856,040	—	—	—	856,040

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	5,789,426	7,184,209	21,800	878,175	(250,812)	13,622,798
Other assets						901,520
Total assets						14,524,318
Segment liabilities	1,663,562	268,057	46,963	197,232	(95,248)	2,080,566
Other liabilities						4,214,195
Total liabilities						6,294,761
Capital expenditure	867,793	705,955	1,168	100,452	–	1,675,368

Segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	4,254,089	3,713,261	13,466	311,109	(184,228)	8,107,697
Other assets						463,318
Total assets						8,571,015
Segment liabilities	3,029,190	29,288	30,572	115,234	(88,282)	3,116,002
Other liabilities						3,411,541
Total liabilities						6,527,543
Capital expenditure	556,668	355,763	1,170	1,794	–	915,395

5. SEGMENT INFORMATION (continued)

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

	31 December 2009 RMB'000	31 December 2008 RMB'000
Segment assets	**13,622,798**	8,107,697
Other assets		
Prepaid taxes	**11,639**	120,109
Deferred income tax assets	**30,596**	38,408
Unallocated cash and cash equivalents and restricted cash	**828,987**	50,358
Amounts due from related parties (note 36(d))	**23,844**	236,924
Unallocated property and equipment	**2,679**	3,700
Other corporate assets	**3,775**	13,819
Total assets	**14,524,318**	8,571,015

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

	31 December 2009 RMB'000	31 December 2008 RMB'000
Segment liabilities	**2,080,566**	3,116,002
Other liabilities		
Income tax payables	**1,027,579**	371,584
Deferred income tax liabilities	**961,679**	367,692
Interests payable	**2,624**	55,034
Current borrowings	**1,145,715**	563,727
Non-current borrowings	**1,026,201**	547,276
Amounts due to related parties (note 36(d))	**32,900**	666,079
Secured bonds and secured notes	**—**	833,812
Other corporate liabilities	**17,497**	6,337
Total liabilities	**6,294,761**	6,527,543

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

6. PROPERTY AND EQUIPMENT—GROUP

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
At 1 January 2008					
Cost	85,700	20,179	16,064	11,355	133,298
Accumulated depreciation	—	(504)	(4,567)	(2,417)	(7,488)
Net book amount	85,700	19,675	11,497	8,938	125,810
Year ended 31 December 2008					
Opening net book amount	85,700	19,675	11,497	8,938	125,810
Additions	99,942	—	6,464	1,950	108,356
Disposals	—	—	(1,251)	(377)	(1,628)
Depreciation	—	(480)	(3,529)	(2,380)	(6,389)
Closing net book amount	185,642	19,195	13,181	8,131	226,149
At 31 December 2008					
Cost	185,642	20,179	20,498	12,473	238,792
Accumulated depreciation	—	(984)	(7,317)	(4,342)	(12,643)
Net book amount	185,642	19,195	13,181	8,131	226,149
Year ended 31 December 2009					
Opening net book amount	**185,642**	**19,195**	**13,181**	**8,131**	**226,149**
Additions	**100,111**	**—**	**3,225**	**2,333**	**105,669**
Disposals	**—**	**—**	**(403)**	**(293)**	**(696)**
Depreciation	**—**	**(650)**	**(4,004)**	**(2,551)**	**(7,205)**
Closing net book amount	**285,753**	**18,545**	**11,999**	**7,620**	**323,917**
At 31 December 2009					
Cost	**285,753**	**20,179**	**22,976**	**14,273**	**343,181**
Accumulated depreciation	**—**	**(1,634)**	**(10,977)**	**(6,653)**	**(19,264)**
Net book amount	**285,753**	**18,545**	**11,999**	**7,620**	**323,917**

6. PROPERTY AND EQUIPMENT—GROUP (continued)

Depreciation charges were included in the following categories in the consolidated income statement:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Cost of sales	**992**	1,056
Selling and marketing costs	**745**	678
Administrative expenses	**5,468**	4,655
	7,205	6,389

As at 31 December 2009, assets under construction with net book amounts totaling RMB204,176,000 (2008: RMB136,029,000), was pledged as collateral for the Group's borrowings (note 18).

Borrowing costs of RMB3,787,000 (2008: RMB4,842,000) has been capitalised in assets under construction for the year ended 31 December 2009.

The capitalisation rate of borrowings for the year ended 31 December 2009 is 9.66% (2008: 15.22%).

7. LAND USE RIGHTS—GROUP

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening net book amount	**1,155,236**	713,184
Additions	**864,350**	472,170
Transfer from investment properties (note 8)	**—**	156,337
Amortisation	**(24,210)**	(26,013)
Transfer to cost of sales	**(317,669)**	(160,442)
Ending net book amount	**1,677,707**	1,155,236
Amounts included in current assets	**(1,616,364)**	(1,116,746)
Amounts included in non-current assets	**61,343**	38,490
Outside Hong Kong, held on leases of:		
Over 50 years	**613,063**	464,242
Between 10 to 50 years	**1,064,644**	690,994
	1,677,707	1,155,236

7. LAND USE RIGHTS—GROUP (continued)

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

As at 31 December 2009, land use rights of RMB303,118,000 (2008: RMB481,781,000) were pledged as collateral for the Group's borrowings (note 18).

8. INVESTMENT PROPERTIES—GROUP

	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
Year ended 31 December 2008			
At 1 January 2008	1,073,000	1,631,424	2,704,424
Addition	—	334,869	334,869
Transfer to properties under development	—	(265,700)	(265,700)
Transfer to land use rights (note 7)	—	(156,337)	(156,337)
Transfers	325,362	(325,362)	—
Disposal of investment properties	(81,402)	—	(81,402)
Fair value gains	856,040	—	856,040
At 31 December 2008	2,173,000	1,218,894	3,391,894
Year ended 31 December 2009			
At 1 January 2009	**2,173,000**	**1,218,894**	**3,391,894**
Addition	**4,137**	**701,212**	**705,349**
Transfers	**994,720**	**(994,720)**	**—**
Disposal of investment properties	**(15,310)**	**—**	**(15,310)**
Fair value gains	**2,425,853**	**—**	**2,425,853**
At 31 December 2009	**5,582,400**	**925,386**	**6,507,786**

The completed investment properties have been revalued at 31 December 2009 and 2008 by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer. The valuations were based on either capitalisation of the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property, or by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

The management of the Group has concluded that the fair value of its investment properties under construction as at 31 December 2009 and 2008 could not be measured reliably, therefore, the Group's investment properties under construction continue to be measured at cost as at 31 December 2009 and 2008.

8. INVESTMENT PROPERTIES—GROUP (continued)

The following amounts have been recognised in the consolidated income statement:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Rental income	94,047	53,290
Direct operating expenses arising from investment properties that generate rental income	(18,172)	(15,096)
Direct operating expenses that did not generate rental income	(10,162)	(11,817)

The Group owned 100% interests in the investment properties as at 31 December 2009, which are held in the PRC on leases of between 10 to 50 years (2008: same).

Borrowing costs of RMB22,229,000 has been capitalised in certain investment properties for the year ended 31 December 2009 (2008: RMB109,571,000).

The capitalisation rate of borrowings for the year ended 31 December 2009 is 9.66% (2008: 15.22%).

As at 31 December 2009, investment properties amounting to RMB4,198,612,000 (2008: RMB2,210,102,000) were pledged as collateral for the Group's borrowings (note 18).

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	31 December	
	2009 RMB'000	2008 RMB'000
Not later than one year	2,007	2,007
Later than one year and not later than five years	8,028	8,028
Later than five years	4,516	6,523
	14,551	16,558

9. PROPERTIES UNDER DEVELOPMENT—GROUP

	31 December	
	2009	2008
	RMB'000	RMB'000
Properties under development include:		
Construction costs and capitalised expenditures	**877,308**	1,343,793
Interests capitalised	**317,062**	209,090
Amortisation of land use rights	**15,698**	24,347
	1,210,068	1,577,230

The properties under development are all located in the PRC.

As at 31 December 2009, properties under development of approximately RMB205,876,000 (2008: RMB582,920,000) were pledged as collateral for the Group's borrowings (note 18).

The capitalisation rate of borrowings for the year ended 31 December 2009 is 9.66% (2008: 15.22%).

10. COMPLETED PROPERTIES HELD FOR SALE—GROUP

The completed properties held for sale are all located in the PRC.

As at 31 December 2009, completed properties held for sale of approximately RMB170,468,000 (2008: RMB263,759,000) were pledged as collateral for the Group's borrowings (note 18).

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group 31 December		Company 31 December	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Trade receivables (note (a))	**413,076**	56,290	**—**	—
— Related parties (note 36(d))	**15,433**	—	**—**	—
— Third parties	**397,643**	56,290	**—**	—
Other receivables from:	**69,553**	262,978	**3,075,868**	910,705
— Related parties (note 36(d))	**23,844**	236,924	**—**	—
— Subsidiaries	**—**	—	**3,075,868**	910,705
— Third parties	**45,709**	26,054	**—**	—
Prepaid business taxes and other taxes	**29,208**	92,016	**—**	—
Prepayments for acquisition of properties — related parties (note 36(d))	**600,000**	300,000	**—**	—
Prepayments for acquisition of land use rights	**674,911**	677,740	**—**	—
Prepayments for construction fee —third parties	**1,814**	6,543	**—**	—
Other prepayments	**—**	12,534	**—**	12,534
	1,788,562	1,408,101	**3,075,868**	923,239

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. Trade receivables at 31 December 2009 and 2008 were aged less than 90 days.

As at 31 December 2009 and 2008, the fair value of trade and other receivables approximated their carrying amounts.

Trade receivables and other receivables are unsecured and interest free. The Group's trade and other receivables and prepayments are denominated in RMB. No material trade and other receivables were impaired or past due as at 31 December 2009 and 2008.

12. INVESTMENTS IN SUBSIDIARIES – COMPANY

	Company 31 December 2009 RMB'000	Company 31 December 2008 RMB'000
Investments, at cost:		
Unlisted shares	359,918	—

Details of the principal subsidiaries of the Company at 31 December 2009 are set out below.

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
Directly held by the Company				
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	HK$402,805,196	100%	Investment holding in British Virgin Islands
Indirectly held by the Company				
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	HK$1	100%	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	—	100%	Investment holding in Hong Kong
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	the PRC 21 October 2003	US$8,000,000	100%	Property development and property investment in the PRC
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	the PRC 5 August 2004	US$10,000,000	100%	Property development and property investment in the PRC
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	the PRC 7 April 2005	RMB700,000,000	100%	Property development and property investment in the PRC
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	the PRC 7 June 2005	RMB100,000,000	100%	Property development and property investment in the PRC

12. INVESTMENTS IN SUBSIDIARIES – COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	the PRC 21 February 2006	RMB20,000,000	100%	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 3 March 2006	RMB80,000,000	100%	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property evelopment Co., Ltd.	the PRC 13 July 2006	RMB461,979,900	100%	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	RMB80,000,000	100%	Hotel operation in the PRC
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC 1 November 2006	US$15,000,000	80%	Property development and property investment in the PRC
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC 27 February 2007	US$15,000,000	100%	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	US$60,000,000	100%	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited	the PRC 10 December 2007	RMB225,240,000	100%	Property development and property investment in the PRC
烟台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	the PRC 19 December 2007	US$25,000,000	100%	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	US$80,000,000	100%	Property development and property investment in the PRC

12. INVESTMENTS IN SUBSIDIARIES – COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	US$75,000,000	100%	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	US$99,800,000	100%	Property development and property investment in the PRC
泰安寶龍大酒店有限公司 Tai'an Powerlong Hotel Co., Ltd.	the PRC 5 June 2009	RMB10,050,545	100%	Hotel operation in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Property Development Company Limited	the PRC 24 November 2009	US$25,000,000	100%	Property development and property investment in the PRC

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

During the year, the Group has disposed of its equity interests in Xiamen Bairun Property Consulting Company Limited, a subsidiary which the Group previously held 71% equity interest.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	31 December	
	2009	2008
	RMB'000	RMB'000
Listed equity securities held for trading at Hong Kong — at market value	**11,517**	—

14. RESTRICTED CASH—GROUP

	31 December	
	2009	2008
	RMB'000	RMB'000
Guarantee deposit for construction of projects (note (a))	**37,877**	22,554
Guarantee deposit for bank acceptance notes (note (b))	**23,910**	—
Guarantee deposit for letters of credit (note (c))	**655,147**	3,085
Others	**2,957**	5,473
	719,891	31,112

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 31 December 2009, the Group placed cash deposits of approximately RMB23,910,000 (2008: nil) with designated banks as guarantee for the Group issuing bank acceptance notes.

(c) As at 31 December 2009, the Group placed cash deposits of approximately RMB655,147,000 (2008: RMB3,085,000) with designated banks to guarantee issuance of letters of credit to the Group as security for bank borrowings.

All restricted cash are denominated in RMB. The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government. Restricted cash earns interest at floating rates based on daily bank deposit rates.

15. CASH AND CASH EQUIVALENTS

	Group 31 December		Company 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash at bank and in hand:				
— Denominated in RMB	1,316,109	205,109	—	—
— Denominated in HK$	448,116	193	36,261	—
	1,764,225	205,302	36,261	—

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

16. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Total RMB'000
Authorised:						
As at 1 January and 31 December 2008 and 31 December 2009	*(a)*	30,000,000,000	HK$300,000,000			
Issued and fully paid:						
As at 1 January 2008		—	—	—	1	1
Issue of ordinary shares	*(b)*	3,000,000,000	HK$30,000,000	26,658	—	26,658
As at 31 December 2008		3,000,000,000	HK$30,000,000	26,658	1	26,659
Capitalisation issue	*(c)*	150,000,000	HK$1,500,000	1,320	998,680	1,000,000
Issue of ordinary shares in connection with the listing	*(d)*	937,448,000	HK$9,374,480	8,291	2,262,447	2,270,738
Share issuance costs in connection with the listing		—	—	—	(124,996)	(124,996)
As at 31 December 2009		4,087,448,000	HK$40,874,480	36,269	3,136,132	3,172,401

16. SHARE CAPITAL AND PREMIUM (continued)

(a) As at 1 January 2008, the authorised share capital of the Company is HK$300,000,000 divided into 30,000,000,000 shares of HK$0.01 each.

(b) On 14 December 2007, the Company issued 3,000,000,000 ordinary shares at par value of HK$0.01 each. The cash consideration of HK$30,000,000 was received on 4 June 2008.

(c) On 16 September 2009, the Company issued 150,000,000 shares to Skylong Holdings Limited as directed by Mr. Hoi Kin Hong ("Mr. Hoi"), the major shareholder of the Company, credited as fully paid, for capitalisation of the amounts due to Mr. Hoi of RMB1,000,000,000.

(d) On 14 October 2009, the Company issued 850,000,000 ordinary shares of HK$0.01 each at HK$2.75 per share in connection with the listing, and raised gross proceeds of approximately HK$2,337,500,000 (equivalent to RMB2,058,921,000). On 5 November 2009, pursuant to the exercise of the over-allotment option, additional 87,448,000 shares of HK$0.01 each were issued at HK$2.75 per share and raised gross proceeds of HK$240,482,000 (equivalent to RMB211,817,000).

17. OTHER RESERVES

	The Group				The Company
	Merger reserve	**Statutory reserves**	**Share option reserve**	**Total**	**Share option reserve**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note (a))	(note (b))	(note (c))		(note (c))
Balance at 1 January and 31 December 2008	337,203	4,780	—	341,983	—
Employees share option scheme	—	—	5,248	5,248	5,248
Balance at 31 December 2009	337,203	4,780	5,248	347,231	5,248

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to equity holders in form of bonus issue.

17. OTHER RESERVES (continued)

(c) Share option reserve

On 16 September 2009, the Company granted share options to directors and selected employees under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK$2.75 per share of the Company's shares upon the listing date. All the options under the Pre-IPO Share Option Scheme will not be exercisable within the first 12 months after the grant date as of 16 September 2009.

Particulars of share options as at 31 December 2009 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at 31 December 2009
1 year from 16 September 2009	15 September 2012	HK$2.475	7,580,000
2 years from 16 September 2009	15 September 2013	HK$2.475	7,580,000
3 years from 16 September 2009	15 September 2014	HK$2.475	7,580,000
4 years from 16 September 2009	15 September 2015	HK$2.475	7,580,000
5 years from 16 September 2009	15 September 2016	HK$2.475	7,580,000
			37,900,000

Movements in the number of share options outstanding is as follows:

	Year ended 31 December 2009
At 1 January	—
Granted	40,000,000
Cancelled	(2,100,000)
At 31 December	37,900,000

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of options granted is HK$2.16 per option, which was determined using the Binomial Model by an independent valuer. The significant inputs into the model were estimated share price of HK$4.00 at the date of grant, annual risk free rate of 0.991%–2.109% per year, expected volatility of 70.65%–63.54%, option life of 3–7 years and expected dividend yield of 1.00% per year.

18. BORROWINGS – GROUP

	31 December	
	2009	2008
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured (note (a))	**1,405,526**	1,111,003
Less: amounts due within one year	**(379,325)**	(563,727)
	1,026,201	547,276
Borrowings included in current liabilities:		
Short-term borrowings – secured (note (b))	**766,390**	—
Current portion of long-term borrowings	**379,325**	563,727
	1,145,715	563,727

(a) As at 31 December 2009, the borrowings of RMB1,405,526,000 (2008: RMB1,111,003,000) as at 31 December 2009, were secured by its assets under construction (note 6), land use rights (note 7), investment properties (note 8), properties under development (note 9) and completed properties held for sale (note 10); the secured borrowings of RMB710,000,000 (2008: RMB795,977,000) were guaranteed by related parties (note 36).

(b) As at 31 December 2009, the borrowings of RMB641,920,000 (2008: nil) were secured by the letters of credit (note 14) and the borrowings of RMB124,470,000 (2008: nil) were secured by the land use rights (note 7) and the investment properties (note 8).

18. BORROWINGS – GROUP (continued)

The exposure of the Group's borrowings to interest-rate changes and the contractual reprising dates or maturity date whichever is earlier are as follows:

	6 months or less	6–12 months	1–5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2009	589,201	437,000	—	—	1,026,201
At 31 December 2008	547,276	—	—	—	547,276
Borrowings included in current liabilities:					
At 31 December 2009	1,100,715	45,000	—	—	1,145,715
At 31 December 2008	399,727	164,000	—	—	563,727

The maturity of the borrowings included in non-current liabilities is as follows:

	31 December	
	2009	2008
	RMB'000	RMB'000
Bank borrowings:		
1–2 years	**507,451**	391,970
2–5 years	**317,500**	106,864
Over 5 years	**201,250**	48,442
	1,026,201	547,276

The effective interest rate of bank borrowings as at 31 December 2009 is as follows:

	31 December	
	2009	2008
	RMB'000	RMB'000
Bank borrowings	**4.41%**	7.12%

The fair value of borrowings approximates their carrying amounts.

18. BORROWINGS – GROUP (continued)

The carrying amounts of borrowings are denominated in the following currencies:

	31 December 2009 RMB'000	31 December 2008 RMB'000
RMB	**1,464,996**	1,111,003
HK$	**706,920**	—
	2,171,916	1,111,003

As at 31 December 2009, the Group has the following undrawn borrowing facilities:

	31 December 2009 RMB'000	31 December 2008 RMB'000
Floating rate		
– expiring within one year	**447,530**	92,000

19. SECURED BONDS AND SECURED NOTES

The movement of the secured bonds and secured notes is set out below:

	Secured bonds and secured notes RMB'000
As at 1 January 2008	—
Transfer from convertible bonds and secured notes and embedded financial derivatives	873,343
Interest charged	52,350
Repayment of principal	(35,091)
Interest due for payment and reclassified to other payable	(56,790)
As at 31 December 2008	**833,812**
Interest charged	**88,011**
Repayment	**(921,823)**
As at 31 December 2009	**—**

The effective interest rate of secured bonds and secured notes for the year ended 31 December 2009 is 27.6% (2008: 27.6%).

20. DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against income tax payables and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group as at 31 December 2009 are as follows:

	31 December	
	2009	2008
	RMB'000	RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	**17,046**	5,602
– to be realised within 12 months	**13,550**	32,806
	30,596	38,408
Deferred income tax liabilities to be settled after more than 12 months	**961,679**	367,692

The movement on the deferred taxation is as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Beginning of the year	**(329,284)**	(123,037)
Recognised in the consolidated income statement (note 28)	**(601,799)**	(206,247)
End of the year	**(931,083)**	(329,284)

20. DEFERRED INCOME TAX – GROUP (continued)

Movement in deferred tax assets and liabilities during the years is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2008	1,835	38,667	40,502
Credited/(charged) to the consolidated income statement	7,217	(9,311)	(2,094)
At 31 December 2008	**9,052**	**29,356**	**38,408**
Credited/(charged) to the consolidated income statement	**4,180**	**(11,992)**	**(7,812)**
At 31 December 2009	**13,232**	**17,364**	**30,596**

Deferred income tax assets are recognised for tax losses to the extent that the realisation of the related benefit through the future taxable profits is probable. Accumulated losses amounting to RMB72,000, RMB1,362,000, RMB19,000,000 and RMB49,024,000 as at 31 December 2009 will expire in 2012, 2013, 2014 and 2015, respectively.

Deferred income tax liabilities

	Temporary difference on revaluation gains of investment properties RMB'000
At 1 January 2008	163,539
Charged to the consolidated income statement	204,153
At 31 December 2008	**367,692**
Charged to the consolidated income statement	**593,987**
At 31 December 2009	**961,679**

21. TRADE AND OTHER PAYABLES

	Group 31 December		Company 31 December	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Trade payables — third parties	**456,955**	492,936	**—**	—
Notes payable — third party	**35,855**	—	**—**	—
Other payables and accruals:	**150,218**	820,250	**47,615**	87,934
– Related parties (note 36(d))	**32,900**	666,079	**32,900**	32,900
– Subsidiary	**—**	—	**13,965**	—
– Third parties	**117,318**	154,171	**750**	55,034
Payables for retention fee	**110,827**	99,401	**—**	—
Payables for acquisition of land use rights	**98,627**	143,434	**—**	—
Other taxes payable	**49,347**	19,496	**—**	—
	901,829	1,575,517	**47,615**	87,934

The ageing analysis of trade payables of the Group at the balance sheet date is as follows:

	31 December	
	2009 RMB'000	2008 RMB'000
Within 90 days	**80,063**	34,779
Over 90 days and within 180 days	**30,238**	72,247
Over 180 days and within 365 days	**76,880**	117,412
Over 365 days and within 3 years	**269,774**	268,498
	456,955	492,936

22. INCOME TAX PAYABLES – GROUP

The income tax payables are analysed as follows:

	31 December	
	2009	2008
	RMB'000	RMB'000
Income tax payables		
– PRC corporate income tax payable	**455,660**	147,877
– Withholding tax on the earnings to be distributed by PRC subsidiaries	**30,300**	—
– PRC land appreciation tax payable	**541,619**	223,707
	1,027,579	371,584

23. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Business taxes and other levies (note (a))	**215,063**	82,347
Staff costs (including directors' emoluments) (note 25)	**96,120**	112,679
Advertising costs	**36,789**	39,243
Depreciation	**7,205**	6,389
Amortisation of land use rights	**15,039**	5,735
Cost of properties sold (excluding staff costs)	**1,596,457**	767,116
Auditors' remuneration	**3,280**	493
Donations to governmental charity	**5,060**	5,658

(a) Business taxes

The group entities established in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Property management	5%

24. OTHER LOSSES – NET

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Foreign exchange losses	**1,108**	11,005
Losses from disposal of investment properties—net	**2,445**	26,781
	3,553	37,786

25. STAFF COSTS

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**77,449**	96,972
Pension costs—statutory pension (note 33)	**8,314**	8,896
Other staff welfare and benefits	**5,109**	6,811
Employees share option scheme	**5,248**	—
	96,120	112,679

26. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The directors' emoluments borne by the Group during the years are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**2,236**	2,664
Retirement scheme contributions	**26**	28
Fee	**416**	—
Employees share option scheme	**2,345**	—
	5,023	2,692

26. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' emoluments (continued)

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

	Salary RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Employees share option scheme RMB'000	Total RMB'000
Mr. Hoi	728	—	52	1,225	2,005
Mr. Hoi Wa Fong	468	—	52	385	905
Ms. Shih Sze Ni	234	—	52	210	496
Ms. Liu Xiao Lan	338	22	52	210	622
Mr. Xiao Qing Ping	468	4	52	315	839
Ms. Hoi Wa Fan	—	—	—	—	—
Mr. Ngai Wai Fung	—	—	52	—	52
Mr. Mei Jian Ping	—	—	52	—	52
Ms. Nie Mei Sheng	—	—	52	—	52
	2,236	26	416	2,345	5,023

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

	Salary RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Employees share option scheme RMB'000	Total RMB'000
Mr. Hoi	720	—	—	—	720
Mr. Hoi Wa Fong	480	—	—	—	480
Ms. Shih Sze Ni	264	—	—	—	264
Mr. Guo Jun	720	24	—	—	744
Mr. Xiao Qing Ping	480	4	—	—	484
	2,664	28	—	—	2,692

26. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from directors of the Company and entities ultimately controlled by the director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	31 December		Maximum amount outstanding for the year ended 31 December	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Mr. Hoi	**2,886**	—	**2,886**	—
Related entities ultimately controlled by Mr. Hoi (note 36(d))	**636,391**	536,924	**636,391**	536,924
	639,277	536,924	**639,277**	536,924

During the year ended 31 December 2009, none of the directors of the Company waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2009.

(c) Five highest paid individuals

During the year ended 31 December 2009, four of the five highest paid individuals are also directors of the Company (2008: five). The aggregate amounts of emoluments of the five highest paid individuals for the year are set out below:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Salaries and other benefits		
– Directors	**4,345**	2,664
– Other	**1,060**	—
	5,405	2,664
Retirement scheme contributions		
– Directors	**26**	28
– Other	**—**	—
	26	28
	5,431	2,692

(d) During the year ended 31 December 2009, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: nil).

27. FINANCE COSTS

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Interest expenses:		
– Bank borrowings wholly repayable within five years	**75,645**	68,827
– Convertible bonds and secured notes	**—**	211,724
– Secured bonds and secured notes (note 19)	**88,011**	52,350
Less: interest capitalised	**(159,669)**	(299,246)
	3,987	33,655
Net foreign exchange gains on financing activities	**(3,136)**	—
	851	33,655

28. INCOME TAX EXPENSES

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Current tax		
– PRC corporate income tax	**405,155**	135,121
– PRC land appreciation tax	**404,911**	3,945
– Withholding income tax for profit to be distributed from the group companies in the PRC	**30,300**	—
Deferred income tax		
– PRC corporate income tax	**601,799**	206,247
	1,442,165	345,313

28. INCOME TAX EXPENSES (continued)

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Operating profit before income tax	**4,483,235**	1,282,629
Calculated at applicable corporate income tax rate	**1,106,870**	327,975
Effect of expenses not deductible for income tax	**1,312**	14,379
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(101,228)**	(986)
	1,006,954	341,368
Withholding income tax for profit to be distributed from the group companies in the PRC	**30,300**	—
PRC land appreciation tax	**404,911**	3,945
	1,442,165	345,313

The weighted average applicable corporate income tax rate for the years ended 31 December 2009 is 25% (2008: 26%).

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the group entities located in Mainland China from 1 January 2008 is 25%. Under the new CIT Law, the corporate income tax rate applicable to certain of the group entities established and operated in Xiamen Special Economic Zone is gradually increased from 15% to 25% in a transitional period of five years starting from 1 January 2008.

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax.

28. INCOME TAX EXPENSES (continued)

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Certain group entities in Henan Province, Anhui Province and Jiangsu Province were subject to LAT which is calculated based on 0.5% to 3.5% of the sales of properties in accordance with the authorised taxation method.

29. RETAINED EARNINGS/(ACCUMULATED LOSSES) OF THE COMPANY

	Year ended 31 December	
	2009	2008
As at 1 January	**(25,166)**	53
Profit/(loss) for the year	**271,949**	(25,219)
As at 31 December	**246,783**	(25,166)
Representing		
– Proposed final dividend	**245,247**	–
– Others	**1,536**	(25,166)

30. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders and the weighted average shares in issue during the year.

	Year ended 31 December	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**3,042,669**	932,658
Weighted average number of ordinary shares in issue (thousand shares)	**3,239,159**	3,000,000
Basic earnings per share (RMB cents per share)	**93.93 cents**	31.09 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2009	2008
Earnings		
Profit attributable to equity holders of the Company (RMB'000)	**3,042,669**	932,658
Weighted average number of ordinary shares in issue (thousand shares)	**3,239,159**	3,000,000
Adjustments for:		
– Share options (thousand shares)	**496**	—
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**3,239,655**	3,000,000
Diluted earnings per share (RMB cents per share)	**93.92 cents**	31.09 cents

31. DIVIDEND

The directors recommend the payment of a final dividend of RMB6.00 cents per ordinary share, totaling RMB245,247,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 11 June 2010. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Proposed final dividend of RMB6.00 cents (2008: nil) per ordinary share	**245,247**	—

32. CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit before taxation	**4,483,235**	1,282,629
Adjustments for:		
Depreciation (note 6)	**7,205**	6,389
Costs of land use rights recognised in consolidated income statements	**332,708**	166,177
Losses from disposal of investment properties (note 24)	**2,445**	26,781
Employees share option scheme	**5,248**	—
Fair value gains on investment properties (note 8)	**(2,425,853)**	(856,040)
Fair value losses on embedded financial derivatives	**—**	14,834
Finance costs (note 27)	**851**	33,655
Foreign exchange losses arising from operating activities (note 24)	**1,108**	11,005
Changes in operating capital:		
– Properties under construction and completed properties held for sale	**463,916**	(640,300)
– Restricted cash	**(36,717)**	(7,218)
– Trade and other receivables and prepayments	**(308,905)**	1,563
– Financial assets at fair value through profit or loss	**(11,517)**	—
– Trade and other payables	**69,524**	200,876
– Advances from customers	**(1,036,177)**	195,320
Cash generated from operations	**1,547,071**	435,671

Significant non-cash transactions

Pursuant to the written resolutions of the shareholders of the Company passed on 16 September 2009, the Company issued and allotted 150,000,000 shares to Skylong Holdings Limited by way of capitalisation of the amounts due to Mr. Hoi of RMB1,000,000,000. Skylong Holdings Limited is wholly owned by Mr. Hoi.

33. PENSIONS – DEFINED CONTRIBUTION PLANS

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

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated income statement of the Group for the year, are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Gross scheme contributions	**8,314**	8,896

34. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2009	2008
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,065,978**	1,029,327

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

35. COMMITMENTS – GROUP

(a) Commitments for property development expenditures

	31 December	
	2009 RMB'000	2008 RMB'000
Contracted but not provided for		
– Property development activities	**999,922**	1,544,969
– Acquisition of land use rights	**139,356**	910,590
	1,139,278	2,455,559

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	31 December	
	2009 RMB'000	2008 RMB'000
Not later than one year	**4,838**	—
Later than one year and not later than two years	**7,016**	—
Later than two years and not later than three years	**6,681**	—
	18,535	—

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
The Controlling Shareholders, including Mr. Hoi, Ms. Wang Lai Jan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi and Mr. Hoi Wa Fong are also executive directors of the Company
Xiamen Powerlong Group 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi
Qingdao Kingcity Outlets Business Company Limited 青島康城奧特萊斯購物中心有限公司	Ultimately controlled by Mr. Hoi
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊發展有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Cannes Department Store Company Limited 福州康城百貨有限公司	Ultimately controlled by Mr. Hoi
Zhengzhou Powerlong Food & Beverage Company Limited 鄭州食全食美餐飲管理有限公司	Ultimately controlled by Mr. Hoi
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Ultimately controlled by Mr. Hoi

36. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

During the years ended 31 December 2009, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Rental income (note (i)):		
– Fuzhou Cannes Department Store Company Limited	**–**	9,541
– Fuzhou Powerlong Amusement Management Company Limited	**2,553**	4,146
– Qingdao Kingcity Outlets Business Company Limited	**4,974**	—
– Qingdao Powerlong Amusement Management Company Limited	**3,553**	—
– Zhengzhou Powerlong Food & Beverage Company Limited	**1,791**	—
– Other related entities ultimately controlled by Mr. Hoi	**509**	3,216
	13,380	16,903

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Property management fee income (note (i))		
– Related entities ultimately controlled by Mr. Hoi	**1,590**	914
Purchase of property and equipment from related parties (note (i))		
– Xiamen Powerlong Information Industry Co., Ltd.	**27**	135
– Fujian Ping An Security Devices and Network Limited.	**4,466**	23,083
	4,493	23,218
Hotel accommodation service fee charged by a related party (note (i))		
– Macau Powerlong Group	**3,441**	2,840
Office lease expense charged by a related party (note (i))		
– Xiamen Powerlong Information Industry Co., Ltd.	**1,485**	1,485

(i) The transactions were charged in accordance with the terms of the underlying agreements.

(ii) Related parties have provided corporate guarantees for the Group's bank borrowings of RMB710,000,000 (2008: RMB795,977,000) at 31 December 2009 (note 18).

(iii) As at 31 December 2009, the Group did not pledge any assets as guarantees for any of the borrowings of the related parties (2008: RMB90,000,000).

(iv) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

36. RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

Key management compensation for the year ended 31 December 2009 is set out below:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Key management compensation		
– Salaries and other employee benefits	**6,168**	2,664
– Pension costs	**205**	28
	6,373	2,692

(d) Balances with related parties

As at 31 December 2009, the Group had the following material balances with related parties:

	31 December	
	2009	2008
	RMB'000	RMB'000
Amounts due from related parties included in other receivables (note (i))		
– Mr. Hoi	**2,886**	—
– Related entities ultimately controlled by Mr. Hoi (note 26(b))	**20,958**	236,924
– Xiamen Powerlong Group	**15,414**	210,180
– Fuzhou Cannes Department Store Company Limited	**—**	20,616
– Fuzhou Powerlong Amusement Management Company Limited	**4,001**	3,996
– Other related entities ultimately controlled by Mr. Hoi	**1,543**	2,132
	23,844	236,924
Amounts due from related parties included in trade receivables (note (ii))		
– Fuzhou Powerlong Amusement Management Company Limited	**2,553**	—
– Zhengzhou Powerlong Food & Beverage Company Limited	**1,791**	—
– Qingdao Kingcity Outlets Business Company Limited	**4,974**	—
– Qingdao Powerlong Amusement Management Company Limited	**3,506**	—
– Other related entities ultimately controlled by Mr. Hoi	**2,609**	—
	15,433	—

36. RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	31 December	
	2009 **RMB'000**	2008 RMB'000
Prepayments for acquisition of properties (note (iii))		
– Xiamen Powerlong Group	**600,000**	300,000
Amounts due to related parties included in other payables (note (i)):		
– Mr. Hoi	**32,900**	666,015
– Other related entities ultimately controlled by Mr. Hoi	**–**	64
	32,900	666,079

(i) Amounts due from/to related parties included in other receivables are unsecured, interest-free and repayable on demand, which are cash advances in nature.

(ii) Amounts due from related parties included in trade receivables are mainly derived from rental income, which are unsecured, interest-free and to be settled according to contract terms.

(iii) On 5 December 2008, the Group entered into an agreement with Xiamen Powerlong Group to acquire certain properties in Mingfa Centre (the "Mingfa Properties") from Xiamen Powerlong Group at a consideration of RMB600,000,000. The Group has prepaid considerations of RMB300,000,000 in the year ended 31 December 2008 and 2009, respectively. Owing to a delay in the delivery of the properties by the co-development partner to the Xiamen Powerlong Group, completion of the acquisition is expected to be delayed. The Company and the Xiamen Powerlong Group have agreed to postpone the date for completion of the acquisition to 30 June 2010. Pursuant to the agreement, the Group is entitled to the rental income derived from the Mingfa Properties during the period from date of entering into the agreement to the date of transfer of properties ownership certificate. The rental income for the year ended 31 December 2009 of RMB16,846,000 has been recognised in the consolidated income statement.

Four-year Financial Summary

CONSOLIDATED BALANCE SHEETS

	31 December 2009 RMB'000	31 December 2008 RMB'000	31 December 2007 RMB'000	31 December 2006 RMB'000
ASSETS				
Non-current assets				
Property and equipment	**323,917**	226,149	125,810	24,060
Land use rights	**61,343**	38,490	38,857	39,916
Investment properties	**6,507,786**	3,391,894	2,704,424	1,246,237
Deferred income tax assets	**30,596**	38,408	40,502	23,136
	6,923,642	3,694,941	2,909,593	1,333,349
Current assets				
Land use rights	**1,616,364**	1,116,746	674,327	688,102
Properties under development	**1,210,068**	1,577,230	829,991	243,224
Completed properties held for sale	**478,410**	417,474	19,419	149,923
Trade and other receivables and prepayments	**1,788,562**	1,408,101	570,695	893,372
Prepaid taxes	**11,639**	120,109	79,527	30,237
Financial assets at fair value through profit or loss	**11,517**	—	—	—
Restricted cash	**719,891**	31,112	27,353	5,355
Cash and cash equivalents	**1,764,225**	205,302	1,162,566	48,528
	7,600,676	4,876,074	3,363,878	2,058,741
Total assets	**14,524,318**	8,571,015	6,273,471	3,392,090

Four-year Financial Summary

CONSOLIDATED BALANCE SHEETS (continued)

	31 December 2009 RMB'000	31 December 2008 RMB'000	31 December 2007 RMB'000	31 December 2006 RMB'000
OWNERS' EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital and premium	**3,172,401**	26,659	1	—
Reserves	**347,231**	341,983	341,983	582,258
Retained earnings				
— Proposed final dividend	**245,247**	—	—	—
— Others	**4,437,751**	1,640,329	707,671	137,230
	8,202,630	2,008,971	1,049,655	719,488
Minority interests	**26,927**	34,501	35,645	24,811
Total equity	**8,229,557**	2,043,472	1,085,300	744,299
LIABILITIES				
Non-current liabilities				
Borrowings	**1,026,201**	547,276	717,845	99,000
Deferred income tax liabilities	**961,679**	367,692	163,539	39,970
	1,987,880	914,968	881,384	138,970
Current liabilities				
Borrowings	**1,145,715**	563,727	42,440	30,000
Convertible Bonds and Secured Notes	**—**	—	784,424	—
Embedded financial derivatives	**—**	—	156,082	—
Secured bonds and secured notes	**—**	833,812	—	—
Trade and other payables	**901,829**	1,575,517	924,769	1,327,789
Advances from customers	**1,231,758**	2,267,935	2,072,615	1,086,071
Income tax payables	**1,027,579**	371,584	326,457	64,961
	4,306,881	5,612,575	4,306,787	2,508,821
Total liabilities	**6,294,761**	6,527,543	5,188,171	2,647,791
Total equity and liabilities	**14,524,318**	8,571,015	6,273,471	3,392,090
Net current assets/(liabilities)	**3,293,795**	(736,501)	(942,909)	(450,080)
Total assets less current liabilities	**10,217,437**	2,958,440	1,966,684	883,269

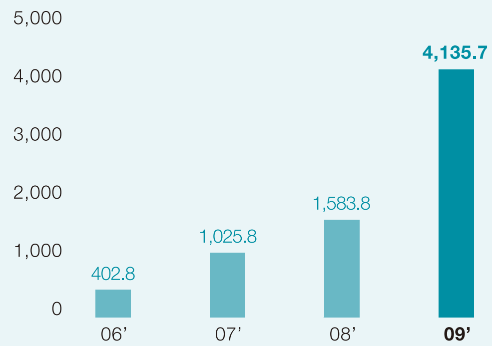
Four-year Financial Summary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

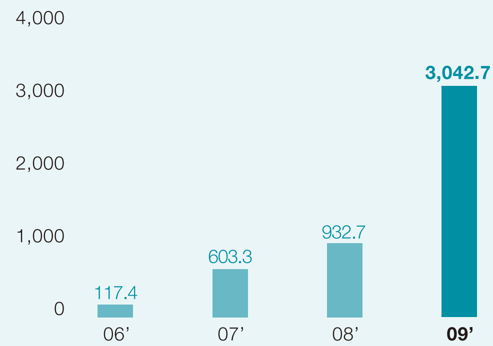
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Revenue	4,135,739	1,583,766	1,025,837	402,756
Cost of sales	(1,829,484)	(869,057)	(412,898)	(196,428)
Gross profit	2,306,255	714,709	612,939	206,328
Fair value gains on investment properties	2,425,853	856,040	533,035	121,121
Selling and marketing costs	(66,218)	(60,927)	(57,944)	(21,704)
Administrative expenses	(178,251)	(140,918)	(50,846)	(52,963)
Other losses – net	(3,553)	(37,786)	(5,660)	—
Operating profit	4,484,086	1,331,118	1,031,524	252,782
Fair value losses on embedded financial derivatives	—	(14,834)	—	—
Finance costs	(851)	(33,655)	(3,401)	—
Profit before income tax	4,483,235	1,282,629	1,028,123	252,782
Income tax expenses	(1,442,165)	(345,313)	(421,382)	(129,741)
Profit for the year	3,041,070	937,316	606,741	123,041
Other comprehensive income	—	—	—	—
Total comprehensive income for the year	3,041,070	937,316	606,741	123,041
Attributable to:				
Equity holders of the Company	3,042,669	932,658	603,341	117,358
Minority interests	(1,599)	4,658	3,400	5,683
	3,041,070	937,316	606,741	123,041
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB cents per share)				
– Basic	93.93 cents	31.09 cents	Not applicable	Not applicable
– Diluted	93.92 cents	31.09 cents	Not applicable	Not applicable
	RMB'000	RMB'000	RMB'000	RMB'000
Dividend	245,247	—	32,900	—

Four-year Financial Summary

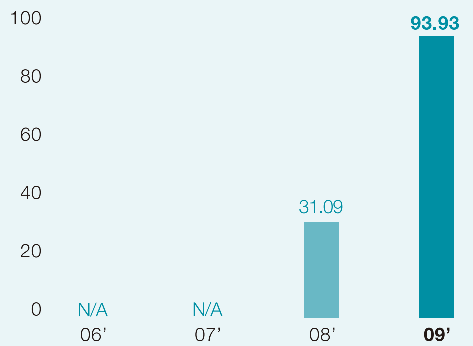
Turnover
(RMB million)



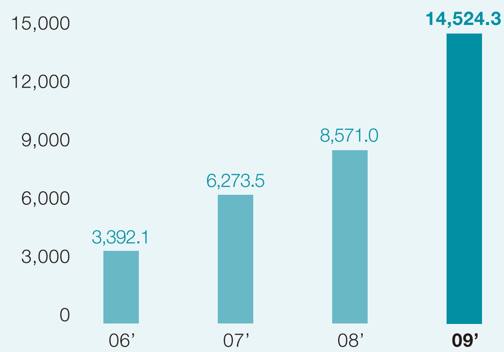
Profit attributable to equity holders of the Company
(RMB million)



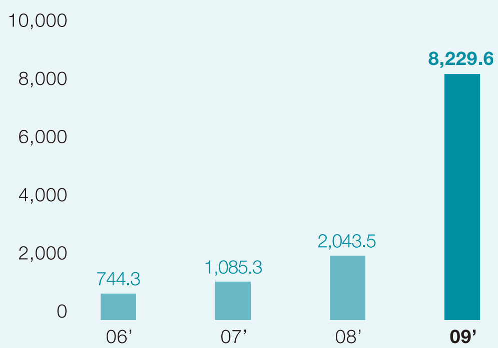
Basic earnings per share
(RMB cents per share)



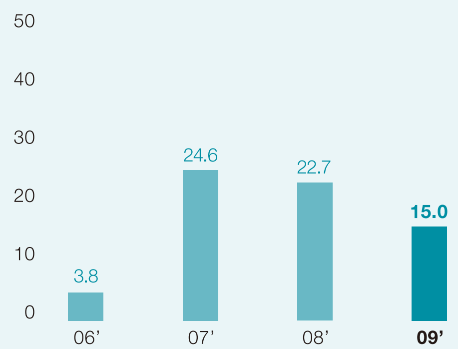
Total Assets
(RMB million)



Total Equity
(RMB million)



Gearing ratio
(%)



POWERLONG
宝龙

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