Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. General

The Company was incorporated on 6 March 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since 9 October 2007. The Company's immediate and ultimate holding company is Ace Rise Profits Limited, incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Nanguo Aoyuan, Hanxi Road, Zhong Cun Town, Panyu, the People's Republic of China (the "PRC"), respectively.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 41.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC-Int 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC-Int 13	Customer Loyalty Programmes
IFRIC-Int 15	Agreements for the Construction of Real Estate
IFRIC-Int 16	Hedges of a Net Investment in a Foreign Operation
IFRIC-Int 18	Transfer of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS") *(continued)*

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Amendments to IAS 40 Investment Property

As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). In the past, the leasehold land and building elements of investment properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses, if any. The Group has used the fair value model to account for its investment properties.

The change has been applied prospectively by the Group and the jointly controlled entity from 1 January 2009 in accordance with the relevant transitional provisions, resulting in a recognition of gain in fair value of investment properties under construction as included in share of results of jointly controlled entities of approximately RMB115,979,000 attributable to the Group's interests in the entities and gain in fair value of the Group's investment properties under construction of approximately RMB10,101,000 and related deferred tax expenses of approximately RMB2,525,000. At 31 December 2009, the impact has been to increase the Group's investment property by approximately RMB10,101,000, to increase deferred tax liabilities by approximately RMB2,525,000 and to increase profit for the year and retained earnings by approximately RMB123,555,000. The impact on basic and diluted earning per share for the year ended 31 December 2009 is to increase by RMB5.11 cent and RMB4.89 cent, respectively.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendments)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendments)	Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS") *(continued)*

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures) *(continued)*

[1] *Effective for annual periods beginning on or after 1 July 2009*
[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate*
[3] *Effective for annual periods beginning on or after 1 January 2010*
[4] *Effective for annual periods beginning on or after 1 February 2010*
[5] *Effective for annual periods ending on or after 1 July 2010*
[6] *Effective for annual periods beginning on or after 1 January 2011*
[7] *Effective for annual periods beginning on or after 1 January 2013*

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in parent ownership interest in a subsidiary.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments which are measured at fair value, and in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from to the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority shareholders in excess of the minority interests' share in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interests of minority shareholders in the acquiree are initially measured at the minority shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

3. Significant Accounting Policies *(continued)*

Acquisition of additional interest in subsidiaries

On acquisition of additional interests in subsidiaries, the excess of the cost of the acquisition over the fair values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to goodwill, while discount arising on the excess of the fair values of the underlying assets and liabilities attributable to the additional interests in the subsidiaries over the cost of the acquisition is credited to profit or loss for the period.

The difference between the cost of the acquisition and the goodwill/discount on acquisition and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to special reserve. On subsequent disposal of the subsidiary, the attributable special reserve is realised in the profit or loss in the period in which the subsidiary is disposed of.

Property, plant and equipment

Property, plant and equipment, including buildings for administrative purpose, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into accounts of their residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is transferred to an investment property because its use has changed as evidenced by end of owner-occupation. Any excess of fair value over the carrying amount of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties and/or land held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Starting from 1 January 2009, investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

3. Significant Accounting Policies *(continued)*

Investment properties *(continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which the ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties for sales

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Where property for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in profit or loss for the period. For a property for sale transferred to property, plant and equipment as evidenced by commencement of owner-occupation, the carrying amount of that item is transferred to property, plant and equipment at the date of transfer.

3. Significant Accounting Policies *(continued)*

Other property interests

Other property interests are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into (i) available-for-sales ("AFS") financial assets and (ii) loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as loans and receivables.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from jointly controlled entities, amount due from venturer of a jointly controlled entity, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Debt and equity instruments issued by the group entity are classified as either financial liabilities or as equity in according with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including secured bank loans, trade and other payables and amount due to a minority shareholder) are subsequently measured at amortised cost using the effective interest method.

Convertible notes

Conversion option embedded in convertible notes that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. Such convertible notes issued by the Group containing liability component and conversion option, issuer redemption option (collectively the "embedded derivatives component") are classified separately into respective items on initial recognition. At the date of issue, both the liability and embedded derivatives component are recognised at the fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The embedded derivatives component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and embedded derivatives component in proportion to their relative fair values. Transaction costs relating to the embedded derivatives component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period.

Embedded derivative

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss ("FVTPL").

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group not designated at FVTPL is recognised initially at fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of the reporting period, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

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 possession of the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as sales deposits from customers under current liabilities.

Sales returns of properties sold are recorded as reduction of revenue in the period in which the properties are returned.

Property rentals

Rentals receivable under operating leases are recognised and credited to the consolidated statement of comprehensive income on a straight-line basis over the relevant lease term.

Consulting income

Consulting income is recognised when services are rendered.

3. Significant Accounting Policies *(continued)*

Revenue recognition *(Continued)*

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model.

Sale and leaseback

A sale and leaseback transaction involves the sale of properties and the leasing back of the same assets.

When a sale and leaseback transaction results in an operating lease and is established at fair value, any profit or loss is recognised immediately. When the sale price of properties is below fair value, any profit or loss is recognised immediately except that, when the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the properties are expected to be leased. When the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the properties is expected to be leased.

3. Significant Accounting Policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes profit or loss items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. Key Sources of Estimation Uncertainty

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

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount of approximately RMB6,123,183,000 (2008: RMB4,530,096,000). Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale and completed properties for sale.

4. Key Sources of Estimation Uncertainty *(continued)*

Convertible notes

As described in note 27, the Group's convertible notes contain embedded derivatives with carrying amount of RMB5,968,000 (2008: RMB3,906,000) that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these embedded derivatives. Assumptions are made based on market yields of comparable corporate bonds and return volatility of comparable companies adjusted for specific features of the embedded derivatives. Details of the assumptions used are disclosed in note 27.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. Revenue

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief executive officer (the chief operating decision maker) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss and segment assets and liabilities.

During the year, the Group is principally engaged in the property development and property investment in the PRC. Information reported to the Group's management for the purposes of resource allocation and assessment of performance focuses on the type of operation. The Group's reportable segments under IFRS 8 are as follows:

Property development — developing and selling of properties in the PRC

Property investment — leasing of investment properties in the PRC

Others — provisions of consulting services and management operation

5. Revenue *(continued)*

The following is an analysis of the Group's revenue and results by reportable segments.

	Year ended 31 December 2009			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue	2,348,145	15,086	1,236	2,364,467
Segment results	348,190	(11,423)	(1,443)	335,324
Other income				66,542
Unallocated corporate expenses				(71,253)
Change in fair value of embedded derivatives component of convertible notes				(2,062)
Share of result of a jointly controlled entity				101,344
Profit before taxation				429,895

	Year ended 31 December 2008			
	Property development RMB'000 *(Note)*	Property investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue	609,015	9,525	1,401	619,941
Segment results	(79,916)	(25,758)	219	(105,455)
Other income				44,234
Unallocated corporate expenses				(115,785)
Change in fair value of embedded derivatives component of convertible notes				76,145
Finance costs				(5,219)
Gain on disposal of subsidiaries				16,713
Share of result of a jointly controlled entity				45
Loss before taxation				(89,322)

5. Revenue *(continued)*

Note: During the year ended 31 December 2008, two customers settled the outstanding portion of the consideration amounting to approximately RMB338,325,000 for properties they purchased in 2007 by returning to the Group certain properties previously sold to them in 2007.

In addition, the Group purchased certain other properties previously sold to these two customers at a consideration of approximately RMB197,028,000 so as to integrate them with the properties returned by the two customers for further enhancement and selling. The settlement and purchase of properties are recognised as sales returns such that the relevant revenue amounting to approximately RMB597,951,000 (net of business tax) and relevant cost of properties sold amounting to approximately RMB262,346,000 previously recognised in 2007 are now recognised as deductions from revenue and cost of properties sold during the year ended 31 December 2008. Prior to the sales returns, the Group received certain amount of cash from these two customers for settlement of sales consideration. Accordingly, the Group recognised revenue of approximately RMB92,738,000 (net of business tax) to the extent cash is received and retained.

During the year ended 31 December 2008, revenue and segment results attributed to the property development segment amounting to approximately RMB147,572,000 (net of business tax) and RMB86,635,000, respectively, were derived from corporate bulk sales.

During the year ended 31 December 2009, the Group continues to enhance the properties returned by the two customers and plans to complete the enhancement in year 2010.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including directors' salaries, head office operating expenses, bank interest and other interest income, change in fair value of embedded derivatives component of convertible notes, financial costs, gain on disposal of subsidiaries and share of result of a jointly controlled entity. This is the measure reported to Group's chief executive officer for the purposes of resource allocation and performance assessment.

5. Revenue *(continued)*

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

	2009 RMB'000	2008 RMB'000
Property development	6,893,618	5,768,398
Property investment	797,278	451,034
Other	363	398
Total segment assets	7,691,259	6,219,830
Interests in jointly controlled entities	466,831	326,804
Unallocated assets:		
Amount due from a venturer of a jointly controlled entity	140,488	—
Available-for-sale investments	296,000	—
Amounts due from jointly controlled entities	850,024	60,850
Restricted bank deposits	745,419	135,732
Other property interests	86,952	86,952
Deferred taxation assets	27,636	8,369
Income tax recoverable	5,190	—
Bank balances and cash	1,283,930	1,345,861
Unallocated assets	131,612	164,012
Consolidated assets	11,725,341	8,348,410

Segment liabilities

	2009 RMB'000	2008 RMB'000
Property development	2,285,477	1,190,318
Property investment	9,685	476
Other	736	2,556
Total segment liabilities	2,295,898	1,193,350
Unallocated liabilities:		
Secured bank loans	2,586,365	1,214,687
Derivative financial instruments	5,968	3,906
Taxation payable	681,358	653,255
Deferred taxation liabilities	74,589	63,053
Convertible notes	325,850	304,133
Unallocated liabilities	2,353	26,641
Consolidated liabilities	5,972,381	3,459,025

Note: At 31 December 2009, segment assets amounting to approximately RMB61,110,000 (principal amount is RMB62,464,000) (2008: RMB73,290,000 (principal amount was RMB78,080,000)) were related to corporate bulk sales recognised during the year ended 31 December 2008. Detail are set out in note 23.

5. Revenue *(continued)*

Segment liabilities *(continued)*

For the purposes monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in jointly controlled entities, available-for-sale investments, amount due from a venturer of a jointly controlled entity, amount due from jointly controlled entities, other property interests, deferred taxation assets, income tax recoverable, restricted bank deposits, bank balances and cash and other assets not attributable to respective segment.

- all liabilities are allocated to reportable segments other than taxation payable, derivative financial instruments, secured bank loans, deferred taxation liabilities, convertible notes and other liabilities not attributable to respective segment.

Other information

	Year ended 31 December 2009				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition of property plant and equipment	3,378	—	64	3,336	6,778
Addition of investment properties *(note)*	—	403,899	—	—	403,899
Depreciation of property, plant and equipment	3,922	23	98	6,767	10,810
Amortisation of prepaid lease payments	—	6,275	—	—	6,275
Loss (gain) on disposal of property, plant and equipment	91	—	(33)	226	284
Recognition of increase in fair value of completed properties upon transfer to investment properties	53,817	—	—	—	53,817
Decrease in fair value of investment properties	—	19,557	—	—	19,557

Note: The addition includes transfer from properties for sales amounting to approximately RMB68,400,000, details of which have been disclosed in notes 15 and 22.

5. Revenue *(continued)*

Other information *(continued)*

	Year ended 31 December 2008				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition of property, plant and equipment	7,112	—	—	100,384	107,496
Addition of investment properties *(note)*	—	120,698	—	—	120,698
Depreciation of property, plant and equipment	5,735	17	93	5,433	11,278
Amortisation of prepaid lease payments	—	6,275	—	—	6,275
Loss on disposal of property, plant and equipment	360	—	—	—	360
Recognition of increase in fair value of completed properties upon transfer to investment properties	88,437	—	—	—	88,437
Decrease in fair value of investment properties	—	34,558	—	—	34,558

Note: The addition includes transfer from properties for sales amounting to approximately RMB109,568,000 and property, plant and equipment amounting to approximately RMB11,130,000, respectively, details of which have been disclosed in notes 15 and 22.

Information about major customers

During the year ended 31 December 2008, revenue from a customer contributing over 10% of the total sales of the Group amounted to approximately RMB151,370,000. There is no individual customer who contributed over 10% of the total sales of the Group during the year ended 31 December 2009.

6. Other Income

	2009 RMB'000	2008 RMB'000
Other income comprises of:		
Bank interest income	9,091	15,843
Imputed interest income on trade receivables	3,437	35,663
Interest income from a jointly controlled entity	13,797	—
Interest income from venturer of a jointly controlled entity	10,488	—
Reversal of accruals	30,241	25,271
Others	2,925	3,120
	69,979	79,897

7. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest on bank loans wholly repayable within five years	94,501	81,403
Interest on convertible notes	44,196	42,662
	138,697	124,065
Less: Amount capitalised in properties under development for sales	(138,697)	(118,846)
	—	5,219

Interest capitalised arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately of 6.9% (2008: 8.4%) to expenditure on the qualifying assets.

8. Profit (Loss) Before Taxation

	2009 RMB'000	2008 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs including directors' emoluments	69,788	84,950
Retirement benefit scheme contributions	2,048	932
Total staff costs	71,836	85,882
Less: Amount capitalised to properties under development for sales	(9,425)	(12,861)
	62,411	73,021
Amortisation of prepaid lease payments	6,275	6,275
Auditor's remuneration	2,500	2,700
Depreciation of property, plant and equipment	10,810	11,278
Loss on disposal of property, plant and equipment	284	360
Net foreign exchange loss	5,499	40,329
Rental expenses in respect of rented premises under operating leases	10,313	14,776
Rental income in respect of investment properties under operating leases, less direct operating expenses from investment properties that generated rental income during the year of approximately RMB677,000 (2008: RMB725,000)	(14,409)	(8,800)

Note: As disclosed in note 5, two customers settled the remaining consideration payable to the Group of approximately RMB338,325,000 during the year ended 31 December 2008 by returning to the Group certain properties sold to them in 2007.

9. Income Tax Expense (Credit)

	2009 RMB'000	2008 RMB'000
Income tax expense (credit) recognised comprises of:		
Enterprise Income Tax in the PRC	112,639	181,319
Deferred taxation *(note 29)*	(8,957)	(165,550)
Land appreciation tax:		
— current year	28,347	—
— overprovision in prior year *(note)*	(28,431)	(47,626)
Income tax expense (credit) for the year	103,598	(31,857)

Note: Land appreciation tax is calculated on a progressive rate basis where higher rate is applicable for land with higher appreciation. The overprovision of land appreciation tax during the years ended 31 December 2009 and 2008 arose as a result of decrease in the applicable land appreciation tax rates for the projects as a whole calculated on an cumulative land appreciation basis.

The Group's PRC Enterprise Income Tax is calculated at 25% (2008: 25%) of the estimated assessable profit for the year. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

9. Income Tax Expense (Credit) *(continued)*

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. According to the New Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits earned in year ended 31 December 2008 onwards to foreign investors for the companies established in the PRC. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB392,446,000 (2008: RMB156,893,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Group has provided deferred taxation amounting to approximately RMB2,500,000 related to the undistributed profit of PRC subsidiaries based on the Group's dividend plan.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2009. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year ended 31 December 2008.

The income tax expense (credit) for the year can be reconciled to the profit (loss) before taxation per consolidated statement of comprehensive income as follows:

	2009 **RMB'000**	2008 RMB'000
Profit (loss) before taxation	**429,895**	(89,322)
Tax charge (credit) at PRC Enterprise Income Tax rate of 25%	**107,474**	(22,330)
Tax effect of share of result of a jointly controlled entity	**(25,336)**	(11)
Tax effect of expenses not deductible in determining taxable profit	**30,484**	52,211
Tax effect of income that are not taxable in determining taxable profit	**—**	(27,180)
Tax effect of tax losses not recognised	**611**	582
Land appreciation tax	**(84)**	(47,626)
Tax effect of utilisation of tax losses previously not recognised	**(8,947)**	—
Effect of differential tax rate of subsidiaries operating in other jurisdiction	**(2,302)**	—
Tax effect of land appreciation tax	**21**	11,907
Withholding tax on undistributed profit of PRC subsidiaries	**2,500**	—
Others	**(823)**	590
Tax (expenses) credit for the year	**103,598**	(31,857)

10. Directors' and Employees' Remuneration

Directors' emoluments

	2009 RMB'000	2008 RMB'000
Fees	—	—
Salaries and allowances	19,708	11,153
Share-based payments	522	13,644
	20,230	24,797

	Salaries and allowances RMB'000	Share based payments RMB'000	Total RMB'000
Year ended 31 December 2009			
Executive director:			
Guo Zi Wen (郭梓文)	2,645	—	2,645
Guo Zi Ning (郭梓寧)	2,430	—	2,430
Zheng Jian Jun (鄭健軍) *(note a)*	1,736	—	1,736
Hu Da Wei (胡大為)	2,113	—	2,113
Wu Jie Si (武捷思)	5,285	—	5,285
Lam Kam Tong (林錦堂) *(note b)*	2,642	—	2,642
Xin Zhu (辛珠) *(note b)*	2,098	—	2,098
Non-executive director:			
Leung Ping Chung, Hermann (梁秉聰)	53	—	53
Paul S. Wolansky	53	—	53
He Jian Bing (何建兵) *(note a)*	90	—	90
Independent non-executive director:			
Song Xian Zhong (宋獻中)	159	174	333
Ma Kwai Yuen (馬桂園)	224	174	398
Tsui King Fai (徐景輝)	180	174	354
	19,708	522	20,230

10. Directors' and Employees' Remuneration *(continued)*

Directors' emoluments *(continued)*

	Salaries and allowances RMB'000	Share based payments RMB'000	Total RMB'000
Year ended 31 December 2008			
Executive director:			
Guo Zi Wen (郭梓文)	2,316	—	2,316
Guo Zi Ning (郭梓寧)	2,110	3,528	5,638
Zheng Jian Jun (鄭健軍)	1,662	452	2,114
Hu Da Wei (胡大為)	1,981	—	1,981
Wu Jie Si (武捷思)	2,420	5,821	8,241
Non-executive director:			
Leung Ping Chung, Hermann (梁秉聰)	53	3,528	3,581
Paul S. Wolansky	53	—	53
He Jian Bing (何建兵)	73	—	73
Independent non-executive director:			
Song Xian Zhong (宋獻中)	93	105	198
Ma Kwai Yuen (馬桂園)	218	105	323
Tsui King Fai (徐景輝)	174	105	279
	11,153	13,644	24,797

Notes:

(a) Director resigned during the reporting period

(b) Directors appointed during the reporting period

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group included 5 (2008: 4) executive directors whose emoluments are set out above. The emoluments of the remaining one highest paid individual for the year ended 31 December 2008 are as follows:

	2009 RMB'000	2008 RMB'000
Salaries and allowances	–	2,224

During the year ended 31 December 2009 and 2008, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration for the year ended 31 December 2009 and 2008.

11. Dividend

	2009 RMB'000	2008 RMB'000
Dividend recognised as distribution during the year:		
Final dividend for 2007 of RMB5.5 cent per share	–	123,888

12. Earnings (Loss) Per Share

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

Earnings (loss)

	2009 RMB'000	2008 RMB'000
Earning (loss) for the purpose of basic earnings (loss) per share, being profit (loss) for the year attributable to owners of the Company	320,133	(57,153)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes charged to consolidated statement of comprehensive income	–	5,219
Change in fair value of embedded derivatives component of convertible notes	2,062	(76,145)
Exchange difference	(2,204)	(18,855)
Earnings (loss) for the purpose of diluted earnings per share	319,991	(146,934)

Number of shares

	2009 '000	2008 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,419,671	2,252,000
Effect of dilutive potential ordinary shares:		
— Convertible notes	102,933	89,423
— Share options	5,248	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	2,527,852	2,341,423

Note: The computation of diluted earnings per share for the year ended 31 December 2009 has not accounted for the effect of certain share options granted because the exercise price of those options was higher than the average market price of the Company's shares.

The computation of diluted loss per share for the year ended 31 December 2008 has not accounted for i) the effect of certain share options granted because the exercise price of those options was higher than the average market price of the Company's shares and ii) the exercise arising from the remaining share options, where the exercise price of those options was lower than the average market price of the Company's shares, as their exercise would result in a decrease in loss per share.

13. Property, Plant and Equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST					
At 1 January 2008	47,413	17,797	25,437	8,951	99,598
Disposal of subsidiaries *(note 33)*	—	(54)	—	—	(54)
Transfer to investment properties	(12,744)	—	—	—	(12,744)
Additions	91,025	7,285	5,097	4,089	107,496
Disposals	—	(661)	(1,129)	(3,883)	(5,673)
At 31 December 2008	125,694	24,367	29,405	9,157	188,623
Acquisition of subsidiaries *(note 32)*	—	207	441	—	648
Additions	—	2,695	2,138	1,945	6,778
Disposals	—	(203)	(6,535)	—	(6,738)
At 31 December 2009	125,694	27,066	25,449	11,102	189,311
DEPRECIATION					
At 1 January 2008	1,841	11,729	17,796	4,263	35,629
Disposal of subsidiaries *(note 33)*	—	(3)	—	—	(3)
Eliminated upon transfer to investment properties	(1,614)	—	—	—	(1,614)
Provided for the year	2,935	3,953	3,119	1,271	11,278
Disposals	—	(510)	(920)	(3,883)	(5,313)
At 31 December 2008	3,162	15,169	19,995	1,651	39,977
Provided for the year	3,347	3,798	2,279	1,386	10,810
Disposals	—	(95)	(5,827)	—	(5,922)
At 31 December 2009	6,509	18,872	16,447	3,037	44,865
CARRYING VALUES					
At 31 December 2009	119,185	8,194	9,002	8,065	144,446
At 31 December 2008	122,532	9,198	9,410	7,506	148,646

The following useful lives are used in the calculation of depreciation:

Buildings	20 years
Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	3 to 5 years

During the year ended 31 December 2008, buildings of approximately RMB11,130,000 were transferred to investment properties as a result of the change in use of property. No such transfer was made during the year ended 31 December 2009.

At 31 December 2009, buildings of approximately RMB88,840,000 (2008: Nil) were pledged for certain banking facilities granted to the Group.

14. Prepaid Lease Payments

The carrying amount of prepaid lease payments represents land use rights held under medium-term lease in the PRC and prepayment for sale and leaseback transaction, and is analysed as follows:

	2009 RMB'000	2008 RMB'000
Current asset	6,275	6,275
Non-current asset	12,377	18,652
	18,652	24,927

15. Investment Properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At 1 January 2008	353,750	—	353,750
Transfer from properties for sales	109,568	—	109,568
Transfer from property, plant and equipment	11,130	—	11,130
Net change in fair value recognised in the consolidated statement of comprehensive income	(34,558)	—	(34,558)
At 31 December 2008	439,890	—	439,890
Transfer from properties for sales	68,400	—	68,400
Acquisition of a subsidiary *(note 32)*	—	323,590	323,590
Construction cost incurred for investment properties under construction	—	11,909	11,909
Disposal	(33,154)	—	(33,154)
Net change in fair value recognised in the consolidated statement of comprehensive income	(29,658)	10,101	(19,557)
At 31 December 2009	445,478	345,600	791,078

The fair values of the Group's investment properties at the date of transfer and at the end of the reporting period have been arrived at on the basis of a valuation carried out by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at on the basis of capitalisation of the net income receivable amounting to approximately RMB135,078,000 (2008: RMB245,060,000) and by reference to market evidence of recent transaction prices for similar properties amounting to approximately RMB656,000,000 (2008: RMB194,830,000).

At 31 December 2009, investment properties of RMB45,000,000 (2008: Nil) were pledged to secure certain banking facilities granted to the Group.

15. Investment Properties *(continued)*

The carrying value of investment properties shown above comprises:

	2009 RMB'000	2008 RMB'000
Properties situated on land with land use rights held under long lease in the PRC	**791,078**	439,890

16. Goodwill

	RMB'000
COST	
At 1 January 2008, 31 December 2008 and 31 December 2009	8,237
IMPAIRMENT	
At 1 January 2008, 31 December 2008 and 31 December 2009	8,237
CARRYING VALUES	
At 31 December 2009 and 2008	—

During the year ended 31 December 2006, the Group acquired additional interest from minority shareholders of certain subsidiaries resulting in a goodwill amounting to RMB8,237,000. These companies were inactive and the Group acquired the additional interests solely for the purpose of rationalisation of the organisation structure. The management assessed the future profitability of these companies and a full impairment loss was therefore recognised in the year ended 31 December 2006.

17. Interest in Jointly Controlled Entities

	2009 RMB'000	2008 RMB'000
Cost of investment, unlisted	**376,519**	344,298
Share of post-acquisition results	**99,874**	45
Unrealised profits	**(9,562)**	(17,539)
	466,831	326,804

17. Interest in Jointly Controlled Entities *(continued)*

As at 31 December 2009, the Group had interest in the following jointly controlled entities:

Name of entity	Place of incorporation	Proportion of issued share capital held by the Group	Principal activities
Century Profit Zone Investments Limited	Hong Kong	41.33%	Investment holding
Beijing Yaohui Real Estate Company Limited ("Yaohui")	PRC	40.02%	Property development and investment

As at 31 December 2008, the Group had interest in the following jointly controlled entity:

Name of entity	Place of establishment	Proportion of registered capital held by the Group	Principal activities
Head Win Limited	BVI	50%	Investment holding of a subsidiary engaged in property development

During the year ended 31 December 2009, the Group entered into a sale and purchase agreement with Hong Da Development & Investment Holding Co. Limited (泓達投資有限公司) ("Hong Da") for the acquisition of 41.33% issued share capital of Century Profit Zone Investments Limited ("Century Profit") at a consideration of RMB370,000,000 plus related cost of acquisition of approximately RMB6,519,000 and the acquisition was completed in July 2009. Century Profit has 96.8% equity interest in Yaohui.

Pursuant to certain terms and conditions of the shareholders agreement signed between Hong Da and the Group, the financial and operating policies of Century Profit require unanimous approval of the two shareholders, Century Profit was therefore accounted for as a jointly controlled entity.

On 9 October 2009, the Group entered into a sale and purchase agreement with MGP Lotus (BVI) Limited ("MGP"), pursuant to which the Group agreed to purchase all the MGP's interest of the Group's jointly controlled entity, Head Win Limited, at a consideration of US$5,001 (approximately RMB34,000) and the payment of shareholder loan due to MGP at a consideration of approximately HK$292,909,000 (equivalent to approximately RMB257,760,000). The acquisition was completed in October 2009 and the Group has equity accounted for the result of Head Win Limited up to date when it became a subsidiary of the Group. The acquisition of Head Win Limited is accounted for as acquisition of assets and liabilities because Head Win Limited holds subsidiaries in which the major assets are properties under development, details of the acquisition of additional interests in Head Win Limited are set out in note 32.

As at 31 December 2009, an impairment assessment was performed on the interest in jointly controlled entities with reference to the underlying assets held by the jointly controlled entities and no impairment is considered necessary.

17. Interest in Jointly Controlled Entities *(continued)*

The summarised financial information in respect of the Group's interest in jointly controlled entities which is accounted for using the equity method is set out below:

	2009 RMB'000	2008 RMB'000
Current assets	1,287,674	11,672
Non-current assets	337,012	340,832
Current liabilities	(1,086,842)	(32,307)
Non-current liabilities	(61,451)	—
Income	115,979	45
Expense	14,635	—
Result of the year	14,635	—

18. Amount Due from a Venturer of a Jointly Controlled Entity

The amount due from a venturer of a jointly controlled entity includes loan advanced and related accrued interest.

In July 2009, the Group entered into a loan agreement with the venturer of a jointly controlled entity, Hong Da, and granted a loan of RMB130,000,000 to Hong Da which is repayable within two years or the date on which Century Profit holds less than 62% interest in Yaohui, whichever is earlier, and interest-bearing at a rate of 7% per annum. The loan is secured by shares of Hong Da held by its shareholder and Hong Da's equity interest in Century Profit.

19. Available-for-sale Investments

In July 2009, the Group entered into an agreement with Hong Da whereby Hong Da issued a convertible note ("Hong Da Convertible Note") to the Group with a principal amount of RMB296,000,000. The Hong Da Convertible Note is interest-bearing at 11% per annum and the Group must convert it into shares of Century Profit in September 2010 unless there is default in repayment of a former shareholder's loan by Yaohui. In April 2010, Yaohui has fully repaid its former shareholder's loan. The Hong Da Convertible Note does not confer any voting rights at any meetings of Century Profit. Upon conversion of the Hong Da Convertible Note, the Group will hold 52.69% interest in Century Profit.

The Group classified the Hong Da Convertible Note into available-for-sale investment which is stated at cost since it is not practicable to measure the fair value of the equity component, being the most significant component, of the Hong Da Convertible Note on a reliable basis.

20. Amounts Due from Jointly Controlled Entities

The amounts due from jointly controlled entities includes loan advanced and related accrued interest of approximately RMB23,359,000. As at 31 December 2009, the Group made the following advances to Century Profit:

(a) Pursuant to a loan agreement entered into between the Group and Century Profit, the Group advanced RMB460,000,000 to Century Profit, which is secured, repayable within two years and interest-bearing at a fixed rate of 7% per annum.

20. Amounts Due from Jointly Controlled Entities *(continued)*

(b) The Group also advanced approximately RMB90,000,000 and RMB276,000,000 to Century Profit, which are secured, repayable within two years and interest-bearing at a fixed rate of 7% to 15% per annum respectively.

The shareholders of Hong Da and Hong Da itself has pledged the shares of Hong Da and Century Profit, respectively, and the shareholders of Hong Da has provided deeds of guarantee in relation to the above advances made by the Group to the jointly controlled entities.

According to the loan agreements dated 6 July 2009 and 22 July 2009 with Century Profit and the shareholders' agreement with Hong Da dated 28 July 2009, the outstanding principal amount of RMB460,000,000 and RMB90,000,000 in (a) and (b) above and related interest thereon out of the total amount at an aggregate amount of approximately RMB850,224,000 due from Century Profit will be repaid prior to declaring any dividend to Hong Da as a shareholder of Century Profit.

As at 31 December 2008, the amount due from a jointly controlled entity mainly represented an advance to a jointly controlled entity for settlement of its construction cost which is interest free, unsecured and not expected to be settled within twelve months from the end of the reporting period. The balance has been eliminated upon the acquisition of remaining interest in Head Win Limited during the year ended 31 December 2009.

21. Other Property Interests

Other property interests relate to leasehold land and related development cost in the PRC which is held under long lease. Pursuant to the written Decision Regarding the Reclamation of the Use Right of State-Owned land (Sui Guo Fang Zi [2007] No.1196) (廣州市國土資源和房屋管理局總國房地[2007]1196號收回國有土地使用權決定書) issued by the Bureau of Land Resources and Housing Management of Guangzhou Municipality ("the Bureau of Land Resources") on 15 December 2006, the subject property will be reverted to the Guangzhou municipal government.

On 21 March 2007, the Group submitted the dispute of this decision to the Guangzhou municipal government. On 2 April 2007, the Guangzhou municipal government issued its determination in Administrative Review Decision (Sui Fu Fu Zi (2008) No. 67) (穗府覆字 (2008) 67號文—行政覆議決定書), which upheld the decision of the Bureau of Land Resources to reclaim the subject property on public interest grounds. The Bureau of Land Resources has confirmed that the Group can apply for refund of the land premium and other ancillary expenses the Group paid when the Group first acquired the land use right and the compensation for the expenses the Group incurred during the reclamation process.

During the year ended 31 December 2008, the Bureau of Land Resources issued a notice to the Group (穗府房函(2008) 1751號) requesting the Group to submit a compensation proposal. According to the Group's compensation proposal submitted in November 2008, the Group requested the Bureau of Land Resources to withdraw the reclaim decision, otherwise, grant another piece of land to the Group with same value and in same location and area. The executive directors of the Company are of the opinion that the recoverable amount of these property interests would not be less than the carrying amount which represents the historical cost incurred. The relevant procedures of refund and compensation are still under process up to the date when the consolidated financial statements are authorised for issue.

In addition, the controlling shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

22. Properties for Sales

	2009 RMB'000	2008 RMB'000
Properties for sale comprise of:		
Completed properties	1,202,402	1,076,943
Properties under development	4,920,781	3,453,153
	6,123,183	4,530,096

Properties for sales of approximately RMB2,537,000,000 (2008: RMB1,920,000,000) are expected to be realized within twelve months.

During the year ended 31 December 2009, completed properties with aggregate carrying amount of approximately RMB14,583,000 (2008: RMB21,131,000) were transferred to investment properties upon commencement of operating leases. The excess of the fair value (as disclosed in note 15) of these properties at the date of transfer over their carrying amount, amounting to approximately RMB53,817,000 (2008: RMB88,437,000), is recognised in the consolidated statement of comprehensive income.

At 31 December 2009, certain of the Group's properties for sales with carrying value of approximately RMB1,937,760,000 (2008: RMB1,204,316,000) were pledged for certain banking facilities granted to the Group.

23. Trade and Other Receivables

	2009 RMB'000	2008 RMB'000
Trade receivables	294,568	267,891
Other receivables	269,633	291,844
Advances to suppliers	145,914	655,020
Deposits for purchase of land use rights	10,000	20,000
Prepayments and deposits	25,397	5,528
	745,512	1,240,283

The following is aged analysis of trade receivables determined based on the date of the properties delivered and sales is recognised:

	2009 RMB'000	2008 RMB'000
Age:		
0 to 60 days	181,937	151,582
61 to 180 days	15,597	81,719
181 to 365 days	10,862	7,608
1 to 2 years	78,256	9,579
2 to 3 years	7,207	17,403
over 3 years	709	—
	294,568	267,891

Trade receivables mainly represent receivable from banks for mortgage sale of properties amounting to approximately RMB160,469,000 (2008: RMB137,500,000) and receivable from corporate bulk sale customers amounting to approximately RMB61,110,000 (2008: RMB82,625,000). Normally the average credit period on sale of properties is 60 days. For the corporate bulk sale customers, the average credit period extends to 180 days or two years. Of the trade receivables balance at 31 December 2009, approximately a principal amount of RMB62,464,000 will be received in May 2010 (2008: RMB15,616,000 and RMB62,464,000 will be received in June 2009 and May 2010), according to the corporate bulk sale agreements. Impairment on trade receivables are provided for based on estimated irrecoverable amounts from the sale of properties, determined by reference to past default experience. Considerations under pre-sale contracts will be fully received prior to the delivery of the ownership certificate of the properties to the purchasers.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in other receivables mainly represent payment made in advance for reclamation of land for the Group's further property development in which no impairment is considered necessary.

23. Trade and Other Receivables *(continued)*

As at 31 December 2009, there were approximately RMB17,146,000 (2008: RMB9,579,000) receivable aged 1 to 2 years and approximately RMB2,913,000 (2008: RMB17,403,000) receivables aged over 2 years that were past due but not impaired. Based on experience, the management of the Company are of the opinion that no provision for impairment is necessary in respect of these receivables as the Group has no history of default for customer with balance past due or balance not past due. As at 31 December 2009, trade receivables of the Group's largest customer (2008: largest three customers), which is operating in the Guangdong Province and engaged in property, investment or construction businesses, amounted to RMB61,110,000 (2008: RMB93,040,000). The Group has reviewed the subsequent settlement, settlement history and financial position of the customer and no impairment on the receivable is required. Nonetheless, two customers were unable to settle the remaining balance payable to the Group during the year ended 31 December 2008 and therefore settled the remaining balance with the properties previously sold to them (see note 5). There is no other customer who represents more than 5% of the total balance of trade receivables. The concentration of credit risk in the remaining trade receivables is limited due to the customer base being large and unrelated.

24. Restricted Bank Deposits/Bank Balances And Cash

Restricted bank deposits

The deposits amounted to approximately RMB645,000,000 (2008: Nil) are restricted for the loan facility granted from the bank and carry variable interest rate of 0.36% to 2.79% per annum among which approximately RMB345,000,000 is restricted for a loan over than 1 year. The other deposits are restricted for the payment to the construction contractors, carry variable interest rate of 0.36% (2008: 0.36%) per annum, and will be released upon the completion of the development of properties in 2010.

Bank balances and cash

The bank balances carry variable interest rate with an average interest rate of 0.36% (2008: from 0.54% to 1%) per annum.

25. Trade and Other Payables

	2009 RMB'000	2008 RMB'000
Trade payables	**1,458,554**	802,685
Other payables	**193,729**	132,982
Other taxes payable	**67,165**	40,116
	1,719,448	975,783

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cash expenses. The average credit period for trade purchases is from 6 months to 1 year. No interest is charged by the suppliers on the trade payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by the Group are set out in note 31.

The following is an aged analysis of trade payables determined based on the invoice date:

	2009 RMB'000	2008 RMB'000
Age:		
0 to 60 days	**175,256**	310,926
61 to 180 days	**856,727**	188,271
181 to 365 days	**205,180**	110,705
1 to 2 years	**106,796**	121,148
2 to 3 years	**91,469**	33,274
Over 3 years	**23,126**	38,361
	1,458,554	802,685

At 31 December 2009, the balance of approximately RMB125,491,000 (2008: RMB96,302,000) with age over 1 year mainly represents the retention money of approximately 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest free, and would be paid to constructors after 1-3 year period from the completion of construction.

26. Amount Due to a Minority Shareholder

The amount is interest-free, unsecured and has no fixed terms of repayment.

27. Convertible Notes/Derivative Financial Instruments

The convertible notes ("Convertible Notes") issued by a subsidiary of the Company, Add Hero Holding Limited ("Add Hero") entitles the holder of the Convertible Notes ("Noteholder") to convert it into the Company's ordinary shares at any time prior to 13 February 2012 (the "Maturity Date") at a conversion price as set out in the Note Purchase Agreement entered into on 9 February 2007, subject to certain anti-dilutive adjustments. Add Hero shall on the Maturity Date pay an amount equal to the aggregate principal amount of the Convertible Notes outstanding on the Maturity Date, plus accrued and unpaid interest thereon.

During the period after 18 months following the International Public Offering ("IPO") of the Company and prior to the Maturity Date, if the weighted average price of the Company's share has equalled or exceeded 130% of the conversion price in effect on 20 of the last 30 trading days, Add Hero shall have the option to redeem all the Convertible Notes at its principal amount plus accrued and unpaid interest up to the date of redemption in cash.

According to the Note Purchase Agreement, the Convertible Notes is interest-bearing at 6-month London Inter Bank Offer Rate ("LIBOR") plus 3% per annum.

Convertible Notes contain liability component stated at amortised cost and conversion option and issuer redemption option (collectively the "embedded derivatives component") which are not closely related to the host contract and are stated at fair value. The embedded derivatives component is presented on a net basis as the terms and conditions of options under the embedded derivatives component are inter-related. The effective interest rate of the liability component is 14.7% (2008: 14.2%) for the year ended 31 December 2009.

The principal amount of Convertible Notes outstanding as at 31 December 2009 is US$60,000,000 (2008: US$60,000,000). The movements of the liability and derivative components of the Convertible Notes are set out as below:

	Liability component RMB'000	**Derivative components** RMB'000
At 1 January 2008	306,400	80,051
Interest charged	42,662	—
Interest paid	(26,074)	—
Change in fair value	—	(76,145)
Exchange difference	(18,855)	—
At 31 December 2008	304,133	3,906
Interest charged	44,196	—
Interest paid	(20,275)	—
Change in fair value	—	2,062
Exchange difference	(2,204)	—
At 31 December 2009	325,850	5,968
Fair value at 31 December 2009	414,456	5,968
Fair value at 31 December 2008	416,892	3,906

27. Convertible Notes/Derivative Financial Instruments *(continued)*

The fair value of the embedded derivatives of the Convertible Notes comprises:

(a) The fair value of option of the Noteholder to convert the Convertible Notes into ordinary shares of the Company; and

(b) The fair value of the option of the Company to redeem the Convertible Notes.

Binomial model is used in the valuation of these embedded derivatives. Inputs into the model are as follows:

	2008	**2009**
Conversion Price	HK$5.2	**HK$4.52** *(note c)*
Risk free rate of interest *(note a)*	3.15%	**1.83%**
Time to expiration	3.12 years	**2.12 years**
Volatility *(note b)*	62%	**69%**

Notes:

(a) The risk free rate of interest adopted was the market yield of government bond as of the end of the reporting period.

(b) The volatility adopted was based on the share price volatility of comparable companies in the past four years.

(c) The change in conversion price was resulted from the new shares placement.

The fair value of the Company's redemption option was developed by the difference in fair value of the conversion option with or without the redemption option.

28. Secured Bank Loans

	2009 RMB'000	2008 RMB'000
The secured bank loans are repayable as follows:		
Within one year	**743,420**	215,000
More than one year, but not exceeding two years	**492,690**	625,687
More than two years, but not exceeding five years	**1,350,255**	374,000
	2,586,365	1,214,687
Less: Amount due within one year shown under current liabilities	**(743,420)**	(215,000)
	1,842,945	999,687

All the bank borrowings are variable-rate borrowings. As at 31 December 2009, bank borrowings amounting to approximately RMB1,294,425,000 (2008: Nil) bear interest at a range from Hong Kong Interbank Offering Rate ("HIBOR") plus 1.0% to HIBOR plus 2.74% and bank borrowing amounting to approximately RMB1,291,940,000 (2008:RMB1,214,687,000) bear interest at rate as agreed with the banks at the inception date and subject to negotiation on annual basis with reference to lending rate of the People's Bank of China.

The weighted average effective interest rates on bank borrowings for the year are 5.60% (2008: 6.92%) per annum.

29. Deferred Taxation

The deferred taxation (assets) liabilities recognised by the Group and movements thereon during the year are as follows:

	Change in fair value of investment properties RMB'000	Revaluation of properties RMB'000	Temporary difference on revenue recognition and related cost of sales RMB'000	Tax losses RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2008	19,557	26,364	173,948	(5,028)	5,393	220,234
(Credit) charge to consolidated statement of comprehensive income *(note 9)*	(8,640)	22,109	(165,427)	(3,341)	(10,251)	(165,550)
At 31 December 2008	10,917	48,473	8,521	(8,369)	(4,858)	54,684
Acquisition of subsidiaries *(note 32)*	1,226	—	—	—	—	1,226
Charge (credit) to consolidated statement of comprehensive income *(note 9)*	(5,968)	8,357	9,374	(8,219)	(12,501)	(8,957)
At 31 December 2009	6,175	56,830	17,895	(16,588)	(17,359)	46,953

Note: Other temporary differences mainly include the withholding tax on undistributed earnings of PRC subsidiaries amounted to approximately RMB2,500,000 (2008: Nil) and deductible temporary difference in PRC subsidiaries amounted to approximately RMB20,039,000 (2008: RMB4,858,000).

29. Deferred Taxation *(continued)*

For the purpose of financial statement presentation, certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2009 RMB'000	2008 RMB'000
Deferred taxation assets	(27,636)	(8,369)
Deferred taxation liabilities	74,589	63,053
	46,953	54,684

As at 31 December 2009, the Group had unused tax losses of approximately RMB91,941,000 (2008: RMB49,477,000) available to offset against future profits. A deferred taxation asset has been recognised in respect of approximately RMB76,651,000 (2008: RMB33,475,000) of such tax losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of approximately RMB15,290,000 (2008: RMB16,002,000) due to the unpredictability of future profits streams. The unrecognised tax losses will expire in the following years:

	2009 RMB'000	2008 RMB'000
2009	—	3,156
2010	1,342	1,342
2011	3,457	3,457
2012	5,718	5,718
2013	2,329	2,329
2014	2,444	—
	15,290	16,002

30. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2008 and 31 December 2008 and 31 December 2009	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2008 and 2009	2,252,500,000	22,525
Issue of shares *(note)*	360,000,000	3,600
At 31 December 2009	2,612,500,000	26,125

	2009 RMB'000	2008 RMB'000
Shown in the consolidated financial statements	**24,990**	21,838

Note: On July 2009, the Company and the ultimate holding company of the Company entered into a placing and subscription agreement (the "Placing and Subscription Agreement") with certain independent parties (the "Agents"). Pursuant to the Placing and Subscription Agreement, the agent procured purchasers on behalf of the ultimate holding company to purchase 360,000,000 existing ordinary shares of HK$0.01 each of the Company, at a price of HK$1.73 per share (the "Placing Price"), and the ultimate holding company has subscribed for 360,000,000 new shares at the Placing Price. The placement of shares to the placees and the subscription of shares were both completed in July 2009.

31. Financial Instruments

Financial risk management objectives and policies

The main risks associated with the Group's financial instruments are market risk (interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk . The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures.

31. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(i) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability, derivative financial instrument and equity instrument are disclosed in note 3.

(ii) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Available-for-sale investments	**296,000**	—
Loans and receivables (including cash and cash equivalents)	**3,584,062**	2,102,178
Financial liabilities		
Amortised cost	**4,591,186**	2,454,487
Financial liabilities through profit or loss		
— Derivative financial instruments	**5,968**	3,906

(iii) Market risk

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its convertible notes and variable-rate bank borrowings (see note 28 for details of these borrowings). The bank borrowings are for financing development of property projects. The interest rate of the convertible notes is determined by 6 months LIBOR plus 3%. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's fair value interest rate risk relates primarily to amounts due from jointly controlled entities and venturer of a jointly controlled entity and available-for-sale investments. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arises.

31. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(iii) Market risk *(continued)*

Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for secured bank loan and convertible notes. The analysis is prepared based on the weighted average amount of secured bank loan and convertible notes during the period year. A 50 (2008: 200) basis point fluctuation is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 (2008: 200) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2009 would decrease/increase by approximately RMB12,760,000 (2008: increase/decrease of post-tax loss of RMB28,238,000).

The Group's sensitivity to interest rates has increased over the years mainly due to the increase in debt instruments which are exposed to cash flow interest rate risk.

Price risk

The Group is exposed to price risk in respect of the conversion option and redemption options embedded in the Convertible Notes. The below sensitivity analysis is not representative because of the interdependence of the variable input in the valuation model.

If the volatility to the valuation model had been 5% (2008: 5%) higher/lower while all other variables were held constant, the post-tax profit for the year would decrease by RMB1,440,000 (2008: increase of post-tax loss of RMB1,176,000) and increase by RMB1,033,000 (2008: decrease of post-tax loss of RMB805,000), respectively.

If the share price of the Company input in the valuation model had been 5% (2008: 5%) higher/lower while all other input variables of the valuation model were held constant, the post-tax profit for the year would decrease by RMB781,000 (2008: increase of post-tax loss of RMB722,000) and RMB481,000 (2008: decrease of post-tax loss of RMB89,000), respectively.

Foreign currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables are denominated in RMB. The Group is subject to foreign exchange rate risk arising from recognised assets and liabilities which are denominated in the currency other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

31. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(iii) Market risk *(continued)*

Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective end of reporting period are as follows:

	2009 RMB'000	2008 RMB'000
Assets		
Hong Kong dollars	92,475	47,453
Liabilities		
Hong Kong dollars	1,301,312	20,278
United States dollars	331,817	308,038

Foreign currency sensitivity

The Group is mainly exposed to fluctuation of United States dollars and Hong Kong dollars against RMB. The following table details the Group's sensitivity to a 2% (2008: 10%) increase and decrease in the RMB against the relevant foreign currencies. The respective percentages are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes Convertible Notes, bank borrowings as well as bank balances denominated in foreign currencies. A positive number below indicates an increase in post-tax profit (2008: decrease in post-tax loss) for the year where RMB strengthens 2% (2008: 10%) against the relevant currency. For a 2% (2008: 10%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit (2008: post-tax loss) for the year.

	2009 RMB'000	2008 RMB'000
United States dollars		
Profit or loss for the year	4,977	23,103
Hong Kong Dollars		
Profit or loss for the year	18,133	(2,308)

31. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(iv) Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 35.

The Group has significant concentration of credit risk since 21% (2008: 35%) of the total trade receivables was due from the Group's largest customer (2008: largest three customers) as at 31 December 2009.

As at 31 December 2009, the Group's maximum credit exposure to credit risk also included the financial guarantee provided by the Group as disclosed in note 35.

In order to minimise the credit risk of debts, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC and Hong Kong.

The Group provides guarantees to banks in connection with certain customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property (note 35). If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and repossess the properties for resale. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group. No such forfeiture and repossession of properties occurred during the year ended 31 December 2009 and 2008.

The Group also exposes to concentration of credit risk in respect of amount due from jointly controlled entities, amount due from a venture of a jointly controlled entity and guarantee given to a jointly controlled entity. This jointly controlled entity borrowed certain bank loan which is jointly and severally guaranteed by the Company and the other venturer of the jointly controlled entity. The credit risk is considered not significant as the management estimates that the funds generated from the jointly controlled entity will exceed the investment cost and advances in this jointly controlled entity.

31. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(iv) Credit risk *(continued)*

As explained in note 21, the Group can apply for refund of the land premium and other ancillary expenses incurred during the reclamation process of a leasehold land in the PRC from the Bureau of Land Resources. Accordingly, the Group has concentration of credit risk in this regard. The credit risk is considered not significant as the counterparty is a government body in the PRC.

(v) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity mix.

The capital structure of the Group consists of debt (which includes the Convertible Notes and secured bank loans disclosed in notes 27 and 28, respectively), net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's capital risk management strategy remains unchanged over the years.

31. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

(vi) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative components of Convertible Notes. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The undiscounted amount of the Convertible Notes is based on the assumption that there is no conversion or early redemption on the Convertible Notes. The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

	Weighted average interest rate	0–60 days RMB'000	61–180 days RMB'000	181–365 days RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2009									
Financial liabilities									
Non-interest bearing	—	598,225	512,765	427,303	119,645	21,033	—	1,678,971	1,678,971
Bank borrowings	4.7%	136,999	200,255	458,109	557,514	799,999	623,564	2,776,440	2,586,365
Convertible Notes	4.5%	9,207	—	9,284	18,685	419,093	—	456,269	331,818
Financial guarantee	—	1,859,280	—	589,935	—	—	—	2,449,215	—
Total		2,603,711	713,020	1,484,631	695,844	1,240,125	623,564	7,360,895	4,597,154

	Weighted average interest rate	0–60 days RMB'000	61–180 days RMB'000	181–365 days RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2008									
Financial liabilities									
Non-interest bearing	—	327,483	280,700	233,916	65,497	28,071	—	935,667	935,667
Bank borrowings	7.0%	13,604	128,012	152,652	673,107	191,221	214,801	1,373,397	1,214,687
Convertible Notes	4.8%	11,096	—	10,098	20,272	20,468	422,883	484,817	308,039
Total		352,184	408,712	396,666	758,876	239,760	637,684	2,793,882	2,458,393

The total undiscounted cash flows of financial guarantee at 31 December 2009 disclosed above was the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparties to the guarantee. Based on expectation as at 31 December 2009, the Group considered that it was not probable that the counterparties to the financial guarantee would claim under the contract. The financial guarantee will be released upon the repayment of the loan by Century Profit in December 2010 (see note 35).

31. Financial Instruments *(continued)*

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities (excluding derivative instruments and available-for-sale investment) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative instruments is calculated based on generally accepted option pricing models.

The carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values except the convertible notes liability component as disclosed in note 27.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2009			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liability at FVTPL				
Derivative financial instruments	–	–	5,968	5,968

There were no transfers between Level 1 and 2 in the current year.

Reconciliation of Level 3 fair value measurements of financial asset and liability

	Derivative financial instruments RMB'000
At 1 January 2009	3,906
Fair value change of embedded derivative component of Convertible Notes	2,062
At 31 December 2009	5,968

32. Acquisition of Subsidiaries

On 18 June 2009, the Group entered into a sale and purchase agreement with independent third parties ("Vendors"), in connection with the acquisition of the entire equity interest in Zhongshan Plaza Development Company Limited (中山市中山廣場開發建設有限公司) ("Zhongshan Plaza"), a property development company, through the acquisition of its parent company, Earning Evers Limited ("Earning Evers") at a consideration of RMB1, and payments of RMB639,999,999 owed by Zhongshan Plaza and Earning Evers to the Vendors and their related companies.

As disclosed in note 17, the Group acquired the remaining 50% interest in Head Win Limited in October 2009.

The acquisition of Earning Evers and Head Win Limited are accounted for as acquisition of assets and liabilities.

The net assets of Earning Evers and Head Win Limited acquired are as follows:

	RMB'000
Net assets	
Property, plant and equipment	648
Properties for sale	953,754
Investment properties	323,590
Trade and other receivables	2,206
Bank balances and cash	10,114
Trade and other payables	(63,018)
	1,226,068
Interest in a joint controlled entity	(328,274)
	897,794
Satisfied by:	
Cash	897,794
Net cash inflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Consideration paid	(897,794)
Bank balances and cash of subsidiaries acquired	10,114
	(887,680)

33. Disposal of Subsidiaries

During the year ended 31 December 2008, the Group formed a jointly controlled entity namely, Head Win Limited, with an independent third party (note 17). The Group then disposed of its entire interest in certain wholly-owned subsidiaries to Head Win Limited, except one subsidiary 廣州奧譽房地產開發有限公司 where the Group retains 2% equity interest.

The net liabilities of subsidiaries at the date of disposal were as follows:

	RMB'000
Net assets disposed of	
Property, plant and equipment	51
Properties for sale	700,072
Trade and other receivables	10
Bank balances and cash	146
Trade and other payables	(6,731)
Amounts due to group companies	(709,435)
	(15,887)
Gain on disposal of subsidiaries	16,713
Consideration	826
Satisfied by:	
Interest in a jointly controlled entities	826
Net cash outflow arising on disposal	
Bank balances and cash disposed of	(146)

The subsidiaries disposed of did not contribute significantly to the Group's cash flows, turnover and profit from operations during the relevant periods prior to disposal.

34. Major Non-Cash Transactions

The Group had the following major non-cash transactions during the year ended 31 December 2009 and 2008, respectively:

(i) During the year ended 31 December 2008, the Group entered into corporate bulk sales and purchase agreements for the sales of properties owned by the Group, total gross consideration of the corporate bulk sales amounted to RMB156,161,000. According to the terms of the agreement, 30% of the contract price was settled upon delivery of the properties and the remaining 20%, 10% and 40% of the contract price should be settled in November 2008, May 2009 and May 2010, respectively.

(ii) During the year ended 31 December 2008, the Group capitalised the amount due from a jointly controlled entity amounting to approximately RMB330,250,000 as an additional cost of investment.

(iii) During the year ended 31 December 2007, the Group entered into corporate bulk sales and purchase agreements for the sales of properties owned by the Group, the fair value of total consideration of the corporate bulk sales amounted to RMB1,517,559,000. According to the terms of the agreements, 30% of the contract price was settled upon delivery of the properties and the remaining 20% and 50% of the contract price should be settled in June 2008 and December 2008, respectively. As disclosed in note 5, in 2008, two customers who entered into the corporate bulk sales in 2007 were unable to settle the remaining balances payable amounting to approximately RMB338,325,000 and settled by returning to the Group certain properties previously sold to them.

35. Contingent Liabilities

At the respective end of reporting period, the contingent liabilities of the Group were as follows:

	2009 RMB'000	2008 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	1,859,280	646,786

The Group acted as guarantor to the mortgage bank loans granted to certain purchasers of the Group's properties and agreed to repurchase the properties upon the purchasers' default the repayment of bank loans and repay the outstanding loan and interest accrual thereon. The fair value of the financial guarantee contracts is not significant as the default rate is low.

During the year ended 31 December 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then claims the Group for compensation of approximately RMB61,096,000. The legal case is in legal proceeding. However, no provision has been provided for this case because, in the opinion of the executive directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

The Group has provided a guarantee for a bank facility granted to Century Profit amounting to HK$670,000,000 (equivalent to approximately RMB589,935,000) as at 31 December 2009. The fair value of the financial guarantee was not significant at initial recognition. No provision for financial guarantee has been provided at 31 December 2009 as the default risk is low. The financial guarantee will be released upon the repayment of the loan by Century Profit in December 2010.

36. Other Commitments

	2009 RMB'000	2008 RMB'000
Construction cost commitment contracted for but not provided	2,367,025	1,787,979
Other commitments *(Note)*	—	207,827

Note: On 15 December 2008, the Group entered into a sales and purchase agreements with Shenyang Land Bureau (瀋陽市國土資源局) for the acquisition of a piece of land located in Shenyang for a a total consideration of RMB217,827,000. At 31 December 2008, RMB10,000,000 was paid as deposit for such acquisition. The land was acquired during the year ended 31 December 2009 and held for property development.

37. Operating Lease Commitments

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 RMB'000	2008 RMB'000
Within one year	10,421	11,176
In the second to fifth year inclusive	25,906	19,293
After five years	10,047	12,096
	46,374	42,565

The properties are expected to generate rental yields of average 1% to 4% per annum on an ongoing basis. All the properties held have committed tenants from 3 to 10 years.

As lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	7,288	10,506
In the second to fifth year inclusive	9,123	17,219
	16,411	27,725

Operating lease payments mainly represent rentals payable by the Group for certain of its office premises. Leases are negotiated with range from 1 to 19 years and rentals are fixed for an average term of 1 to 19 years.

38. Share-Based Payment Transactions

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23 October 2007 for the primary purpose of providing incentives to directors and eligible employees.

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 38,195,145 (2008: 60,063,200), representing 1.46% (2008: 2.67%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable on the grant of an option. Options may be exercised according to the schedule set out below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

38. Share-Based Payment Transactions *(continued)*

Details of specific categories of options are as follows:

Option type	No. of options granted	Date of grant	Vesting period	Exercise period	Exercise Price HK$	Fair values at grant date HK$
2007A	1,015,800	23 October 2007	23 October 2007 to the day before 2007 result announcement date	2007 result announcement date until 31 December 2008 *(Note a)*	6.55	1.276
2007A	1,523,700	23 October 2007	23 October 2007 to the day before 2008 result announcement date	2008 result announcement date until 31 December 2009 *(Note b)*	6.55	1.731
2007A	2,539,500	23 October 2007	23 October 2007 to the day before 2009 result announcement date	2009 result announcement date until 31 December 2010	6.55	2.069
2007B	4,881,000	23 October 2007	23 October 2007 to 31 December 2007	1 January 2008 to 31 December 2008 *(Note a)*	6.55	1.262
2007B	1,969,000	23 October 2007	23 October 2007 to 31 March 2008	1 April 2008 to 31 December 2008 *(Note a)*	6.55	1.278
2008A	10,000,000	18 July 2008	None	18 July 2008 to 14 July 2011	5.2	0.16
2008A	10,000,000	18 July 2008	None	18 July 2008 to 14 July 2011	1.79	0.51
2008A	20,000,000	18 July 2008	None	18 July 2008 to 31 December 2009 *(Note b)*	1.79	0.39
2008B	10,000,000	25 September 2008	None	Anytime during the service period	0.90	0.21
2008C	3,000,000	1 December 2008	None	Anytime during the service period	2.00	0.20
2008C	3,000,000	1 December 2008	None	Anytime during the service period	0.638	0.04
2009	900,000	25 September 2009	None	25 September 2009 to 24 September 2012	1.40	0.58

Note:

(a) These share options are expired as at 31 December 2008.

(b) These share options are expired as at 31 December 2009.

During the year end 31 December 2009, a total of 900,000 (2008: 56,000,000) shares options were granted and no option granted is exercised by the grantee.

38. Share-Based Payment Transactions *(continued)*

These fair values were calculated using the binominal model. The inputs into the model were as follows:

	2007A and B
Weighted average share price	HK$6.55
Exercise price	HK$6.55
Expected volatility	45%
Expected life	Whole life of each share option
Risk-free rate	
Expected dividend yield	3.0%–3.3%
	1.5%

	2008A	2008B	2008C	**2009**
Weighted average share price	HK$1.73	HK$0.86	HK$0.72	**HK$1.35**
Exercise price	HK$1.79 & HK$5.2	HK$0.9	HK$0.638 & HK$2	**HK$1.40**
Expected volatility	60%	60%	60%	**70%**
Expected life	Whole life of each share option	3 years	3 years	**3 years**
Risk-free rate	1.9%–2.7%	2.7%	1.2%	**2.7%**
Expected dividend yield	1.5%	1.5%	1.5%	**1.5%**

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of approximately RMB901,000 (2008: RMB16,495,000) for the year ended 31 December 2009 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

39. Retirement Benefit Plan

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated 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 principal obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

40. Related Party Transactions

(1) The Group had material transactions during the year with related parties as follows:

Related party	Nature of transaction	2009 RMB'000	2008 RMB'000
A jointly controlled entity	Interest income	**13,797**	—

Interest was charged at 7% to 15% per annum on the outstanding balance.

(2) The remuneration of key management (excluding remuneration of directors disclosed in note 10) during the year is as follows:

	2009 RMB'000	2008 RMB'000
Short-term benefits	**6,151**	7,132
Share-based payments	**467**	2,851
	6,618	9,983

The retirement benefit contributions of the key management during the year ended 31 December 2009 was not material.

(3) As disclosed in note 21, the controlling shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

(4) As disclosed in note 35, the Group has provided a guarantee for a bank facility granted to Century Profit amounting to HK$670,000,000 (equivalent to approximately RMB589,935,000) as at 31 December 2009.

(5) Details of the balances with a jointly controlled entity are set out in notes 20.

41. Particulars of Subsidiaries

Details of the Group's subsidiaries at 31 December 2009 and 2008 as follows:

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Able Run Management Limited	British Virgin Islands ("BVI")	100%	US$100	Investment holding
Able Sharp Limited	BVI	100%	US$100	Investment holding
Ace Crown Limited	Hong Kong	100%	HK$1	Investment holding
Act Fast Management Limited	BVI	100%	US$100	Investment holding
Act Now International Limited	BVI	100%	US$100	Investment holding
Ace Super International Limited	BVI	100%	US$100	Investment holding
Ace Will Holdings Limited	BVI	100%	US$100	Investment holding
Active Top Group Limited	BVI	100%	US$100	Investment holding
Add Gain Investments Limited	BVI	100%	US$100	Investment holding
Add Hero Holding Limited	BVI	100%	US$10,000	Investment holding
Add Lion Profits Limited	BVI	100%	US$100	Investment holding
Add Move Investments Limited	BVI	100%	US$100	Investment holding
Add Power Investments Limited	BVI	100%	US$100	Investment holding
Add Right Investments Limited	BVI	100%	US$100	Investment holding
Add Union Management Limited	BVI	100%	US$100	Investment holding
All Favour Investments Limited	BVI	100%	US$100	Investment holding
All New Profit Limited	BVI	100%	US$100	Investment holding
Alchmede Holdings Limited	BVI	100%	US$100	Investment holding
Allied Channel Limited	Hong Kong	100%	HK$1	Investment holding

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Allied Era Investments Limited	BVI	100%	US$100	Investment holding
Alpha Winner Limited	Hong Kong	100%	HK$1	Investment holding
Allywin Limited	BVI	100%	US$100	Investment holding
Ample Mount Holdings Limited	BVI	100%	US$100	Investment holding
Anway Investment Limited	Hong Kong	100%	HK$1	Investment holding
Aoyuan Grand Place Investments and Hong Kong Development Limited	Hong Kong	100%	HK$1	Investment holding
Aoyuan Cannes Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Asiacity Development Limited	BVI	100%	US$100	Investment holding
Asia Prime Limited	Hong Kong	100%	HK$1	Investment holding
Asia Profit International Limited	Hong Kong	100%	HK$1	Investment holding
Auto High Management Limited	BVI	100%	US$100	Investment holding
Auto Joy Enterprises Limited	BVI	100%	US$100	Investment holding
Add Energy Property Investment Holdings Limited	Hong Kong	100%	HK$10,000	Investment holding
Auto Smart Profits Limited	BVI	100%	US$100	Investment holding
Bright Oriental Limited	Hong Kong	100%	HK$1	Investment holding
CAPG Limited	Hong Kong	100%	HK$1	Investment holding
Canton Link Investment Limited	Hong Kong	100%	HK$1	Investment holding
Century Earth Limited	Hong Kong	100%	HK$1	Investment holding

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Charmtex Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Channel Time International Limited	Hong Kong	100%	HK$1	Investment holding
Cheer King International Limited	Hong Kong	100%	HK$1	Investment holding
China Aoyuan International Development Limited (Formerly known as Chinaview Holdings Limited)	Hong Kong	100%	HK$1	Investment holding
China Aoyuan Property Development Investment Holding Limited (Formerly known as Everview (H.K.) Limited)	Hong Kong	100%	HK$1	Investment holding
China Aoyuan Investment Limited (Formerly known as Fullco International Limited)	Hong Kong	100%	HK$1	Investment holding
China Aoyuan Financial Management Investment Holding Limited (Formerly known as Gaintime (H.K.) Limited)	Hong Kong	100%	HK$1	Investment holding
China Planet Limited	Hong Kong	100%	HK$1	Investment holding
Citiasia (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
East Harvest Investment Limited *(note 5)*	Hong Kong	100%	HK$1	Investment holding
Everward Development Limited	Hong Kong	100%	HK$1	Investment holding
Fairbo International Limited	Hong Kong	100%	HK$1	Investment holding
Gold Deluxe Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Gold Lucky (HK) Investment Holding Limited *(note 4)*	Hong Kong	100%	HK$1	Investment holding
Grand Gold (H.K.) Limited	Hong Kong	100%	HK$1	Investment holding
Happy Genius Management Limited	BVI	100%	US$100	Investment holding
Head Hero International Limited	BVI	100%	US$100	Investment holding
Herowell Enterprises Limited	Hong Kong	100%	HK$1	Investment holding
High Hero Enterprises Limited	BVI	100%	US$100	Investment holding
High Boom International Limited	BVI	100%	US$100	Investment holding
Joy Power Holdings Limited	BVI	100%	US$100	Investment holding

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Landco Development Limited	Hong Kong	100%	HK$1	Investment holding
Mantex International Limited	Hong Kong	100%	HK$1	Investment holding
Meco Development Limited	Hong Kong	100%	HK$1	Investment holding
Merit Access Investments Limited	BVI	100%	US$100	Investment holding
Merit Route Investments Limited	BVI	100%	US$100	Investment holding
New Aoyuan City Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
New Empire Holdings Limited	Hong Kong	100%	HK$1	Investment holding
New Empire International Limited	Hong Kong	100%	HK$1	Investment holding
Nice More Investments Limited	BVI	100%	US$100	Investment holding
Olympic Village Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Olympic City Investments and Development Limited	Hong Kong	100%	HK$1	Investment holding
Onwin Enterprises Limited	Hong Kong	100%	HK$1	Investment holding
Orient Time Development Limited	Hong Kong	100%	HK$1	Investment holding
Profits Point Holdings Limited	BVI	100%	US$100	Investment holding
Rising Bright International Limited	BVI	100%	US$100	Investment holding
Rising Fast Management Limited	BVI	100%	US$100	Investment holding
Sanbo Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Sharp Mate International Limited	BVI	100%	US$100	Investment holding
Sino Victory Development Limited	Hong Kong	100%	HK$1	Investment holding
Smart Million Holdings Limited	BVI	100%	US$100	Investment holding

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
Speed Rich Holdings Limited	BVI	100%	US$100	Investment holding
Speed Winner Limited	Hong Kong	100%	HK$1	Investment holding
Teleimon International Limited	BVI	100%	US$100	Investment holding
Time Well Investment (Group) Limited	Hong Kong	100%	HK$1	Investment holding
Trump Luck International Limited	BVI	100%	US$100	Investment holding
Top Field Group Limited	BVI	100%	US$100	Investment holding
Topfair International Limited	Hong Kong	100%	HK$1	Investment holding
United Joy Management Limited	BVI	100%	US$100	Investment holding
Vagatori International Limited	BVI	100%	US$100	Investment holding
Warkaville Holdings Limited	BVI	100%	US$100	Investment holding
Win Hero Group Limited	BVI	100%	US$100	Investment holding
Win Lucky Holdings Limited	Hong Kong	100%	HK$1	Investment holding
Wisdom First Holdings Limited	BVI	100%	US$100	Investment holding
Yolinga International Limited	BVI	100%	US$100	Investment holding
Head Win Limited *(note 5)*	BVI	100%	US$10,000	Investment holding
Kingmind Limited *(note 5)*	BVI	100%	US$1	Investment holding
Earning Ever Limited *(note 7)*	BVI	100%	US$1	Investment holding
Magic Falcon Company Limited *(note 7)*	Hong Kong	100%	HK$1	Investment holding
怡利發展有限公司 (Elite Land Development Limited)	Hong Kong	100%	HK$10,000	Investment holding
重慶創冠房地產開發有限公司 (Chongqing Chuangguan Real Estate Development Company Limited)	PRC	100%	US$49,000,000	Property development

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
佛崗同力盛投資發展有限公司 (Fogang Tong Li Sheng Investment Development Company Limited)	PRC	100%	RMB80,000,000	Property development
奧園集團有限公司 (Aoyuan Group Company Limited)	PRC	100%	RMB400,000,000	Investment holding
廣州奧園海景城房地產開發有限公司 (Guangzhou Aoyuan Hai Jing Cheng Real Estate Development Company Limited)	PRC	100%	RMB380,000,000	Property development
廣州市番禺金業園房地產開發有限公司 (Guangzhou Panyu Jin Ye Yuan Real Estate Development Company Limited)	PRC	100%	RMB170,000,000	Property development
廣州市番禺金業房地產開發有限公司 (Guangzhou Panyu Jin Ye Real Estate Development Company Limited)	PRC	100%	RMB180,000,000	Property development
廣州奧林匹克房地產開發有限公司 (Guangzhou Olympic Real Estate Development Company Limited)	PRC	100%	RMB60,000,000	Property development
廣州奧林匹克物業投資有限公司 (Guangzhou Olympic Properties Investment Company Limited)	PRC	100%	RMB81,000,000	Investment holding
廣州番禺奧林匹克房地產開發有限公司 Guangzhou Panyu Olympic Real Estate Development Company Limited)	PRC	100%	RMB31,000,000	Property development

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
廣東奧園置業有限公司 (Guangdong Aoyuan Property Company Limited)	PRC	100%	RMB30,000,000	Provision of consultancy services
廣州奧園複合地產管理有限公司 (Guangzhou Aoyuan Fuhe Real Estate Management Company Limited)	PRC	100%	RMB500,000	Provision of consultancy services
廣州奧林匹克置業投資有限公司 (Guangzhou Olympic Property Investment Company Limited)	PRC	100%	RMB6,000,000	Provision of consultancy services
廣州奧園資產經營管理有限公司 (Guangzhou Aoyuan Assets of Management Company Limited)	PRC	100%	RMB10,000,000	Provision of consultancy services
廣州南沙奧園地產有限公司 (Guangzhou Nansha Aoyuan Real Estate Company Limited)	PRC	100%	RMB10,000,000	Property development
廣州南沙國奧房地產開發有限公司 (Guangzhou Nansha Guo Ao Real Estate Development Company Limited)	PRC	100%	RMB120,494,000	Property development
廣州國奧物業管理有限公司 (Guo Ao Properties Management Company Limited)	PRC	100%	RMB5,100,000	Property development
廣州南沙國奧投資有限公司 (Guangzhou Nansha Guo Ao Investment Company Limited)	PRC	100%	RMB100,000,000	Investment holding and project management
廣州奧園建設工程設計有限公司 (Guangzhou Aoyuan Construction Design Company Limited)	PRC	100%	RMB500,000	Property design and consultation
洛陽奧園置業有限公司 (Luoyang Aoyuan Property Company Limited)	PRC	100%	RMB10,000,000	Property development

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
龍南縣金城房地產開發有限公司 (Longnan Jin Cheng Real Estate Development Company Limited)	PRC	100%	RMB23,000,000	Property development
瀋陽奧園動漫城置業有限公司 (Shenyang Aoyuan Dong Man Cheng Properties Company Limited)	PRC	100%	US$45,000,000	Property development
瀋陽奧園動漫城裝飾工程有限公司 (Shenyang Aoyuan Dong Man Cheng Decoration Engineering Limited)	PRC	100%	RMB20,000,000	Decoration
瀋陽南奧海景城置業有限公司 (Shenyang Nan Ao Hai Jing Cheng Properties Company Limited)	PRC	100%	US$25,000,000	Property development
瀋陽金業創意城置業有限公司 (Shenyang Jin Ye Chuang Yi Cheng Properties Company Limited)	PRC	100%	US$50,000,000	Property development
瀋陽都市華庭置業有限公司 (Shenyang Du Shi Hua Ting Properties Company Limited)	PRC	100%	US$50,000,000	Property development
瀋陽南奧動漫有限公司 (Shenyang Nan Ao Dong Man Company Limited)	PRC	100%	RMB500,000	Cartoon design and software development
玉林奧園房地產開發有限公司 (Yulin Aoyuan Real Estate Development Company Limited)	PRC	100%	RMB80,000,000	Property development
玉林奧園康城房地產開發有限公司 (Yulin Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB200,000,000	Property development

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
重慶時尚置業有限公司 (Chongqing Fashion Technology Company Limited *(note 6)*	PRC	100%	RMB30,000,000	Property development
江門江奧地產開發有限公司 (Jiangmen Jiangao Real Estate Development Company Limited)	PRC	51%	RMB20,000,000	Property development
清遠市奧園置業有限公司 (Qingyuan Aoyuan Property Company Limited)	PRC	80%	RMB50,000,000	Property development
北京北方奧園置業有限公司 (Beijing Beifang Aoyuan Property Company Limited)	PRC	100%	RMB10,000,000	Property development
玉林新力體育產業有限公司 (Yulin Xinli Sports Company Limited)	PRC	100%	US$ Nil	Sports gymnasium
瀋陽奧海動漫研究開發有限公司 (Shenyang Aohai Dong Man Company Limited)	PRC	100%	US$ Nil	Cartoon design and software development
瀋陽奧華動漫產業開發有限公司 (Shenyang Aohua Dong Man Company Limited)	PRC	100%	US$ Nil	Cartoon design and software development
贛州捷城物流有限公司 (Ganzhou Jiecheng logistics Company Limited)	PRC	100%	US$14,180,000	Logistics
重慶奧園裝飾工程有限公司 (Chongqing Aoyuan Decoration Engineering Company Limited)	PRC	100%	RMB20,000,000	Decoration
重慶美景物流有限公司 (Chongqing Meijing logistics Company Limited)	PRC	100%	US$ Nil	Logistics

41. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
廣州奧園海景城裝飾工程有限公司 (Guangzhou Aoyuan Haijingcheng Decoration Engineering Company Limited)	PRC	100%	RMB Nil	Decoration
佛岡奧園裝飾工程有限公司 (Fogang Aoyuan Decoration Engineering Company Limited)	PRC	100%	RMB Nil	Decoration
廣州昌泰建築裝飾工程有限公司 (Guangzhou Changtai Construction and Decoration Engineering Company Limited)	PRC	100%	RMB3,580,400	Construction and Decoration
廣州奧園康城房地產開發有限公司 (Guangzhou Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB125,552,000	Property development
奧園集團材料設備採購有限公司 (Aoyuan Equipment Procurement Company Limited) *(note 4)*	PRC	100%	RMB20,000,000	Decoration
瀋陽奧園新城置業有限公司 (Shenyang Aoyuan New City Property Company Limited) *(note 4)*	PRC	100%	RMB263,256,400	Property development
瀋陽南奧苗木有限公司 (Shenyang Nan Ao Plantation Company Limited) *(note 4)*	PRC	100%	RMB1,000,000	Decoration
廣州奧譽房地產開發有限公司 (Guangzhou Aoyu Real Estate Exploitation Company Limited) *(note 5)*	PRC	100%	HK$750,000,000	Property development
中山廣場開發建設有限公司 (Zhongshan Plaza Development Company Limited) *(note 7)*	PRC	100%	RMB735,384,082	Property development

41. Particulars of Subsidiaries *(continued)*

Notes:

(1) Add Hero is directly held by the Company and the remaining subsidiaries comprising the Group are indirectly held by the Company.

(2) Except for BVI and Hong Kong incorporated companies which are operating in Hong Kong, other subsidiaries are operating in the PRC.

(3) The holders of the convertible notes are not entitled to receive notice of or to attend or vote at any general meeting of Add Hero. The non-voting convertible notes practically carry no rights to dividends or to participate in any distribution on winding up.

(4) Companies were incorporated in 2009.

(5) East Harvest Investment Limited and Guangzhou Aoyu Real Estate Exploitation Company Limited were wholly-owned subsidiaries of the Company before they became jointly controlled entities of the Company during the year ended 31 December 2008. Subsequently during the year ended 31 December 2009, these companies become subsidiaries of the Company by acquiring the remaining interests in its intermediate holding company Head Win Limited and Kingmind Limited.

(6) Pursuant to a supplementary agreement entered into by the Group in October 2007, the Group is entitled all the shareholders' rights and benefits derived from the operation of Chongqing Fashion Technology Company Limited ("Chongqing Fashion") and that Chongqing Fashion shall be managed and controlled by the Group. As the Group has the power to govern the financial and operating policies of Chongqing Fashion so as to obtain benefits from its activities under the agreement, accordingly, Chongqing Fashion is regarded as a subsidiary of the Company since October 2007.

(7) Earnings Ever Limited and its subsidiaries, Magic Falcon Company Limited and Zhongshan Plaza Development Company Limited, were acquired by the Group during the year ended 31 December 2009.

42. Events after the Reporting Period

On 15 April 2010, the Company entered into the an agreement with the Noteholder (the "Agreement"), pursuant to which the Company and the Noteholder had mutually agreed to the repurchase of the Convertible Notes as follows:

(a) The Company repurchased US$25,000,000 in principal amount of the Convertible Notes in cash at a price equal to 105% of US$25,000,000, plus accrued and unpaid interest thereon to 15 April 2010. On 15 April 2010, the Company paid a total sum of US$26,462,500 to the Noteholder.

(b) The Company shall on 31 August 2010 repurchase all the then outstanding Convertible Notes, in cash at a repurchase price equal to the greater of:

(i) the total amount equivalent to 108% of US$35,000,000 plus any interest earned in respect of such amount in designated bank accounts maintained by the a subsidiary of the Company since 15 April 2010; and

(ii) 108% of the principal amount of the Convertible Notes then outstanding, plus accrued and unpaid interest on such outstanding Convertible Notes to 31 August 2010.

(c) On 15 April 2010, the Company deposited a total sum of US$37,800,000 to the said designated bank accounts of the subsidiary of the Company.

Based on the carrying amount of Convertible Notes repurchased, a loss on repurchase of the Convertible Notes on 15 April 2010 amounting to approximately RMB43 million will be recognised in the consolidated financial statements of the Group for the year ending 31 December 2010.