众安房产
ZHONG AN REAL ESTATE

(Stock code: 00672.HK)

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2009 Annual Report

眾安房產有限公司
ZHONG AN REAL ESTATE LIMITED

(incorporated in the Cayman Islands with limited liability)

Contents

Board of Directors

Executive Directors
Mr. Shi Kancheng (alias Shi Zhongan)
(Chairman and Chief Executive Officer)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang

Independent non-executive Directors
Professor Pei Ker Wei
Professor Wang Shu Guang
Dr. Loke Yu (alias Loke Hoi Lam)

Company Secretary

Mr. Lam Yau Yiu

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
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Cayman Islands

Head Office in the PRC

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Xiaoshan District
Hangzhou
Zhejiang Province
The PRC

Principal Place of Business in Hong Kong

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China Resources Building
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Hong Kong

Company's Website

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Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China
Bank of Communications
China Construction Bank Corporation, Hong Kong Branch
Hang Seng Bank Limited

Legal Advisers as to Hong Kong Laws

Chiu & Partners

Auditors

Ernst & Young

On behalf of the Board of Zhong An Real Estate Limited ("Zhong An" or the "Company" together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2009.

2009 was an extremely challenging year. Following the global financial crisis in 2008, the domestic real estate market has not yet recovered from the recession at the beginning of the year. However, with central government's macroeconomic control measures which substantially stimulated the economy, starting from the second quarter, the confidence of the market has gradually resumed, and there were signs of recovery in the domestic real estate market. The Group launched the saleable projects to the market systematically in accordance with the market needs. As such, the Group has recorded satisfactory result for the year, which further solidified our foundation for future growth.

During the year under review, the Group's revenue was up approximately 13% to RMB1,624,476,000. The fair value of investment properties for the year 2009 rose significantly as compared to 2008. Excluding this factor, core profit recorded a gain of RMB221,958,000, representing an increase of approximately 9% as compared to the previous year. Profit attributable to owners of the parent was RMB408,917,000. The Board of Directors did not recommend the payment of a final dividend for the year (2008: RMB2 cents).

During the year, development of our residential projects in Zhejiang Province and Anhui Province was smooth and sales performance was satisfactory, which has solidified the foundation of our long-term growth. The Group also continued to maintain a prudent sales strategy. During the year, almost all units in White House Noble Mansion, a residential development in the commercial center of Xihu District of Hangzhou, Zhejiang Province, were sold and the sale proceeds were booked. Pre-sale of the Landscape Bay project located at the bank of Qiantang River has commenced since first quarter of 2010. In Anhui Province, the sales of Green Harbour in Hefei and Vancouver City, Phase 2 – North Section in Huaibei delivered expected results.

Besides residential projects, the Group continued to diversify into other property developments and increased the proportion in investment properties so as to secure more stable income sources for the Group. Following the commencement of operation of the serviced apartments, the last phase of the Highlong Plaza, an integrated commercial development project, in Hangzhou in early 2009, pre-sale of the International Office Center, a commercial property much larger in scale, is expected to start in the forth quarter of 2010, turning a brand new page for the Group. In 2009, the Group took over the operation and management of the commercial area in Hefang Street and the Southern Song Imperial Street in the Middle Zhongshan Road in Hangzhou. The Group succeeded in adjusting the business focus of the two well-known commercial streets and successfully attracted valuable tenants. Such achievement was praised by the government and the business industry, and has established the commercial management development model for the Group.

The Group continued its prudent strategy to seize opportunities in land acquisition so as to replenish its land bank and optimize its development land portfolio. During the year, the Group acquired a piece of land for residential use in Xiaoheshan Higher Education Area of Hangzhou, Zhejiang Province with GFA of over 232,000 sq. m.; and a piece of land in Qiandaohu Town, Chunan County, Hangzhou, Zhejiang Province with GFA of over 65,000 sq. m. In addition, the Group has also acquired a piece of land for commercial and residential use in Yuyao, Zhejiang Province with a site area of 395,294 sq. m., which will be developed into a new residential community of high-end villas. The Group believes the acquisition will further optimize its land bank and strengthen our position in the real estate market of the Pan-Yangtze River Delta.

As of 31 December 2009, the total GFA of the Group's land bank in Zhejiang and Anhui provinces was approximately 3,671,204 sq. m. and 2,028,516 sq. m. respectively, or 5,699,720 sq. m. in total. It is currently expected that land bank is sufficient for supporting the future development of the Group in the coming five years.

The Group will continue to adjust its business strategy prudently. With a solid foundation in property development and a proven track record on commercial properties investment, the Group will strive to gradually increase its investment in commercial properties as well as broaden the scope of operation, and expedite the development of

Yinlong Chateau

property management, by following the successful commercial management model of the commercial streets —Hefang-Middle Zhongshan Road. The Group will also explore the investment in and operation of retail property business, with a view to balancing and stabilizing the sources of income.

After the central government and some local governments launched a series of measures to revive the property market, in 2009, a total of 937 million sq.m of residential housing was sold in China, an increase of 44% compared to 2008. Last year, the purchasing price in land sales rocketed and created new "record-breaking lands" one after the other. In response to the significant increase in the new loans in early 2010, the central government implemented measures to tighten credit, followed by the raising of the deposit reserve requirement ratio announced by the People's Bank, and the launch of policies in containing real estate prices to enable more stable development of the economy. At the same time, the gross export value of China has shown positive growth for consecutive months since December 2009. The improvement in export brought positive impact to the domestic economy. It can be expected that buyers still have confidence in the property market. As the global economy has stabilized from the financial crisis, the domestic real estate market will remain relatively stable. Provided that the domestic economy maintains its pace of steady growth in line with expectation, the development outlook will be stable for the real estate market in 2010.

However, the Group believes that strong market demand still exists and the Group will enhance the service quality through product innovation, expansion of marketing channels and development of the service industry, so as to continue to maintain its positioning and secure its market share. With sufficient cash flow, strong financial position and low cost advantage, we will continue to uphold a prudent and proactive business strategy. We will seek acquisition or cooperation opportunities which focus on commercial and villa projects, expand into the property-related industry chain, enhance property value through our services and strengthen our corporate integration capability.

Lastly, on behalf of the Board of the Company, I wish to express my immense gratitude to customers, investors, suppliers and staff of the Group for their support in the year. Zhong An Real Estate will face the present opportunities and challenges proactively with its staff and continue to exert and solidify its leading position in the property market in the Pan Yangtze River Delta with its competitive edge and strong business foundation.

Shi Kancheng
Chairman

Hangzhou, the PRC, 26 April 2010

Landscape Bay

White Horse Noble Mansion

Results

The audited consolidated revenue of the Group for 2009 was RMB1,624,476,000, an increase of 13% from that in 2008. The gross profit for 2009 was RMB548,726,000, an increase of 11% from that in 2008. The profit attributable to equity holders of the Company 2009 was approximately RMB408,917,000, an increase of 61% from that in 2008. Core profits, which adjusted for net fair value gains in investment properties, increased to RMB221,958,000. The basic earnings per share was RMB0.21. The Board did not recommend the distribution of a final dividend for the year ended 31 December 2009 (2008: RMB0.02).

Industry Review

Early in 2009, the real estate market in the PRC was still affected by the global financial tsunami. However, after the employment of central government's measures and economic stimulation policies, the confidence on the real estate market had regained gradually since the second quarter of 2009. There had been a significant rebound during the year under review. As a result the floor area of residential properties sold in the PRC reached 937 million sq. m.. It was an increase of about 44% as compared with that of 2008.

There were locations with different increments recorded. The floor area of residential properties sold in Hanzhou of Zhejiang Province was 7.14 million sq. m.. It was an increase of about 152% as compared with that of 2008. Whereas the average selling price per sq. m. was RMB14,430, a slight decrease of 1.7% as compared with that of 2008. The floor area of residential properties sold in Hefei of Anhui Province was about 14.81 million sq. m.. It was an increase of about 63.0% as compared with that of 2008. Whereas the average selling price per sq. m. was RMB4,372, an increase of 15.5% as compared with that of 2008. The floor area of residential properties sold in Huaibei of Anhui Province was about 1.69 million sq. m.. It was an increase of about 67.5% as compared with that of 2008. Whereas the average selling price per sq. m. was RMB2,846 an increase of 4.6% as compared with that of 2008.

Business Review

Sales and earnings

The area of property sold and delivered by the Group in 2009 was 174,950 sq. m. (2008: 244,099 sq. m.), a decrease of approximately 28% compared with that of 2008. During the year, most of the units in White Horse Noblel Mansion presold were recognised as revenue with a total area of 112,194 sq. m. in 2009, which accounted for approximately 64% of the total area of property sold and delivered throughout 2009.

The average sales price per sq. m. achieved by the Group in 2009 was approximately RMB 9,254, representing an increase of approximately 56% from the average sales price per sq. m. of RMB 5,920 in the previous year. The primary reasons were that the revenue attributable to White Horse Noble Mansion as compared to the total revenue of the Group represented a relatively higher proportion as the average sales price per sq. m. of the residences was RMB 10,511 due to its prime location, as compared to the property sales revenue attributable to Green Harbour and Vancouver City to its total revenue of the Group represented a relatively lower proportion because of lower average sales price.

During the year under review, the total booked sales area sold for major projects of the Group and the respective revenue were as follows:

Projects	**Booked sales area 2009** sq.m.	**Booked sales revenue 2009** RMB million
Hangzhou, Zhejiang Province		
White Horse Nobel Mansion	112,194	1,179
Others*	11,116	119
Hefei, Anhui Province		
Green Harbour	40,750	297
Huaibei, Anhui Province		
Vancouver City, Phase 2 North Section	9,008	21
Vancouver City, Phase 1 and Phase 2 South Section	1,882	3
Total	**174,950**	**1,619**

* Including: Landscape Garden, Guotai Garden, Zhong'an Garden, Yicheng Building, Material Market, Highlong Plaza and New White Horse Apartments.

The average cost of property sold per sq. m. of the Group was RMB6,000 in 2009, representing an increase of about 61% from RMB3,733 in the previous year. The main reason was that the cost of property sold of White Horse Noble Mansion, being RMB7,109 per sq. m., accounted for a relatively higher proportion in total cost of property sold of the Group.

Progress of development on major projects

Hangzhou, Zhejiang Province

Highlong Plaza

This is a large-scale integrated commercial development in Xiaoshan district, Hangzhou, which has a total area of 30,933 sq. m., and a total gross floor area ("GFA") of 141,433 sq. m. The project includes a Holiday Inn hotel of five-star standards, an office building, a shopping center, serviced apartments, and underground car parking spaces. The leasing rate of the shopping center and the office building was about 97% and 57% respectively and the occupancy rate of the hotel amounted to 47%. The serviced apartments were sublet to and managed by independent operators during the year under review.

White Horse Noble Mansion

This is a luxurious residence in Xihu District, Hangzhou, Zhejiang Province, which has a total GFA of 168,657 sq.m.. The construction works and the filing of required documents were completed by the end of 2009. The proceeds from pre-sale or the revenue of properties sold we recognized in the year. There are a small number of unsold units available for sale.

Landscape Bay

This is located on the south bank of Qiantang River, Xiaoshan District, Zhejiang Province with a total GFA of 324,339 sq. m.. The project includes island-style villas, high-rise apartments with river view, shopping center, car park spaces and clubhouse. As at 31 December 2009, the project was under construction. It is expected that the project will be completed in phases within the period from December 2010 to December 2011. The presale of villas has been launched in the first quarter of 2010.

Hefei, Anhui Province

Green Harbour

Green Harbour is a low-density residential project in Hefei, Anhui Province which includes townhouses and low-rise residences. The pre-sale revenue of Phase 1A was recognized in the year under review. As at the end of the year under review, Phase 1B with a GFA available for sale of 46,000 sq.m. was then under construction. It is expected the construction will be completed in mid-2010. The presale will be launched in second quarter of 2010.

Huaibei, Anhui Province

Vancouver City

The pre-sale of Vancouver City, Phase 3A in Huaibei, Anhui Province, which has a GFA available for sale of 125,590 sq.m. was under construction in the year. It is expected that the construction will be completed by mid-2010.

Contract sale in 2009

As at 31 December 2009, the contract GFA available for sale by the Group was approximately 188,651 sq. m.. Set out below are the details on the contract sale from the major projects:

	GFA available for sale (sq. m.)	Percentage of interest in the project attributable to the Group
Hangzhou, Zhejiang Province		
New White Horse Apartments	4,061	90.0%
White Horse Noble Mansion	100,062	99.7%
Others*	2,440	-
	106,563	
Hefei, Anhui Province		
Green Harbour	27,028	84.15%
Huaibei, Anhui Province		
Vancouver City	55,060	95.0%
Total	**188,651**	

* Including: Landscape Garden, Guotai Garden, Zhong'an Garden, Yicheng Building, Material Market and Highlong Plaza.

It is expected that the GFA available for sale from the projects to be completed in 2010 was approximately 245,273 sq. m. details of which are as follows:

	Expected completion date	GFA available for sale (sq. m)	Percentage of interest in the project attributable to the Group	Usage
Hangzhou, Zhejiang Province				
Landscape Bay – Phase 2	December 2010	73,683	92.6%	For sale
Hefei, Anhui Province				
Green Harbour, Phase 1B	June 2010	46,000	84.15%	For sale
Huaibei, Anhui Province				
Vancouver City, Phase 3A	June 2010	125,590	95%	For sale/for leasing
Total		**245,273**		

Land reserve

The land reserve policy of the Group is to maintain a land bank which is sufficient for development by the Group for approximately four to five years. As at 31 December 2009, the total GFA for the Group's land bank in Zhejiang Province and Anhui Province was approximately 3,671,204 sq. m. and 2,028,516 sq. m. respectively, aggregating to approximately 5,699,720 sq. m. in total.

During the year under review, there were additions of 3 plots of land to the land bank. They are located in Qiandaohu Town, Chunan County, Hangzhou, Zhejiang Province; Xiaoheshan, Yuhang District, Hangzhou, Zhejiang Province and Yuyao, Zhejiang Province. Such additions will enrich the Group's land bank and are expected to bring forth development and opportunity for the Group.

Details of land bank of the Group as at 31 December 2009:

Location of land	Type of property	Total GFA (sq. m)	GFA available for sale/leasing (sq. m)	Percentage of interest in the project attributable to the Group
Hangzhou, Zhejiang Province				
Landscape Bay, Ning Wei Town	Residential/retail spaces	324,339	248,230	92.6%
Huifeng Plaza	Residential	69,545	28,991	90.0%
Yinlong Chateau at Wenyan Town, Xiaoshan District	Residential/retail spaces/office	245,000	202,000	94.5%
International Office Centre, Phase A	Residential/office/hotel	843,400	683,300	100.0%
International Office Centre, Phase B & C	Residential/office/retail spaces/hotel	1,444,000	1,018,400	100.0%
Chunan County, Qiandaohu Town	Residential/hotel	65,836	65,000	100.0%
Xiaoheshan, Yuhang District	Residential	303,434	286,424	90.0%
Yuyao, Zhejiang Province				
North to Shenggui Hill, west to Xingjian North Road and south to Beihuan West Road	Residential/office/retail spaces/hotel	375,650	325,000	90.0%

Location of land	Type of property	Total GFA (sq. m)	GFA available for sale/leasing (sq. m)	Percentage of interest in the project attributable to the Group
Sub-total for land bank in Zhejiang Province		**3,671,204**	**2,857,345**	
Huaibei, Anhui Province				
Vancouver City Phases 3A to 3D	Residential/retail spaces	534,036	491,300	95%
Vancouver City Phases 4 to 6	Residential/retail spaces/hotel	684,880	654,200	95%
Hefei, Anhui Province				
Green Harbour Phases 1B and 1C	Residential	126,100	112,705	84.15%
Green Harbour Phase 2	Residential/retail spaces	128,200	87,300	84.15%
Green Harbour Phases 3 to 6	Residential/retail spaces/hotel	555,300	542,500	84.15%
Sub-total for land bank in Anhui Province		**2,028,516**	**1,888,005**	
Total land bank		**5,699,720**	**4,745,350**	

Recognition obtained by the Group

The Group was awarded by the government and recognized authorities during 2009 as follows:

	Awarding Organization	Award
March 2009	China Real Estate Top 10 Research Team	Zhejiang Zhong'an Property Development Co., Ltd. –"Star Developer of the Top 100 China Real Estate Development Companies 2009"
March 2009	CECA National Informatization Evaluation Center	Zhong An Real Estate Limited –"Top 500 Informatized Enterprises in China 2008"
March 2009	Co-organized by the China Real Estate Association, Enterprise Research Institute of the Development Research Center of the State Council, the Real Estate Research Institute of Tsing Hua University and the China Index Academy	Zhong An Real Estate Limited –"2009 China Top 100 Real Estate Companies" and "2009 Star of the Top 100 Real Estate Companies"
June 2009	Economic Digest	Zhong An Real Estate Limited –"Outstanding Domestic Real Estate Stock 2009"
July 2009	Industry and Market Research Professional Committee of the China Real Estate Association, Internet Society of China and Internet Marketing Committee of China	Zhejiang Zhong'an Property Development Co., Ltd. – Hangzhou˙ The most popular leading company in the real estate industry among the Internet users"(「杭州 · 房地產行業最具網絡人氣領袖企業」)
October 2009	China Real Estate Top 10 Research Team	Zhong An Real Estate Limited –"2009 Top 10 Real Estate Enterprises by Brand Value in Eastern China"
November 2009	Hangzhou Xiaoshan Television Broadcast Station (杭州市蕭山廣播電視台) and the Construction Bureau of Xiaoshan District of Hangzhou (杭州市蕭山區建設局)	Zhong An Landscape Bay –"The Development Project with the Most Growth Potential in Xiaoshan" (蕭山最具增值潛力樓盤)
November 2009	China Academy of Real Estate and National Architecture Institute of China	Zhong An Real Estate Limited –"The Gold Award for the Best Design"(「最佳設計方案金獎」)

Human resources

As at 31 December 2009, the Group employed 995 staff (2008: 1,014 staff). In 2009, the staff cost of the Group was approximately RMB65,260,000 (2008: approximately RMB43,477,000), representing an increase of approximately 42%. The increase was mainly due to the share-based payments under the share option scheme adopted by the Company with effect from 15 May 2009 and the adoption of better remuneration policy to recruit staff with higher quality.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. To attract talented persons and stabilize the management, eligible participants (including employees of the Group) may be granted options to subscribe for shares of the Company pursuant to the share option scheme. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness.

Dividend policy

The Board shall determine the dividend policy of the Company according to the financial condition, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

Financial analysis

Gross profit

For the year ended 31 December 2009, the Group recorded audited gross profit of RMB548,726,000, an increase of approximately11% from RMB496,550,000 in the previous year. The main reason is the sales of White Horse Noble Mansion had a higher average selling price were accounted for in the year, which represented 64% of total area sold.

Net profit

The profit attributable to the owners of the parent was RMB408,917,000, an increase of 61% from RMB253,986,000 in the previous year. The main reason was that the increase in fair value of investment property in 2009 was RMB293,743,000, an increase of RMB189,508,000 from that in 2008. Moreover, core profits for the year under review amounted to RMB221,958,000, an increase of RMB17,819,000 from that in 2008.

Capital structure

As at 31 December 2009, the Group had aggregate cash and cash equivalents (including pledged deposits) of RMB921,135,000 (2008: RMB1,668,441,000) and the current ratio was 1.5 (2008: 2.5). The decrease of cash and cash equivalents is due to the payments of the land acquired during the year under review. Those capital resources and the stable financial structure of the Group have provided strong support for the Group in seeking other real estate developing opportunities and accelerating expansion of business in the PRC.

As at 31 December 2009, the bank loans and other borrowings of the Group repayable within one year and after one year were RMB173,753,000 and RMB891,036,000 respectively (2008: RMB142,117,000 and RMB521,789,000 respectively). The increase is mainly due to the increase in loan for operation and future development purposes.

The consolidated interest expenses in 2009 amounted to RMB437,000 (2008: RMB8,240,000) in total. Interests in the amount of RMB43,400,000 (2008: RMB62,124,000) were capitalized during the year. Interest cover (including amount of interests capitalized) was 9.0 times (2008: 5.3 times).

As at 31 December 2009, the ratio of total liabilities to total assets of the Group was 39.1% (2008: 36.1%)

As at 31 December 2009, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 24.9% (2008: 16.9%). The ratio of bank loans and other borrowings to total assets was 14.7% (2008: 10.5%).

The gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 21% (2008: (6)%).

Capital commitments

As at 31 December 2009, the capital commitments of the Group were RMB1,954,409,000 (2008: RMB568,744,000), which were mainly the capital commitments for land acquisition costs and construction costs. It is expected that the Group will finance such commitments from its own funds and external financing (such as bank loans).

Guarantees and contingent liabilities

As at 31 December 2009, the contingent liabilities of the Group was approximately RMB872,285,000 (2008: RMB116,295,000), which were mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

Pledge of assets

As at 31 December 2009, investment properties of the Group with net book value of approximately RMB1,596,400,000 (2008: RMB1,134,900,000), properties under development of approximately RMB145,367,000 (2008: RMB153,798,000) and, property and equipment approximately RMB158,392,000 (2008: RMB163,872,000) were pledged to secure the banking facilities of the Group.

As at 31 December 2009, pledged deposits of approximately RMB29,348,000 (2008: RMB16,343,000) were pledged to banks as guarantees to construction safety and mortgage facilities granted to purchasers of the Group's properties.

Foreign Exchange Risk

As the sales, purchase and bank borrowings of the Group in 2009 and 2008 were made mainly in Renminbi, the foreign exchange risk exposed by the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2009 and 2008.

Interest rate risks

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

Subsequent events

Other than the matters as disclosed in the published announcements of the Group, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this annual report.

Prospects

As there was a significant increase in lending recorded in January 2010, the People' Bank of China announced an increment in the deposit reserve rate subsequently. The central government promulgated various measures so as to stabilise the development in the real estate industry. On the other hand, the export has recovered in the PRC in general since an 17.7% increment was recorded in December 2009 compared with that of previous month. In March 2010, the import and export for the month was about US$231.5 billion, an increment of 42.8% compared with that of last year. This was an consecutive of 4 months' increment in export. Hence, such improvement in export would bring a positive influence to the economy. It is expected the confidence of the buyers will not be significantly changed. Although not guaranteed, in view of the stablization of global economy after the financial crisis, the real estate industry of the PRC will have a stable development.

The Group has developed and acquired land for projects with a prudent attitude since its listing in 2007. To meet the needs for market development, the Group will continue to adjust its development strategies and has planned to gradually expand its business investment, proportion in property service and development of commerce and retail business, and to develop and stabilize its source of income based on its stable development of residential projects and income from commercial properties. Meanwhile, with competitive advantages of sufficient cash flow, strong financial position and low cost of land, the Group continues to adopt prudent and proactive business strategies, seek acquisition and cooperative projects with focus on commercial projects and villa projects, develop property related industry chain, enhance corporate integration capacity and continue to improve product combination, so as to strive for better return.

(A) Corporate Governance Practices

The Company and the Board of Directors of the Company (the "Board") have adopted the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year ended 31 December 2009 (the "Year "), the Board has met the code provisions of the Code in so far they are applicable with the exception of the deviation from the code provision A.2.1 (i.e. the roles of the Chairman and the Chief Executive Officer of the Company are both performed by Mr. Shi Kancheng).

The Board believes that the role of both chairman and chief executive officer in the same person provides the Company with consistent leadership and enables the Company to carry out the planning and implementation of business plans and decisions efficiently.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

(B) Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors of the Company's (the "Directors") securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Year.

(C) Board of Directors

The directors of the Company during the Year were as follows:

Executive Directors

Mr. Shi Kancheng (alias Shi Zhongan)
(Chairman and Chief Executive Officer)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang (Re-elected on 15 May 2009)

Independent non-executive Directors

Professor Pei Ker Wei
Professor Wang Shu Guang
(Re-elected on 15 May 2009)
Dr. Loke Yu (alias Loke Hoi Lam, appointed on 30 June 2009; with professional qualification in accordance with Rule 3.10(2))
Mr. Heng Kwoo Seng (re-elected on 15 May 2009 and resigned on 30 June 2009; with professional qualification in accordance with Rule 3.10(2))

A total of six Board meetings were held during the Year. The individual attendance of each Director was as follows:

	Number of Attendance
Mr. Shi Kancheng	6
Mr. Lou Yifei	6
Ms. Shen Tiaojuan	6
Mr. Zhang Jiangang	6
Professor Pei Ker Wei	6
Professor Wang Shu Guang	6
Dr. Loke Yu (appointed on 30 June 2009)	3
Mr. Heng Kwoo Seng (resigned on 30 June 2009)	3

The Board operates and exercises its power in accordance with the Articles of Association of the Company. In addition, the Board has also specifically resolved that all transactions/contracts/other matters of the Group that are subject to the disclosure requirement in accordance with the Listing Rules should be approved by the Board in advance.

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

Save as disclosed in the section of "Biographical Details of Directors and Senior Management" in the annual report of the Company, there are no relationships (including financial, business, family or other material/relevant relationships) among members of the Board.

(D) Chairman and Chief Executive Officer

During the Year, the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Shi Kancheng.

(E) Independent Non-executive Directors

The independent non-executive Directors has been appointed for a term of two years commencing on 30 June 2009 for Dr. Loke Yu, and 1 November 2009 for Professor Pei Ker Wei and Professor Wang Shu Guang.

The director's fee specified in each of Dr. Loke Yu, Professor Pei Ker Wei and Professor Wang Shu Guang's existing service contracts are RMB150,000, RMB100,000 and RMB50,000 respectively.

(F) Remuneration of Directors

The chairman of the remuneration committee of the Company (the "Remuneration Committee") is Professor Pei Ker Wei. The remaining members are Ms. Shen Tiaojuan and Dr. Loke Yu.

The role and function of the Remuneration Committee of the Company include the following:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(g) to review and approve the remuneration report of the Group.

The basis of the emolument payable to the Directors is determined with reference to the range of prevailing directors' fee for director of listed companies in Hong Kong and is subject to the approval of the Remuneration Committee. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, experience and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

A total of two Remuneration Committee meetings were held during the Year. The Remuneration Committee had reviewed the terms of remuneration packages of the Directors and made relevant recommendations on the grant of share options under the share option scheme (the "Scheme") to the Directors and employees of the Company and eligible participants of the Scheme. The individual attendance of each member was as follows:

	Number of Attendance
Professor Pei Ker Wei	2
Ms. Shen Tiaojuan	2
Dr. Loke Yu (appointed on 30 June 2009)	1
Mr. Heng Kwoo Seng (resigned on 30 June 2009)	1

(G) Nomination of Directors

The chairman of the nomination committee of the Company (the "Nomination Committee") is Mr. Shi Kancheng. The remaining members are Mr. Lou Yifei and Professor Wang Shu Guang.

The role and function of the Nomination Committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis;

(b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors;

(d) to make recommendations to the Board on relevant matters relating to, among others, the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive Officer of the Company.

(e) to give full consideration to, among others, the skills and expertise required from members of the Board and the relevant requirements of the Listing Rules with regard to Directors and etc., in the discharge of the Nomination Committee's duties;

(f) to ensure that on appointment to the Board, non-executive Directors (including independent non-executive Directors) receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;

(g) to conduct exit interviews with any Director upon their resignation in order to ascertain the reasons for his/her departure;

(h) to consider other matters, as defined or assigned by the Board from time to time; and

(i) in respect of any proposed service contracts to be entered into by any members of the Group with its director or proposed director, which require the prior approval of the shareholders of the Company at general meeting under Rule 13.68 of the Listing Rules, to review and provide recommendations to the shareholders of the Company (other than shareholders who are directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote.

The nomination procedures are as follow: candidates for directorship are selected by the Nomination Committee subject to the review and approval of the Board in accordance with the Articles of Association of the Company. The criteria adopted by the Nomination Committee in selecting and approving candidates for directorship are based on whether the candidates are appropriate in terms of experience and the potential contribution to the Group.

A total of three Nomination Committee meetings were held during the Year. The Nomination Committee nominated and the Board recommended Mr. Zhang Jiangang, Professor Wang Shu Guang and Mr. Heng Kwoo Seng to be re-elected at the annual general meeting held on 15 May 2009. Furthermore, the Nomination Committee nominated Dr. Loke Yu as independent non-executive Director and recommended the renewal of the service contracts of Professor Pei Ker Wei and Professor Wang Shu Guang to the Board.

The individual attendance of each member of the Nomination Committee was as follows:

	Number of Attendance
Mr. Shi Kancheng	3
Mr. Lou Yifei	3
Professor Wang Shu Guang	3

(H) Auditors' Remuneration

The audit fee of the Group for 2009 was RMB1,600,000 (2008: RMB1,900,000).

During the Year, there was no significant non-audit service assignments being performed by the auditors of the Group.

(I) Audit Committee

The Company has set up an audit committee (the "Audit Committee") and the terms of reference adopted complied with the requirement of the Listing Rules.

The chairman of the Audit Committee is Dr. Loke Yu. The remaining members are Professor Pei Ker Wei and Professor Wang Shu Guang.

The Audit Committee comprises all of the three independent non-executive Directors of the Company.

The role and functions of the Audit Committee include the following:

(a) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to discuss with the external auditors before the audit commences, the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken. The Audit Committee should also review the non-audit services provided by the external auditor on an annual basis, to ensure that the independence of such external auditor will not be affected;

(e) to monitor integrity, accuracy and fairness of financial statements of an issuer and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. The Audit Committee should focus particularly on the following aspects before submission of reports to the Board:

   i. any changes in accounting policies and practices;
   ii. major judgmental areas;
   iii. significant adjustments resulting from audit;
   iv. the going concern assumptions and any qualifications
   v. compliance with accounting standards; and
   vi. compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(f) to review, in draft form, the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly report;

(g) members of the Audit Committee must liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least once a year, with the Company's auditors and (in the absence of the management) meet at least once a year with the Company's auditors. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting functions, compliance officer or auditors;

(h) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

(i) to review the system of financial control, internal control and risk management and to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system and to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

(j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(k) where an internal audit function exists, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review monitor, the effectiveness of the internal audit function;

(l) to review the Group's financial and accounting policies and practices;

(m) to conduct exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;

(n) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

(o) to consider the appointment of any person to be an Audit Committee member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional Audit Committee member, company secretary, auditors and accounting staff or dismissal of any of them;

(p) to consider the major findings of internal investigations and management's response;

(q) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(r) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(s) to report to the Board on the matters set out in the code provisions contained in the Code on Corporate Governance Practices set out in (and as amended from time to time) Appendix 14 to the Listing Rules; and

(t) to consider other matters, as defined or assigned by the Board from time to time.

A total of three audit committee meetings were held during the year. The work performed by the Audit Committee during the Year included the followings:

– reviewed the annual report and results announcement of the Company for the year ended 31 December 2008;
– reviewed the interim report and interim results announcement of the Company for the six months ended 30 June 2009;
– reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
– reviewed the results of external audit and had discussion with external auditors on any significant findings and audit issues;

– discussed with the external auditors before the audit commenced, the nature and scope of the audit and the respective relevant issues; and
– considered and approved the service contract of the auditors for the Year.

The individual attendance of each member of the Audit Committee was as follows:

	Number of Attendance
Dr. Loke Yu (appointed on 30 June 2009)	2
Professor Pei Ker Wei	3
Professor Wang Shu Guang	3
Mr. Heng Kwoo Seng (resigned on 30 June 2009)	1

(j) Directors' Responsibility in Preparing the Accounts

The Directors acknowledge that they are responsible for the preparation of accounts which give a true and fair view of the Company and the Group.

The statement of the auditors of the Company about their reporting responsibilities on the accounts of the Group is set out in the section headed "Independent Auditors' Report" in this Annual Report.

(k) Annual Review of the Effectiveness of the Internal Control of the Group

The Directors have conducted a review of the effectiveness of the system of internal control of the Group and have resolved that the system of internal control of the Group during the Year was effective. Such review has covered all material controls including financial, operational and compliance controls and risk management functions.

The Directors have considered that there are adequate resources and budget available for the staff with appropriate qualifications and experience in the aspect of training and discharging the accounting and financial reporting functions.

For and on Behalf of the Board
Zhong An Real Estate Limited

Shi Kancheng
Chairman

The People's Republic of China, 26 April 2010

Zhong An Real Estate – Participation in the Community and Plough Back to the Society

As in the past, Zhong An Real Estate has been emphasizing the culture of caring of the society. The corporate development and operation are closely associated with the social responsibilities. Economic benefits are pursued for at the same time with achieving the maximization of social benefits.

Zhong An Real Estate has continued in pursuing the mission of "ploughing back to the society". Efforts have been devoted to the development of charitable affairs. We also proactively participated in the community welfare activities. We expressed the concern of the livelihoods of the disadvantaged groups as ours social obligation. During the year under review, respective members of the Group had participated in the community works and charitable affairs of the local communities.

Hangzhou of Zhejiang Province is the base of the Group. That is why we always contribute our efforts to the local community. In order to support the Dangwan Xinqian Village of Xiaoshan District, Hangzhou, Zhejiang Province to develop the supporting works for the poverty and a local charitable body of Xiaoshan District to raise operation funds, we, accordingly, donated a total sum of RMB370,000. We tried our best to fulfill the obligation of "ploughing back to the society".

Besides, the Group had participated the volunteer services of other communities so as to promote the harmonization of the society. Our member company in Huaibei of Anhui Province had participated and subsidized the operation funds of the local communities amounting to RMB70,000. The local education authority, a local football team and the squadron of local fire station had been involved in such activities.

The above materialize the efforts of Zhong An Real Estate in ploughing back to the society and emphasize the culture of caring the society.

Directors

Executive Directors

Shi Kancheng (alias Shi Zhongan), aged 47, is Chairman and Chief Executive Officer of Zhong An Real Estate Limited (the "Company") and also holds directorship in certain subsidiaries. Mr. Shi is responsible for the strategic and development planning. He also supervises project planning and the overall business operation. Mr. Shi joined the Group since the establishment of the first member of the Group, Zhejiang Zhong'an Property Development Co., Ltd. (浙江眾安房地產開發有限公司) ("Zhejiang Zhong'an Property Development"). Mr. Shi served as a tax officer in the finance and revenue bureau of Xiaoshan district of Hangzhou (formerly known as Xiaoshan City) and served as the general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. (杭州蕭山銀河房地產開發有限公司). Mr. Shi has over 16 years' experience in property development and property investment. Mr. Shi graduated from a Master of Business Administration program co-organized by Arizona State University and Shanghai National Accounting College (上海國家會計學院) in June 2007. From 2005 to 2006, Mr. Shi completed a program for executive officers, focusing on globalization and real estates developers, co-organized by Harvard University, Tsinghua University, The University of Hong Kong and the United States Military Academy. In the same year, Mr. Shi completed a program for presidents of real estates companies organized by Zhejiang University (浙江大學). Mr. Shi is not a director of any other listed company. Mr. Shi is the sole director and the sole shareholder of Whole Good Management Limited, which is the controlling shareholder of the Group.

Lou Yifei, aged 60, is an executive Director and the Vice President of the Company. He joined the Group in March 2006. He is primarily responsible for project operations, which include project planning, research and development, cost management, sales management and customer relations. He received an associate degree in architectural engineering from Wuhan Industry University in 1992 and completed a graduate degree in structural engineering at Zhejiang Industry University in 2002. Prior to joining the Group, Mr. Lou was the vice president and manager of the engineering department of Laiyinda Real Estate Co., Ltd. (萊茵達房地產有限公司), a supervisor of Laiyin Property (萊茵置業) and had served various other positions in the same group of companies from 2000 to 2006. Mr. Lou was a deputy general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. from 1994 to 2000. From 1984 to 1994, Mr. Lou worked for the government bureau of Xiaoshan district of Hangzhou, where he was primarily responsible for infrastructure construction management. From 1978 to 1994, he served as construction and engineering manager of Linpu Construction Company. Mr. Lou obtained his engineering qualification in 1999. Mr. Lou has 31 years of experience in the construction operations, and management of property development. Mr. Lou is not a director of any other listed company.

Shen Tiaojuan, aged 47, is an executive Director and the Vice President of the Company and also holds directorship in certain subsidiaries of the Company. She is primarily responsible for the financial operation and financial management of the Group. She has joined the Group in December 1997. Prior to joining the Group, Ms. Shen was the chief accountant and finance manager of Hangzhou Guanghua Chemical Fibres Factory (杭州光華化纖廠) from 1980 to 1993, the chief accountant of Hangzhou Hualing Electrics Co., Ltd. in 1994, and the chief accountant of White Swan Industry Co., Ltd. from 1995 to 1997. Ms. Shen has 28 years of experience in the financial operation of property development. Ms. Shen is not a director of any other listed company.

Zhang Jiangang, aged 40, is an executive Director and the Vice President of the Company and also holds directorship in a subsidiary of the Company. He is primarily in charge of the strategy implementation and the investment management of the Company. He served as the general manager and assistant to the Chairman of Anhui Zhong'an Real Estate Co., Ltd. (安徽眾安實業有限公司) ("Anhui Zhong'an Real Estate"). From 1995 to 2003, Mr. Zhang served as the office manager, assistant to general manager and vice general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd. (杭州蕭山銀河房地產開發有限公司). Mr. Zhang joined the Group in March 2003. Mr. Zhang has 15 years of experience in construction and property development. Mr. Zhang is not a director of any other listed company.

Independent Non-executive Directors

Pei Ker Wei (Ph.D.), aged 53, was appointed an independent non-executive Director in October 2007. Dr. Pei worked as associate professor, deputy professor and professor at Arizona State University, chairman of North America Chinese Accounting Professors Academy, chairman of global commission of American Accounting Academy. He is currently Associate Dean of the W.P. Carey School of Business of Arizona State University and a member of the American Accounting Academy. Dr. Pei is also serving as independent non-executive director of Want Want China Holdings Limited, a company which shares are listed on the Stock Exchange, and Baoshan Iron & Steel Co., Ltd., a company which shares are listed on the Shanghai Stock Exchange. Mr. Pei received his MBA degree from South Illinois University in 1981 and Ph.D. from University of North Texas in 1986.

Wang Shu Guang, aged 56, was appointed an independent non-executive Director in October 2007. Professor Wang is Executive Chairman of Zhejiang Provincial Merchant Research Society and a co-researcher at the Institute of Public Management Science of Zhejiang University. Professor Wang is also currently a consultant to various organizations, including the Economic Professional Committee of Zhejiang Province Senior Professors Association (浙江省老教授協會經濟專業委員會), Zhejiang Knowledge Economics Club (浙江知識經濟俱樂部), and Hangzhou Young Entrepreneurs Association. Mr. Wang is not a director of any other listed company.

Loke Yu (alias Loke Hoi Lam), aged 60, was appointed an independent non-executive Director on 30 June 2009. He holds a Master Degree in Business Administration from Universiti Teknologi Malaysia and a Doctor Degree in Business Administration from University of South Australia. He is a fellow of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He is also an Associate member of The Hong Kong Institute of Chartered Secretaries and a member of Malaysian Institute of Accountants. Dr. Loke is the Chairman of MHL Consulting Limited and serves as independent non-executive director of Bio-Dynamic Group Limited, China Fire Safety Enterprise Group Holdings Limited, Matrix Holdings Limited, SCUD Group Limited, VODone Limited and Winfair Investment Company Limited, the shares of which companies are all listed on the Stock Exchange. Previously, he was independent non-executive director of Shandong Molong Petroleum Machinery Company Limited, United Metals Holdings Limited and ZMAY Holdings Limited the shares of which companies are all listed on the Stock Exchange. He has over 35 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management.

Senior Management

Mr. Ming Chenghai, aged 55, is the Executive Vice President of the Company. He is responsible for the project operation and management of the Group. He joined the Company on 9 July 2009. Prior to joining the Company, he was the Business Development Director of Wharf Beijing Limited. Previously he was senior management staff of a number of sizeable groups of companies including the managing director of Northeast Division of China Vanke Co., Ltd.. Mr. Ming is a graduate in business administration of Economics Department of Liaoning University and a postgraduate student of School of Business Administration of Dongbei University of Finance and Economics. Mr. Ming has more than 30 years of experience in the government, hotel, real estate development and investment industries.

Mr. Cui Yuzhi, aged 43, is the Chief Financial Officer of the Company. He oversees the Group's capital market operation and financial management. He joined the Company on 8 June 2009. Prior to joining the Company, he was the Chief Financial Officer of Excellence Group and Treasure Holdings China Limited. Mr. Cui also worked for other sizeable companies including Shanghai Forte Land Co., Ltd., Lenovo Group Limited and Citigroup's Investment Banking Division where he handled several successful transactions in initial public offerings, mergers and acquisitions, and follow on offerings. Mr. Cui obtained a bachelor's degree in applied physics with the highest honours from the University of Notre Dame in 1991 and a master degree in business administration from the University of Chicago Graduate School of Business in 2001. Mr. Cui has more than 15 years of experience in the international capital market.

Xu Dan, 47, is the Vice President of the Company. She mainly assists the Chief Executive on corporate governance and information management of the Group. She joined the Group in January 2003. She has served as the Director of Office, Director of Operating Center, Director of Administration and Management Center of Zhejiang Zhong'an Property Development Co., Ltd. Prior to joining the Group, she was the technician, electronic computing programmer, deputy director and director of Hangzhou Electric Equipment Works from 1981 to 1994 and the director of communications of Kvaerner Power Equipment (Hangzhou) Co., Ltd. from May 1996 to December 2002. Ms. Xu hold degrees in economics and administration and management as well as certificate of engineer qualification. She has 29 years of experiences in corporate and information management and 7 years of professional experiences in business management of real estate company.

Jin Ni, aged 34, is the general manager of Highlong Commercial Building. She is in charge of customer solicitation for Highlong Commercial Building and customer solicitation and management for leasing properties. She joined the Group in May 1997. She served as a sales lady and vice manager of the Sales Department, an office manager, and the vice general manager of Zhejiang Zhong'an Property Development from 1997 to 2006. She received her bachelor's degree in management from Zhejiang University of Technology (浙江工業大學) in 2003 and an associate degree in accounting from the East College of Zhejiang University (浙江大學東方學院) in 1996. She has 13 years of experience in sales, and operation and management of property companies.

Lu Jianguo, aged 48, is one of the executive general managers of the Group. He is primarily in charge of Human Resource Management of the Company. He joined the Group in May 2001. From 1993 to 2000, Mr. Lu was a manager of Xiaoshan Zhongguan Acoustic Engineering Co., Ltd. (蕭山中冠聲學工程有限公司), a manager of Xiaoshan Erqing Industrial General Corporation (蕭山二輕實業總公司), the head of Xiaoshan Erqing Tower Preparatory Office (蕭山二輕大廈籌建辦公室), and the office manager and a designer at Hangzhou Power Generation Equipment Factory (杭州發電設備廠) from 1978 to 1995. Mr. Lu received an associate degree in electronics from Zhejiang Radio & Television University (浙江廣播電視大學) in 1982. Mr. Lu has 8 years of experience in operation and management of property companies.

Zhang Fengquan, aged 39, is the executive deputy general manager of Yuyao Zhong An Enterprises Management Co., Ltd.. He is responsible for the Group's project development in Yuyao. He joined the Group in December 1997. From 1997 to 2009, he served as manager at Zhejiang Zhong'an Property Management, manager of sales department at Zhejiang Zhong'an Property Development, project manager of Guotai Garden, general manager of Anhui Zhong'an Real Estate Co., Ltd and deputy general manager of Hangzhou Zhong'an Highlong Commercial Building Co., Ltd.. Mr. Zhang received an associate bachelor degree in industrial and civil Construction from Sichuan Agricultural University (四川農業大學) in 2006. He is currently a candidate for a bachelor degree in project management from Wuhan University (武漢大學). Mr. Zhang has 16 years of experience in operation and management of property companies.

Jin Jianrong, aged 41, is the general manager of Zhejiang Zhong'an Property Development and Hangzhou White House Property Development Co. Ltd. (杭州白馬房地產開發有限公司). He is in charge of on-site technical supervision, construction, and cost control of the Group's projects in Zhejiang. Mr. Jin joined the Group in September 2004. Prior to joining the Group, he was the deputy general manager in charge of construction matters of Zhejiang Lvdu Real Estate Development Company (浙江綠都房地產開發公司) from 2003 to 2004, and a construction manager of Zhejiang Wanxiang Real Estate Company (浙江萬向房地產開發公司) from 1997 to 2002. He was responsible for project management of Yinhe Real Estate Development Company (銀河房地產開發公司) from 1995 to 1997, and was a project manager and worker of Xuxian Construction Co., Ltd. (許賢建築公司) from 1987 to 1994. Mr. Jin received a bachelor degree in civil engineering and management from Sichuan University (四川大學) in 2006. He has 22 years of experience in operation and management of property companies.

Shen Junhua, aged 48, is an executive deputy general manager of Henlly Enterprise Management (Hangzhou) Co., Ltd. He is in charge of on-site technical supervision, construction and cost control of the International Office Centre. He joined the Group in April 2005. Prior to joining the Group, Mr. Shen was a quality supervision director of Shimao Group (世茂集團) from 2003 to 2005, a construction director of Shanghai Shengyang Real Estate Company (上海晟陽房地產公司) from 2001 to 2003, a vice chief engineer of Hongyun Construction Company of Yangguang Group Corporation (陽光公司弘運建築公司) from 2000 to 2001, a deputy manager of the construction department of Jiaoyin Company (交銀公司) from 1993 to 2000, a project manager of Shengang Construction Company (申港建築公司) from 1991 to 1993, and a designer of Shanghai Design Institute of Mechanics and Electricity (上海機電設計院) from 1983 to 1991. Mr. Shen received a bachelor degree in applied mechanics from Tongji University (同濟大學) in 1983. He has 26 years of experience in operation and management of property companies.

Dong Shuixiao, aged 46, is the general manager of Anhui Zhongan Real Estate Development Co., Ltd.("Anhui Zhong'an Property Development"). He is in charge of its operation and management. He joined the Group since 1997. Prior to joining the Group, he was the accountant and deputy finance manager of Xiaoshan Material Bureau from 1985 to 1993 and the manager of Hangzhou Xiaoshan Hongsen Material Co., Ltd. from 1994 to 1996. He served as the deputy general manager (in charge of finance) in Anhui Zhong'an Property Development in January 2003. He was responsible for the on-site technology supervision, construction and cost control of the project in Yisheng in February 2004. In March 2006, he was promoted to be the deputy manager of Zhejiang Zhong'an Property Development, and in charge of financial operation. Mr. Dong received his college diploma in Beijing University of Geoscience. He has over 13 years of experiences in property operation and management.

Gu Yingying, aged 44, is the general manager of Anhui Zhong'an Real Estate Co., Ltd.. She is in charge of its operation and management. She joined the Group in 2000. Prior to joining the Group, Ms. Gu was the sales manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd.（蕭山市銀河房地產發展有限公司）from 1994 to 2000 and as Factory Office Administrative officer of Hangzhou Second Cotton Knitting Factory（杭州第二棉紡織廠）from 1981 to 1994. From 2000 to 2006, she served as manager of sales department at Zhejiang Zhong'an Property Development Co., Ltd. In March 2006, she was promoted to be the deputy sales general manager of Anhui Zhong'an Real Estate Co., Ltd.. Ms. Gu received an associate bachelor degree in economics management from Sichuan Agricultural University in 2006. She has about 15 years of experience in sales and management of property companies.

Company Secretary

Lam Yau Yiu, 46, is the Financial Controller and Company Secretary of the Company. He joined the Group in October 2008. Mr. Lam graduated from the City University of Hong Kong with a bachelor degree in accountancy. He also holds a degree of Master of Business Administration from the Hong Kong University of Science and Technology. He is a fellow member of Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountants. Prior to joining the Group, he worked for a company with property development business in China for more than 2 years. He also acted as the financial manager and financial controller and company secretary for three listed companies in the United States and Hong Kong for a total of about 7 years. He also worked for international accounting firms in Hong Kong for over 3 years. He has about 21 years' of experience in external auditing, finance and accounting.

The directors (the "Director") of Zhong An Real Estate Limited (the "Company") herein present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2009.

Principal activities

The Company's principal activity is investment holding. The principal activity of the Group is property development, leasing and hotel operation. The nature of the principal activity has not changed during the year under review.

Segment information

Over 90% of the Group's consolidated sales and contribution to results are derived from the PRC and mainly from the business of property development for the year ended 31 December 2009 and are set out in note 4 to the financial statements.

Results and dividends

The Group's consolidated income statement of comprehensive income for the year ended 31 December 2009 and its consolidated statement of financial position as at 31 December 2009, together with the statement of financial position of the Company as at 31 December 2009, are set out in the financial statements on pages 45 to 53.

An interim dividend of RMB0.02 per ordinary share for the period ended 30 June 2009 was paid on 15 October 2009. The board of directors of the Company (the "Board') does not recommend the payment of final dividend for the year ended 31 December 2009 (2008: nil).

Bonus issue of shares

The Board proposes to make a bonus issue ("Bonus Issue") of new shares of HK$0.10 each to the shareholders whose names appear on the register of members of the Company on the date of the annual general meeting of the Company to be held this year (the "Record Date") on the basis of 1 bonus share for every 5 ordinary shares to be held on the Record Date. The bonus shares will be issued and credited as fully paid upon issue and will rank pari passu in all respects with the existing shares with effect from the date of issue. The Bonus Issue will be funded by way of capitalisation of certain amount standing to the credit of the Company's share premium account, and is conditional upon the approval of the shareholders at the annual general meeting of the Company to be convened this year, and the granting by the Stock Exchange of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. A circular containing further details of the Bonus Issue and notice of the annual general meeting will be despatched to the shareholders as soon as practicable.

Closure of register of members

The register of members of the Company will be closed from 25 June 2010 to 30 June 2010, both days inclusive, during which period no transfer of shares will be effected. In order to entitle to the proposed Bonus Issue and be eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on 30 June 2010, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 June 2010.

Summary of financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 140. This summary does not form part of the audited financial statements.

Property and equipment, and investment properties

Details of movements in the property and equipment, and investment properties of the Group and the Company during the year under review are set out in notes 13 and 14 to the financial statements respectively.

Share capital and share options

Details of the movements in the Company's issued share capital and share options during the year under review are set out in notes 28 and 29 to the financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 30 to the financial statements.

Distributable reserves

As at 31 December 2009, the Company's retained profits amounted to RMB5,546,000 and the Company's share premium amounted to RMB2,976,821,000. By passing an ordinary resolution of the Company, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands.

Share option scheme

On 9 July 2009, the Board had granted share options (the "Options") to subscribe for ordinary shares of HK$0.10 each of the Company (the "Shares") to eligible participants under the share option scheme (the "Scheme") approved by the shareholders of the Company (the "Shareholders") on 15 May 2009. The details of the Scheme are disclosed below pursuant to the requirements under Chapter 17 of the Listing Rules:

1. Purpose of the Scheme : As incentives or rewards to the eligible participants for their contribution to the Group.

2. Participants of the Scheme :
   - (a) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries any equity entity ("Invested Entity") in which any members of the Group holds an equity interest;
   - (b) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
   - (c) any supplier of goods or services to any member of the Group or any Invested Entity;
   - (d) any customer of any member of the Group or any Invested Entity;
   - (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
   - (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
   - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
   - (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

3. Total number of Shares available for issue under the Scheme	:	The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of this Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of passing the relevant resolution for adopting the Scheme.
4. Total number of Shares available for issue under the Scheme	:	194,267,200 Shares (representing 10% of total issued share capital) of the Company as at the date of passing the relevant resolution for adopting the Scheme (i.e. on 15 May 2009) are available for issue under the Scheme, which also represented 10%of the total issued share capital of the Company as at the date of this report.
5. Maximum entitlement of each participant under the Scheme	:	The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Scheme and other share option schemes of the Group (if any) (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options, which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) under the Scheme and other share option schemes of the Group (if any), in any 12-month period up to and including the date of such further grant in excess of the Individual Limit shall be subject to Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting.

6.	Minimum period for which an Option must be held before it can be exercised and the exercise period of the option	:	Unless otherwise determined by the Directors and stated in the offer to a grantee, there is no minimum period under the Scheme for the holding of an option before it can be exercised. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.
7.	Amount payable on acceptance of the Option and the period within which payment must be made	:	Nominal amount of HK$1 upon acceptance of the grant of option and options may be accepted by a participant within 21 days from the date of the offer for grant of the option.
8.	Basis of determining the exercise price	:	The exercise price should not be less than the highest of the nominal value of the Shares; the closing price of the Shares on the Stock Exchange on the date of grant; and the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of grant.
9.	Remaining life of the Scheme	:	The Scheme will expire on 14 May 2019.

Outstanding Options

Details of outstanding options over new shares of the Company at the beginning and at the end of the year under review which have been granted under the Scheme are as follows:

Name of participants	Outstanding at 1 January 2009	Number of Options granted (Note 1)	Number of Options exercised	Number of Options cancelled	Number of Options lapsed	Outstanding at 31 December 2009
Category 1: Directors						
Shi Kancheng		2,400,000				2,400,000
Shen Tiaojuan		1,200,000				1,200,000
Lou Yifei		1,100,000				1,100,000
Zhang Jiangang		1,100,000				1,100,000
Professor Pei Ker Wei		300,000				300,000
Professor Wang Shu Guang		300,000				300,000
Dr. Loke Yu		300,000				300,000
Total Directors		6,700,000				6,700,000
Category 2: Employees		16,400,000				16,400,000
Category 3: Suppliers of goods or services		2,000,000				2,000,000
Category 4: Others		14,900,000				14,900,000
Total		40,000,000				40,000,000

Note 1

The Options were granted on 9 July 2009 with an exercise price HK$3.10 per Share and the closing price of the Share immediately before the date of grant was HK$3.02.

The Options may be exercisable at any time during the period from 9 July 2009 to 8 July 2019 (the "Option Period") provided that the maximum number of Options which each Grantee is entitled to exercise shall not exceed:

(a) 20 per cent. of the total number of Options during the period from the expiry of the first anniversary of the Date of Grant to the date immediately before the second anniversary of the Date of Grant;
(b) 20 per cent. of the total number of Options during the period from the second anniversary of the Date of Grant to the date immediately before the third anniversary of the Date of Grant;
(c) 20 per cent. of the total number of Options during the period from the third anniversary of the Date of Grant to the date immediately before the fourth anniversary of the Date of Grant;
(d) 20 per cent. of the total number of Options during the period from the fourth anniversary of the Date of Grant to the date immediately before the fifth anniversary of the Date of Grant; and
(e) 20 per cent. of the total number of Options during the period from the fifth anniversary of the Date of Grant to the date immediately before the sixth anniversary of the Date of Grant.

save that any of the outstanding and unexercised Options at the end of each of the aforesaid exercise periods can be rolled over to the next exercise period and thereafter and be exercisable before the expiry of the Option Period.

The fair value of options granted during the year was approximately RMB70,133,000 (2008: nil). Other details of the Option Scheme are set out in note 29 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Major customers and suppliers

The sales attributable to the five largest customers of the Group accounted for less than 10% of the Group's consolidated revenue for the year under review.

The purchases attributable to the five largest suppliers of the Group accounted for 31.8% of the Group's consolidated purchases for the year under review.

The largest supplier of the Group accounted for 11.4% of the Group's consolidated purchases for the year under review.

None of the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any beneficial interest in any of the Group's five largest suppliers.

Directors

The Directors as at 31 December 2009 and up to the date of this report were as follows:

Executive Directors
Mr. Shi Kancheng (alias Shi Zhongan)
Mr. Lou Yifei
Ms. Shen Tiaojuan
Mr. Zhang Jiangang

Independent non-executive Directors
Professor Pei Ker Wei
Professor Wang Shu Guang
Dr. Loke Yu (alias, Loke Hoi Lam)

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

Directors' interests in contracts

There was no contract of significance subsisting during or at the end of the year under review in which a Director is or was materially interested.

Directors' and senior management's biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 27 to 31 of the annual report.

Directors' service contracts

Each of Mr. Shi Kancheng, Mr. Zhang Jiangang, Mr. Lou Yifei and Ms. Shen Tiaojuan has entered into a service contract with the Company pursuant to which he/she agreed to act as the executive Director for a term of three years with effect from 1 November 2007.

No Director (including the Directors proposed to be re-elected at the forthcoming annual general meeting of the Company) has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' remuneration

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

Director's and Chief Executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Number of shares held and nature of interest in the Company:

Name of Director	**Capacity**	**Number and class of securities held**	**Approximate percentage of interest**	**Long/Short Position**
Shi Kancheng	Interest of controlled corporation (Note)	1,357,300,000 shares of HK$0.1 each in the capital of the Company (the "Share")	69.87%	Long

Note: These Shares are held by Whole Good Management Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Shi Kancheng.

Long positions in underlying Shares of the Company:

Name of Director	**Capacity**	**Number of underlying Shares held (Note)**	**Approximate percentage of the Company's issued share capital**
Shi Kancheng	Beneficial owner	2,400,000	0.12
Shen Tiaojuan	Beneficial owner	1,200,000	0.06
Lou Yifei	Beneficial owner	1,100,000	0.06
Zhang Jiangang	Beneficial owner	1,100,000	0.06
Pei Ker Wei	Beneficial owner	300,000	0.02
Wang Shu Guang	Beneficial owner	300,000	0.02
Loke Yu	Beneficial owner	300,000	0.02

Note: These represent the number of Shares which will be allotted and issued to the respective Directors upon the exercise of the Options granted to each of them pursuant to the Scheme adopted by the Company as announced in the announcement of the Company dated 9 July 2009.

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any its associated corporation (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' rights to acquire shares or debentures

Save as disclosed in this annual report, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its holdings companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

Contracts of significance

No controlling shareholder of the Company or any of its subsidiaries have any contract of significance with the Company or its subsidiary during the year under review.

Substantial shareholders

As at 31 December 2009, the interests and short positions of 5% or more of the issued share capital and share options of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Name	Capacity	Number of shares held	Percentage of the Company's issued share capital	Long/Short Position
Whole Good Management Limited (Note)	Beneficial Owner	1,357,300,000	69.87%	Long
Atlantis Investment Management Limited	Investment Manager	156,000,000	8.03%	Long

Note: The entire issued share capital of Whole Good Management Limited is wholly and beneficially owned by Mr Shi Kancheng. Mr Shi Kancheng is the sole director of Whole Good Management Limited.

Save as disclosed above, as at 31 December 2009, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

Related party and connected transactions

Details of significant related party transactions of the Group are set out in note 31 to the financial statements.

There were no transactions required to be disclosed as non-exempt connected transactions or non-exempt continuing connected transactions in accordance with the Listing Rules during the year ended 31 December 2009. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Sufficiency of public float

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

Purchase, sales or redemption of listed securities of the Company

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

Charitable Donations

During the year under review, the Group made charitable donations amounting to approximately RMB374,000 (2008: RMB4,313,000).

Subsequent events

Other than the matters as disclosed in the published announcements of the Group, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this annual report.

Auditors

Ernst & Young retired and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Zhong An Real Estate Limited

Shi Kancheng
Chairman

The People's Republic of China, 26 April 2010

ERNST & YOUNG
安 永

To the shareholders of Zhong An Real Estate Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the accompanying financial statements of Zhong An Real Estate Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 45 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

Ernst & Young
Certified Public Accountants
Hong Kong

26 April 2010

Consolidated Income Statement

	Notes	Year ended 31 December 2009 RMB'000	2008 RMB'000
Continuing Operation			
Revenue	5	**1,624,476**	1,437,841
Cost of sales		**(1,075,750)**	(941,291)
Gross profit		**548,726**	496,550
Other income	5	**18,710**	57,475
Selling and distribution costs		**(41,228)**	(45,387)
Administrative expenses		**(106,830)**	(101,607)
Other expenses		**(42,444)**	(60,851)
Increase in fair value of investment properties	14	**293,743**	104,235
Finance costs	6	**(437)**	(8,240)
Profit before tax from continuing operations	7	**670,240**	442,175
Income tax expense	9	**(227,975)**	(159,860)
Profit for the year		**442,265**	282,315
Attributable to:			
Owners of the parent	10	**408,917**	253,986
Minority Interest		**33,348**	28,329
		442,265	282,315
Earnings per share attributable to ordinary equity holders of the Company (RMB)	12		
Basic and diluted		**21 cents**	13 cents

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2009 RMB'000	2008 RMB'000
Profit for the year		**442,265**	282,315
Other comprehensive income			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		**1,420**	(53,321)
Total comprehensive income for the year		**443,685**	228,994
Attributable to:			
Owners of the parent	10	**410,337**	200,665
Minority interests		**33,348**	28,329
		443,685	228,994

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	As at 31 December 2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property and equipment	13	**190,812**	200,739
Investment properties	14	**1,608,800**	1,146,500
Properties under development	15	**1,275,367**	1,034,200
Goodwill	16	**–**	15,292
Available-for-sale investments	17	**3,300**	3,300
Prepaid Land Lease Payment	22	**1,692,205**	–
Deferred tax assets	18	**34,404**	20,188
Total non-current assets		**4,804,888**	2,420,219
CURRENT ASSETS			
Completed properties held for sale		**391,516**	219,171
Properties under development	15	**675,555**	1,326,318
Inventories		**7,193**	3,549
Trade receivables	20	**14,318**	10,857
Prepayments, deposits and other receivables	21	**451,621**	677,808
Pledged deposits	23	**29,348**	16,343
Cash and cash equivalents	23	**891,787**	1,652,098
Total current assets		**2,461,338**	3,906,144
CURRENT LIABILITIES			
Trade payables	24	**628,570**	485,222
Other payables and accruals	25	**335,950**	287,585
Advances from customers	26	**175,194**	368,986
Interest-bearing bank and other borrowings	27	**173,753**	142,117
Tax payable	9	**337,209**	251,139
Total current liabilities		**1,650,676**	1,535,049
NET CURRENT ASSETS		**810,662**	2,371,095
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,615,550**	4,791,314

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	As at 31 December 2009 RMB'000	2008 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,615,550**	4,791,314
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**891,036**	521,789
Deferred tax liabilities	18	**300,074**	227,073
Total non-current liabilities		**1,191,110**	748,862
Net assets		**4,424,440**	4,042,452
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**185,339**	185,339
Reserves	30	**4,094,690**	3,707,687
Proposed final dividends	11	**–**	38,853
		4,280,029	3,931,879
Minority interests		**144,411**	110,573
Total equity		**4,424,440**	4,042,452

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Changes In Equity

Year ended 31 December 2008

		Attributable to Owners of the parent											
	Note	Issued capital RMB'000 Note 28	Share premium account RMB'000 Note 30(a)	Contributed surplus RMB'000 Note 30(b)	Capital reserve RMB'000 Note 30(c)	Statutory surplus reserve RMB'000 Note 30(d)	Statutory reserve fund RMB'000 Note 30(d)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008		190,808	3,094,116	39,318	9,766	61,648	6,104	(26,804)	479,337	–	3,854,293	81,681	3,935,974
Total comprehensive income for the year		–	–	–	–	–	–	(53,321)	253,986	–	200,665	28,329	228,994
Capital contributions by minority shareholders		–	–	–	–	–	–	–	–	–	–	248	248
Repurchase and cancellation of shares		(5,469)	(117,295)	–	–	–	–	–	–	–	(122,764)	–	(122,764)
Deemed purchase of minority interests		–	–	–	(315)	–	–	–	–	–	(315)	315	–
Proposed final dividend	11	–	–	–	–	–	–	–	(38,853)	38,853	–	–	–
Transfer from retained profits		–	–	–	–	46,288	1,737	–	(48,025)	–	–	–	–
At 31 December 2008		185,339	2,976,821	39,318	9,451	107,936	7,841	(80,125)	646,445	38,853	3,931,879	110,573	4,042,452

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Changes In Equity

Year ended 31 December 2009

		Attributable to owners of the parent												
	Note	Issued capital RMB'000 Note 28	Share premium account RMB'000 Note 30(a)	Contributed surplus RMB'000 Note 30(b)	Capital reserve RMB'000 Note 30(c)	Share option reserve RMB'000 Note 29	Statutory surplus reserve RMB'000 Note 30(d)	Statutory reserve fund RMB'000 Note 30(d)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2009		185,339	2,976,821	39,318	9,451	-	107,936	7,841	(80,125)	646,445	38,853	3,931,879	110,573	4,042,452
Total comprehensive income for the year		-	-	-	-	-	-	-	1,420	408,917	-	410,337	33,348	443,685
Capital contribution by minority shareholders		-	-	-	-	-	-	-	-	-	-	-	490	490
Equity-settled share option arrangements	29	-	-	-	-	15,519	-	-	-	-	-	15,519	-	15,519
Final 2008 dividend		-	-	-	-	-	-	-	-	-	(38,853)	(38,853)	-	(38,853)
Interim 2009 dividend	11	-	-	-	-	-	-	-	-	(38,853)	-	(38,853)	-	(38,853)
Proposed final 2009 dividend	11	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from retained profits		-	-	-	-	-	7,493	393	-	(7,886)	-	-	-	-
At 31 December 2009		185,339	2,976,821*	39,318*	9,451*	15,519*	115,429*	8,234*	(78,705)*	1,008,623*	-	4,280,029	144,411	4,424,440

* Combined into RMB4,094,690,000 (2008: RMB3,707,687,000) as reserves presented under consolidated statement of financial position.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flow

	Notes	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit before tax		**670,240**	442,175
Adjustments for:			
Depreciation	7, 13	**16,425**	15,996
Amortisation of land use rights	7, 15	**–**	11,296
Write-off of prepayments, deposits and other receivables	7	**6,247**	–
Impairment of other receivables	7, 21	**18,000**	–
Gain on disposal of items of property and equipment	5	**(548)**	–
Increase in fair value of investment properties	7, 14	**(293,743)**	(104,235)
Goodwill impairment	7, 16	**15,292**	48,636
Share Option Scheme	7, 29	**15,519**	–
Finance costs	6	**437**	8,240
Interest income	5	**(18,327)**	(54,709)
		429,542	367,399
Increase in properties under development		**(738,000)**	(782,011)
Decrease in completed properties held for sale		**1,049,671**	910,844
Increase in trade receivables		**(3,461)**	(10,857)
Decrease in prepayments, deposits and other receivables		**202,043**	84,675
Increase in long term prepayments		**(1,692,205)**	–
Increase in inventories		**(3,644)**	(3,549)
Increase in trade payables		**143,348**	79,067
Decrease in bills payable		**–**	(196)
Increase/(decrease) in other payables and accruals		**21,284**	(1,763)
Decrease in advances from customers		**(193,792)**	(932,735)
Cash used in operations		**(785,214)**	(289,126)
Interest received		**18,327**	49,372
Interest paid		**(43,256)**	(64,283)
PRC Income tax and land appreciation tax paid		**(83,120)**	(62,508)
Net cash flows used in operating activities		**(893,263)**	(366,545)

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flow

	Notes	Year ended 31 December 2009 RMB'000	2008 RMB'000
Net cash flows used in operating activities		**(893,263)**	(366,545)
Cash flows from investing activities			
Acquisition of subsidiaries	35	**(173,603)**	(187,506)
Purchases of investment properties		**(1,947)**	(216)
Purchases of items of property and equipment		**(5,207)**	(9,376)
Proceeds from disposal of items of property and equipment		**1,627**	1,515
Purchases of available-for-sale investments		**–**	(3,300)
Increase in pledged deposits		**(13,005)**	(16,147)
Net cash flows used in investing activities		**(192,135)**	(215,030)
Cash flows from financing activities			
Capital contributions by minority shareholders		**490**	248
Repurchase and cancellation of shares		**–**	(122,764)
Dividend paid		**(77,706)**	
New interest-bearing bank borrowings		**643,000**	19,100
Repayment of interest-bearing bank borrowings		**(242,117)**	(648,107)
Net cash flows from/(used in) financing activities		**323,667**	(751,523)
Net decrease in cash and cash equivalents		**(761,731)**	(1,333,098)
Cash and cash equivalents at beginning of year		**1,652,098**	3,038,517
Effect of foreign exchange rate changes, net		**1,420**	(53,321)
Cash and cash equivalents at end of year		**891,787**	1,652,098
Analysis of balances of cash and cash equivalents			
Cash and bank balances and time deposits	23	**891,787**	1,652,098

The accompanying notes form an integral part of the consolidated financial statements.

Statement of Financial Position

	Notes	31 December 2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**996,598**	1,018,948
Property and equipment	13	**518**	576
Total non-current assets		**997,116**	1,019,524
CURRENT ASSETS			
Amounts due from subsidiaries	19	**2,027,699**	1,958,224
Prepayments, deposits and other receivables	21	**771**	839
Cash and cash equivalents	23	**23,424**	62,797
Total current assets		**2,051,894**	2,021,860
CURRENT LIABILITIES			
Amounts due to subsidiaries	19	**116,653**	116,828
Other payables and accruals	25	**1,676**	1,867
Total current liabilities		**118,329**	118,695
NET CURRENT ASSETS		**1,833,565**	1,903,165
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,930,681**	2,922,689
Net assets		**2,930,681**	2,922,689
EQUITY			
Issued capital	28	**185,339**	185,339
Reserves	30	**2,745,342**	2,698,497
Proposed final dividends	11	**–**	38,853
Total equity		**2,930,681**	2,922,689

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

The accompanying notes form an integral part of the consolidated financial statements.

1. Corporate information

Zhong An Real Estate Limited (the "Company") is a limited liability company incorporated as an exempted company in the Cayman Islands on 13 March 2007 under the Companies Law (revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the year are all located in Zhejiang and Anhui Provinces, the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Company's directors (the "Directors"), the holding company and the ultimate holding company of the Company is Whole Good Management Limited, a company incorporated in the British Virgin Islands on 3 May 2007. Whole Good Management Limited is wholly owned by Mr. Shi, Kancheng, Chairman, executive director and Chief Executive Officer of the Company.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. Except as described in the introduction paragraph of this note, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

2.2 Changes in accounting policy and disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

• IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
• IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
• IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
• IFRS 8	*Operating Segments*
• IAS 1 (Revised)	*Presentation of Financial Statements*
• IAS 23 (Revised)	*Borrowing Costs*
• IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
• IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 *Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*
• IFRIC 13	*Customer Loyalty Programmes*
• IFRIC 15	*Agreements for the Construction of Real Estate*
• IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
• IFRIC 18	*Transfer of Assets from Customers*
• Improvements to IFRSs (May 2008)	*Amendments to a number of IFRSs*

2.2 Changes in accounting policy and disclosures (continued)

The principal effects of adopting these new and revised IFRSs are as follows:

Amendments to IFRS 1 *First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

IFRS1 Amendment allows an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost.

IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Group to consider whether there is an indicator of impairment. The amendment is applied prospectively. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

IFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2009. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The revised liquidity risk disclosures are presented in note 37 to the financial statements.

IFRS 8 *Operating Segments*

IFRS 8 replaces IAS 14 Segment Reporting. The Group concluded that the reportable segments determined in accordance with IFRS 8 are different to the business segments previously identified under IAS 14. The revised presentation and disclosures are shown in note 4, including the related revised comparative information.

2.2 Changes in accounting policy and disclosures (continued)

IAS 1 (Revised) *Presentation of Financial Statements*

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

IAS 23 (Revised) *Borrowing Costs*

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group. During the year, borrowing costs of RMB43,400,000 have been capitalised on qualifying assets included in construction in progress as shown in note 6 to the financial statements.

Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

Amendments to IFRIC 9 *Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

2.2 Changes in accounting policy and disclosures (continued)

IFRIC 13 *Customer Loyalty Programmes*

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

IFRIC 15 *Agreements for the Construction of Real Estate*

IFRIC 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with IAS 18 Revenue. As the Group currently has no such construction contracts, the interpretation has had no impact on the financial position or results of operations of the Group.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

IFRIC 18 *Transfer of Assets from Customers*

IFRIC 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 Changes in accounting policy and disclosures (continued)

IFRIC 18 *Transfer of Assets from Customers (continued)*

In May 2008, the IASB issued its first *Improvements to IFRSs* which sets out amendments to a number of IFRSs. Except for the amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* which are effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with IAS 39 are not automatically classified as current in the statement of financial position.

- IAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and states that the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

- IAS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

- IAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- IAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

- IAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed.

- IAS 40 Investment Property: Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009.

2.2 Changes in accounting policy and disclosures (continued)

Issued but not yet effective International Financial Reporting Standards

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

• IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards[1]
• IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters[2]
• IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions[2]
• IFRS 3 (Revised)	Business Combinations[1]
• IFRS 9	Financial Instruments[6]
• IAS 24 (Revised)	Related Party Disclosures[5]
• IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
• IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation Classification of Rights Issues[3]
• IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
• IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement[5]
• IFRIC 17	Distribution of Non-cash Assets to Owners[1]
• IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]
• Amendments to IFRS 5 included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary[1]

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

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

2.3 Summary of significant accounting policies

Subsidiaries

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

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

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, after reassessment, is recognised immediately in the income statement.

2.3 Summary of significant accounting policies (continued)

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

2.3 Summary of significant accounting policies (continued)

Related parties (continued)

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Property and equipment and depreciation

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

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

	Useful lives	Residual value
Properties	20 years	5% to 10%
Machinery	10 years	5%
Office equipment	5 years	5%
Motor vehicles	5 years	5%

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

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

2.3 Summary of significant accounting policies (continued)

Property and equipment and depreciation (continued)

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

CIP represents renovation works in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs during the period of construction. CIP is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. If the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale.

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

2.3 Summary of significant accounting policies (continued)

Properties under development (continued)

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the balance sheet date are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the balance sheet date are classified as non-current assets.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the selling price, less estimated costs to be incurred in selling the properties based on prevailing market conditions.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.3 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.3 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Recognition of revenue" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.3 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

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

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

2.3 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Derecognition of financial assets (continued)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

2.3 Summary of significant accounting policies (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred on disposal.

Cash and cash equivalents

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

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

2.3 Summary of significant accounting policies (continued)

Provisions

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

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

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the income statement as incurred.

Income tax

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

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

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 Summary of significant accounting policies (continued)

Income tax (continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.3 Summary of significant accounting policies (continued)

Recognition of revenue

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to the purchasers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when construction of the relevant properties has been completed and has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers, and the collectibility of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Property leasing income derived from the leasing of the Group's investment properties is recognised on a time proportion basis over the lease terms.

Property management fee income derived from the provision of property maintenance and management services is recognised upon the rendering of services.

Hotel operating income which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.3 Summary of significant accounting policies (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

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

2.3 Summary of significant accounting policies (continued)

Dividends

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

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company and certain subsidiaries incorporated outside Mainland China have Hong Kong Dollars ("HK$") and United States Dollars ("US$"as their functional currencies, respectively. The functional currency of Mainland China subsidiaries is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

For the purpose of the consolidated statement of cash flow, the cash flows of non-PRC established companies are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

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

Judgements

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

(i) Operating lease commitments – the Group as lessor

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

(ii) Classification between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) Acquisition of assets

The Company assesses whether the acquisition of a subsidiary constitutes a business combination. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. If the subsidiary acquired does not constitute a business, the Company accounts for the acquisition as an acquisition of assets.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty

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

(i) Fair value of investment properties

Investment properties were revalued as at 31 December 2009 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

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

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

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

The principal assumptions for the Group’s estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2009 was RMB1,608,800,000 (2008: RMB1,146,500,000).

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(ii) Net realisable value of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

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

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discounted rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was nil (2008: RMB15,292,000). More details are given in note 16.

(iv) PRC corporate income tax

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

(v) PRC land appreciation tax ("LAT")

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

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(v) PRC land appreciation tax ("LAT") (continued)

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

(vi) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing differences and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised deductible temporary differences and tax losses at 31 December 2009 was RMB34,404,000 (2008: RMB20,188,000). The amount of unrecognised tax losses at 31 December 2009 was RMB9,523,000 (2008: RMB10,008,000). Further details are contained in note 18 to the financial statements.

(vii) Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of impairment of trade and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimates, such differences will have impact on the carrying value of the receivables and doubtful debt expenses/write-back of doubtful debt in the period in which such estimate is changed.

(viii) Useful lives and impairment of property and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property and equipment. This estimate is based on the historical experience of the actual useful lives of items of property and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor's actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(viii) Useful lives and impairment of property and equipment

The carrying value of an item of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculation of which involves the use of estimates.

4. Operating segment information

For management purposes, the Group is organised into business units based on income derived from business and has four reportable operating segments as follows:

(a) the property development segment which develops and sells properties in the PRC;

(b) the property rental segment which leases investment properties in the PRC;

(c) the hotel operations segment which owns and operates a hotel; and

(d) the others segment comprises, principally, the Group's property management services business, which provides management and security services to residential and commercial properties.

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

Segment assets exclude deferred tax assets, tax recoverable pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

4. Operating segment information (continued)

Year ended 31 December 2009	Property development RMB'000	Property rental RMB'000	Hotel Operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,530,263	41,601	47,173	5,439	1,624,476
Intersegment sales	–	–	–	6,958	6,958
	1,530,263	41,601	47,173	12,137	1,631,434
Reconciliation:					
Elimination of intersegment sales					(6,958)
Revenue					1,624,476
Segment results	399,458	286,853	2,522	(20,964)	667,869
Reconciliation:					
Interest income					18,327
Share Option expenses					(15,519)
Finance costs					(437)
Profit before tax					670,240
Segment assets	4,636,889	1,668,086	392,864	826,186	7,524,025
Reconciliation:					
Elimination of intersegment receivables					(1,218,972)
Corporate and other unallocated assets					961,173
Total assets					7,266,226
Segment liabilities	1,811,506	50,431	9,717	487,032	2,358,686
Reconciliation:					
Elimination of intersegment payables					(1,218,972)
Corporate and other unallocated liabilities					1,702,072
Total liabilities					2,841,786
Other segment information:					
Depreciation and amortisation	4,717	193	11,308	207	16,425
Impairment losses recognised in the income statement	33,292	–	–	–	33,292
Capital expenditure	5,207	1,947	–	–	7,154

4. Operating segment information (continued)

Year ended 31 December 2008	Property development RMB'000	Property rental RMB'000	Hotel Operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,351,794	30,486	46,685	8,876	1,437,841
Intersegment sales	120,300	–	–	–	120,300
	1,472,094	30,486	46,685	8,876	1,558,141
Reconciliation:					
Elimination of intersegment sales					(120,300)
Revenue					1,437,841
Segment results	293,171	127,117	2,166	(27,288)	395,706
Reconciliation:					
Interest income					54,709
Finance costs					(8,240)
Profit before tax					442,175
Segment assets	3,249,541	1,260,617	185,069	861,377	5,556,604
Reconciliation:					
Elimination of intersegment receivables					(944,440)
Corporate and other unallocated assets					1,714,199
Total assets					6,326,363
Segment liabilities	1,510,988	100,883	8,699	465,663	2,086,233
Reconciliation:					
Elimination of intersegment payables					(944,440)
Corporate and other unallocated liabilities					1,142,118
Total liabilities					2,283,911
Other segment information:					
Depreciation and amortisation	15,228	103	11,312	649	27,292
Impairment losses recognised in the income statement	48,636	–	–	–	48,636
Capital expenditure	9,376	216	–	–	9,592

Geographical information

All of the Group's revenue is derived from customers based in the PRC and all of the non-current assets of the Group are located in Mainland China.

4. Operating segment information (continued)

Information about a major customer

No sales to a single customer or a group of customers under the common control derived 10% or more of the Group's revenue for the years ended 31 December 2009 and 2008.

5. Revenue and other income

Revenue, which is also the Group's turnover, represents income from the sale of properties, property leasing income, property management fee income and hotel operating income during the year, net of business tax and other sales related taxes and discounts allowed.

An analysis of revenue and other income from continuing operations is as follows:

	2009 RMB'000	2008 RMB'000
Revenue		
Sale of properties	1,619,024	1,444,392
Property leasing income	43,821	32,091
Property management fee income	5,462	9,242
Hotel operating income	50,024	49,507
Less: Business tax and surcharges	(93,855)	(97,391)
	1,624,476	1,437,841
Other income		
Interest income	18,327	54,709
Government grants	–	2,300
Others	383	466
	18,710	57,475

6. Finance costs

An analysis of finance costs is as follows:

	2009 RMB'000	2008 RMB'000
Interest on bank loans	**43,837**	66,968
Interest on other loans	**–**	3,396
Total interest	**43,837**	70,364
Less: Interest capitalised in properties under development *	**(43,400)**	(62,124)
	437	8,240
* Average interest rate of borrowing costs capitalised	**5.90%**	7.88%

7. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2009 RMB'000	2008 RMB'000
Cost of properties sold		**1,061,244**	910,844
Depreciation	13	**16,425**	15,996
Amortisation of land use rights	15	**–**	11,296
Goodwill impairment	16	**15,292**	48,636
Minimum lease payments under operating leases:			
– Office premises		**3,596**	3,156
Auditors' remuneration		**2,496**	2,754
Staff costs including directors' remuneration (note 8):			
– Salaries and other staff costs		**45,701**	41,296
– Equity-settled share option expense	29	**15,519**	–
– Pension scheme contributions #		**4,040**	2,181
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**1,527**	928
Write-off of other receivables		**6,247**	–
Impairment of other receivables		**18,000**	–
Changes in fair value of investment properties	14	**(293,743)**	(104,235)

As stipulated by the relevant PRC regulations, the Group participates in a defined pension scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average salary amount of the geographical area of their last employment at their retirement date. The Group is required to make contributions to the local social security bureau at rates raging from 15% to 24% of the standard salaries set by the local authorities annually. The Group has no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above. The Group has no right to forfeit the contributions made by the Group on behalf of its employees.

8. Directors' and employees' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2009 RMB'000	2008 RMB'000
Fees	300	300
Other emoluments:		
Salaries, bonuses and allowances	2,776	2,613
Pension scheme contributions	16	16
Equity-settled share option scheme	2,599	–
	5,691	2,929

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options which has been recognised in the income statement as share-based payments over the vesting period, was determined as at the date of grant and the amount of RMB2,599,000 (2008: nil) included in the financial statements for the current year is included in the above and below directors' remuneration disclosures.

8. Directors' and employees' remuneration (continued)

Directors' remuneration (continued)

Details of the emoluments of the Directors of the Company are set out below:

2009

	Fees RMB'000	Salaries and allowance RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option benefits RMB'000	Total RMB'000
Executive directors						
Mr. Shi Zhongan	–	922	227	4	931	2,084
Mr. Zhang Jiangang	–	421	104	4	427	956
Mr. Lou Yifei	–	425	104	4	466	999
Ms. Shen Tiaojuan	–	458	115	4	427	1,004
Total executive directors	–	2,226	550	16	2,251	5,043
Independent non-executive directors						
Mr. Pei Ker Wei	100	–	–	–	116	216
Mr. Wang Shu Guang	50	–	–	–	116	166
Mr. Heng Kwoo Seng	75	–	–	–	–	75
Mr. Loke Yu	75	–	–	–	116	191
Total independent non-executive directors	300	–	–	–	348	648
	300	2,226	550	16	2,599	5,691

8. Directors' and employees' remuneration (continued)

Directors' remuneration (continued)

Details of the emoluments of the Directors of the Company are set out below: (continued)

2008

	Fees RMB'000	Salaries RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Allowances RMB'000	Total RMB'000
Executive directors						
Mr. Shi Zhongan	–	840	238	4	2	1,084
Mr. Zhang Jiangang	–	385	109	4	2	500
Mr. Lou Yifei	–	385	109	4	2	500
Ms. Shen Tiaojuan	–	420	119	4	2	545
Total executive directors	–	2,030	575	16	8	2,629
Independent non-executive directors						
Mr. Pei Ker Wei	100	–	–	–	–	100
Mr. Wang Shu Guang	50	–	–	–	–	50
Mr. Heng Kwoo Seng	150	–	–	–	–	150
Total independent non-executive directors	300	–	–	–	–	300
	300	2,030	575	16	8	2,929

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: nil).

8. Directors' and employees' remuneration (continued)

Employees' remuneration

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

	2009 RMB'000	2008 RMB'000
Salaries, bonuses and allowances	**744**	298
Equity-settled share option expense	**310**	–
Pension scheme contributions	**11**	2
	1,065	300

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employee 2009	 2008
Nil to RMB1,000,000	**–**	1
RMB1,000,001 to RMB1,500,000	**1**	–
	1	1

During the year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

During the year, no emoluments were paid by the Group to the Directors or the non-directors, highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the financial year.

On 16 March 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved by the National People's Congress and became effective on 1 January 2008. Under the New CIT Law, the income tax rate became 25% starting from 1 January 2008. Therefore, provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2008: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

	2009 **RMB'000**	2008 RMB'000
Current tax:		
PRC corporate income tax for the year	**119,880**	78,132
PRC land appreciation tax for the year	**49,310**	116,886
Deferred tax:		
Relating to origination and reversal of temporary differences	**58,785**	(35,158)
Total tax charge for the year	**227,975**	159,860

9. Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

		2009 RMB'000	2008 RMB'000
Profit before tax		**670,240**	442,175
Tax at the statutory tax rate of 25% (2008: 25%)		**167,560**	110,544
Effect of lower enacted tax rate used for the recognition of deferred tax		**(53)**	–
Lower tax rates for specific jurisdictions or enacted by authority		**7,454**	(69)
Expenses not deductible for tax		**3,666**	12,714
Reversal of capitalised tax arising from transfer properties under development to investment properties	(a)	**–**	(46,525)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries		**9,985**	–
Tax losses utilised from previous periods		**–**	(6,970)
Tax losses not recognised		**2,381**	2,502
Provision for land appreciation tax		**49,310**	116,886
Tax effect on land appreciation tax		**(12,328)**	(29,222)
Tax charge at the Group's effective rate		**227,975**	159,860
Tax payable in the consolidated statement of financial position represents:			
PRC corporate income tax		**85,460**	32,656
PRC land appreciation tax		**251,749**	218,483
		337,209	251,139

(a) According to a notice No.[2006]31 issued by the State Administration of Tax, the PRC, in March 2006, a transfer from properties under development to investment properties by a property developer is considered as a deemed sale and is subject to corporate income tax upon transfer. Accordingly, the Group computed the tax arising from the transfer of properties under development to investment properties in 2007 based on the fair value and carrying amount of the properties at the point of transfer at the enacted tax rate of 25%. Relevant income tax amounting to RMB191,917,000 was capitalised as initial cost of investment properties upon transfer and included in tax payable as at 31 December 2007.

9. Income tax (continued)

(a) (continued)

In October 2008, the State Administration of Tax, the PRC, issued a new notice No. [2008]828 regarding the type of transaction aforementioned which supersedes the notice No. [2006]31. According to the new notice, such transaction is not considered as a deemed sale and is no longer subject to corporate income tax any more. In addition, tax related to transactions incurred before 1 January 2008 which has not been settled after 1 January 2008 will not be required to settle. As the Group had not settled above tax payable till the issue of the new notice, tax payable amounting to RMB191,917,000 was reversed and deferred tax liability related to the fair value adjustment of the investment properties was recognised accordingly during the year. The effect of the lower enacted tax rate used for the recognition of the deferred tax liability amounting to RMB46,525,000 was credited to the income statement for the year ended 31 December 2008.

10. Profit attributable to owners of the parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of RMB74,091,000 (2008: a loss of RMB17,388,000) which has been dealt with in the financial statements of the Company (note 30).

11. Dividends

	2009 RMB'000	2008 RMB'000
Interim-RMB 0.02 (2008:Nil) per ordinary share	**38,853**	–
Proposed final-Nil (2008: RMB0.02) per ordinary share	**–**	38,853
	38,853	38,853

12. Earnings per share attributable to the equity holders of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB408,917,000 (2008: RMB253,986,000) and the weighted average number of ordinary shares of 1,942,672,000 (2008: 1,974,812,000) in issue during the year.

No diluted earnings per share has been taken into consideration, since the date of share option granted to the end of the reporting period, the average quoted market price of ordinary shares is lower than the adjusted exercise price of the share options.

13. Property and equipment

Group

	Note	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009							
At 31 December 2008 and at 1 January 2009:							
Cost		186,014	1,417	21,187	20,908	503	230,029
Accumulated depreciation		(12,378)	(719)	(6,540)	(9,653)	–	(29,290)
Net carrying amount		173,636	698	14,647	11,255	503	200,739
At 1 January 2009, net of accumulated depreciation		173,636	698	14,647	11,255	503	200,739
Additions		1	5	2,775	2,426	–	5,207
Disposals		–	–	(576)	–	(503)	(1,079)
Depreciation provided during the year		(9,203)	(25)	(3,878)	(3,319)	–	(16,425)
Transferred from properties under development	15	2,370	–	–	–	–	2,370
At 31 December 2009, net of accumulated depreciation		166,804	678	12,968	10,362	–	190,812
At 31 December 2009:							
Cost		188,385	1,422	23,365	23,032	–	236,204
Accumulated depreciation		(21,581)	(744)	(10,397)	(12,670)	–	(45,392)
Net carrying amount		166,804	678	12,968	10,362	–	190,812

13. Property and equipment

Group

	Note	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost		12,590	1,408	20,010	16,281	210	50,499
Accumulated depreciation		(3,212)	(656)	(2,799)	(6,681)	–	(13,348)
Net carrying amount		9,378	752	17,211	9,600	210	37,151
At 1 January 2008, net of accumulated depreciation		9,378	752	17,211	9,600	210	37,151
Additions		1,508	9	2,746	4,627	486	9,376
Disposals		–	–	(1,515)	–	–	(1,515)
Depreciation provided during the year		(9,166)	(63)	(3,795)	(2,972)	–	(15,996)
Transfers		193	–	–	–	(193)	–
Transferred from properties under development	15	171,723	–	–	–	–	171,723
At 31 December 2008, net of accumulated depreciation		173,636	698	14,647	11,255	503	200,739
At 31 December 2008:							
Cost		186,014	1,417	21,187	20,908	503	230,029
Accumulated depreciation		(12,378)	(719)	(6,540)	(9,653)	–	(29,290)
Net carrying amount		173,636	698	14,647	11,255	503	200,739

13. Property and equipment (continued)

Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2009			
At 1 January 2009:			
Cost	213	442	655
Accumulated depreciation	(20)	(59)	(79)
Net carrying amount	193	383	576
At 1 January 2009, net of accumulated depreciation	193	383	576
Additions	76	–	76
Depreciation provided during the year	(16)	(118)	(134)
At 31 December 2009, net of accumulated depreciation	253	265	518
At 31 December 2009:			
Cost	289	442	731
Accumulated depreciation	(36)	(177)	(213)
Net carrying amount	253	265	518

13. Property and equipment (continued)

Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2008			
At 1 January 2008:			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net carrying amount	–	–	–
At 1 January 2008, net of accumulated depreciation	–	–	–
Additions	213	442	655
Depreciation provided during the year	(20)	(59)	(79)
At 31 December 2008, net of accumulated depreciation	193	383	576
At 31 December 2009:			
Cost	213	442	655
Accumulated depreciation	(20)	(59)	(79)
Net carrying amount	193	383	576

Certain of the Group's property and equipment with a net book value of approximately RMB158,392,000 (2008: RMB163,872,000) were pledged to secure interest-bearing bank loans granted to the Group as disclosed in note 27(iii).

14. Investment properties

	2009 RMB'000	2008 RMB'000
At beginning of year	**1,146,500**	958,913
Additions	**1,947**	216
Transfer from properties under development (note 15)	**166,610**	11,416
Transfer from completed properties held for sale	**–**	71,720
Gain from fair value adjustments	**293,743**	104,235
At end of year	**1,608,800**	1,146,500

(a) All investment properties of the Group were revalued at the end of the year by an independent professionally qualified valuer, CB Richard Ellis Limited, at fair value. CB Richard Ellis Limited is an industry specialist in investment property valuation. The fair value represents the amount at which the assets could be exchanged between a knowledgeable and willing buyer and a seller in an arm's length transaction at the date of valuation, in accordance with the International Valuation Standards.

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

	2009 RMB'000	2008 RMB'000
Leases of between 10 and 50 years	**1,608,800**	1,146,500

14. Investment properties (continued)

(c) Investment properties leased out under operating leases

The Group leases out investment properties under operating lease arrangements. All leases run for a period of one to fifteen years, with an option to renew the leases after the expiry dates, at which time all terms will be renegotiated. The Group's total future minimum lease receivables under non-cancellable operating leases generated from investment properties are as follows:

	2009 **RMB'000**	2008 RMB'000
Within one year	**42,710**	37,092
In the second to fifth years, inclusive	**142,700**	127,349
After five years	**49,237**	57,879
	234,647	222,320

(d) Certain of the Group's investment properties with a value of RMB1,596,400,000 (2008: RMB1,134,900,000) were pledged to secure interest-bearing bank loans granted to the Group as disclosed in note 27(i).

15. Properties under development

	2009 **RMB'000**	2008 RMB'000
At beginning of year	**2,360,518**	2,431,365
Additions	**781,400**	761,397
Acquisition of a subsidiary (note 35)	**200,000**	351,106
Amortisation of land use rights recognised as expenses	**–**	(11,296)
Transfer to property and equipment (note 13)	**(2,370)**	(171,723)
Transfer to investment properties (note 14)	**(166,610)**	(11,416)
Transfer to completed properties held for sale	**(1,222,016)**	(988,915)
At end of year	**1,950,922**	2,360,518
Current assets	**675,555**	1,326,318
Non-current assets	**1,275,367**	1,034,200
	1,950,922	2,360,518

15. Properties under development (continued)

The Group's properties under development were located in Mainland China.

The carrying amounts of the properties under development situated on the leasehold land in Mainland China are as follows:

	2009 RMB'000	2008 RMB'000
Leases of over 50 years	**851,352**	1,236,038
Leases of between 20 and 50 years	**1,099,570**	1,124,480
	1,950,922	2,360,518

Certain of the Group's properties under development with a net book value of RMB145,367,000 (2008: RMB153,798,000) were pledged to secure interest-bearing bank loans granted to the Group as disclosed in note 27(ii).

16. Goodwill

	RMB'000
Group	
At 31 December 2008:	
Cost	**63,928**
Accumulated impairment	**(48,636)**
Net carrying amount	**15,292**
Cost at 1 January 2009, net of accumulated impairment	**15,292**
Impairment during the year	**(15,292)**
At 31 December 2009	**–**
At 31 December 2009:	
Cost	**63,928**
Accumulated impairment	**(63,928)**
Net carrying amount	**–**

16. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to a property development project cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. To calculate this, a cash flow projection is prepared for the property development project. The discount rate applied to the cash flow projection beyond a one-year period is 13%.

Key assumptions used in the value in use calculation

The following describes the key assumptions on which management has based its cash flow projection to undertake impairment testing of goodwill:

Revenue from the property development project	the selling price is estimated by management by reference to the average selling price of a similar property in the same area
Cost of construction	the cost of construction is estimated by the engineering department based on the projected cost to completion of the project
Discount rate	the discount rate used is after tax and reflects specific risks relating to the property development project

17. Available-for-sale investments

	2009 RMB'000	2008 RMB'000
Unlisted equity investment, at cost	3,300	3,300

The Directors are of the opinion that the underlying fair values of investments were not less than the carrying values of the investments as at 31 December 2009.

18. Deferred tax assets and liabilities

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

Deferred tax assets

	Impairment of other receivables RMB'000	Unrealised intragroup profit and loss RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2008	–	–	21,738	21,738
Deferred tax debited to the income statement during the year	–	–	(1,550)	(1,550)
At 31 December 2008 and 1 January 2009	–	–	20,188	20,188
Deferred tax credited to the income statement during the year	4,500	4,004	5,712	14,216
At 31 December 2009	4,500	4,004	25,900	34,404

In accordance with the PRC laws and regulations, tax losses could be carried forward for five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group has tax losses arising in Hong Kong of RMB14,000 (2008: RMB2,563,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB9,509,000 (2008: RMB7,445,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

18. Deferred tax assets and liabilities (continued)

Deferred tax liabilities

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Fair value adjustment of investment properties RMB'000	Withholding tax RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	(39,777)	(32,087)	–	–	(71,864)
Transfer properties under development to investment properties	–	(191,917)	–	–	(191,917)
Deferred tax credited to the income statement during the year	16,825	19,883	–	–	36,708
At 31 December 2008 and 1 January 2009	(22,952)	(204,121)	–	–	(227,073)
Deferred tax credited/(charged) to the income statement during the year	19,387	(73,436)	(9,985)	(8,967)	(73,001)
At 31 December 2009	(3,565)	(277,557)	(9,985)	(8,967)	(300,704)

Pursuant to the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2009.

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

19. Interests in subsidiaries

Company

	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	**100**	100
Loan to subsidiaries	**996,498**	1,018,848
	996,598	1,018,948

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,027,699,000 (2008: RMB1,958,224,000) and RMB116,653,000 (2008: RMB116,828,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
Ideal World Investments Limited [4]	British Virgin Islands 6 November 2003	US$1	**100%**	100%	Investment holding
祺瑞企業管理(杭州)有限公司 Qirui Enterprise Management (Hangzhou) Co., Ltd. [1]	Mainland China 21 November 2005	US$29,800,000	**100%**	100%	Investment holding
眾安集團有限公司 Zhong An Group Co., Ltd [a][3]	Mainland China 26 December 1997	RMB100,000,000	**90%**	90%	Property development and leasing
安徽眾安房地產開發有限公司 Anhui Zhong'an Real Estate Development Co., Ltd. [2]	Mainland China 9 August 2001	US$5,000,000	**95%**	95%	Property development
安徽眾安實業有限公司 Anhui Zhong'an Real Estate Co., Ltd. [4]	Mainland China 17 January 2003	RMB57,000,000	**84.2%**	84.2%	Property development

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
杭州白馬房地產開發有限公司 Hangzhou White Horse Property Development Co., Ltd. (3)	Mainland China 27 June 2002	RMB50,000,000	**90%**	90%	Property development
杭州多瑙河置業有限公司 Hangzhou Danube Real Estate Co., Ltd. (4)	Mainland China 7 March 2003	RMB50,000,000	**92.6%**	90%	Property development
上海眾安房地產開發有限公司 Shanghai Zhong An Property Development Co., Ltd. (4)	Mainland China 19 January 2004	RMB10,000,000	**87.1%**	87.1%	Property leasing
浙江眾安房地蕭山開發有限公司 Zhejiang Zhong An Property Development Xiaoshan Co., Ltd. (4)	Mainland China 3 April 1997	RMB2,000,000	**81%**	81%	Property leasing
杭州眾安恒隆商廈有限公司 Hangzhou Zhong An Highlong Commercial Buildings Co., Ltd. (4)	Mainland China 20 September 2005	RMB2,000,000	**89.4%**	89.4%	Property management
杭州蕭山眾安物業管理有限公司 Hangzhou Xiaoshan Property Management Co., Ltd. (4)	Mainland China 18 November 1998	RMB3,000,000	**81.1%**	81.1%	Property management
恒利企業管理(杭州)有限公司 Henlly Enterprise Management (Hangzhou) Co., Ltd. (1)	Mainland China 4 December 2006	US$79,800,000	**100%**	100%	Property development
Huijun (International) Holdings Limited (4)	Hong Kong 4 March 2005	HK$100,000	**100%**	100%	Investment holding
浙江滙駿置業有限公司 Zhejiang Huijun Real Estate Co., Ltd. (1)	Mainland China 1 April 2005	US$77,600,000	**99.7%**	99.7%	Property development

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
杭州滙駿信息技術有限公司 Hangzhou Huijun Information Technology Co., Ltd. (1)	Mainland China 5 December 2007	US$59,700,000	**100%**	100%	Consultation management
杭州駿杰投資管理有限公司 Hangzhou Junjie Investment Co., Ltd. (1)	Mainland China 4 December 2007	US$29,990,000	**100%**	100%	Investment management
杭州白馬物業管理服務有限公司 Hangzhou White Horse Property Management Co., Ltd. (3)	Mainland China 17 December 2007	RMB1,000,000	**99.7%**	99.7%	Property management
杭州蕭山眾安假日酒店有限公司 Hangzhou Xiaoshan Zhong An Holiday Inn Co., Ltd. (4)	Mainland China 28 May 2007	RMB10,000,000	**90%**	90%	Hotel management
China Bright Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Esteem High Enterprises Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Everplus Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Gain Large Enterprises Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
Plenty Management Limited (4)	British Virgin Islands 13 November 2007	US$1	**100%**	100%	Investment holding
香港博凱建築設計有限公司 Hong Kong Bokai Construction Design Limited (4)	Hong Kong 26 February 2008	HK$1	**100%**	100%	Construction design
香港匯源地產有限公司 Hong Kong Huiyuan Real Estate Limited (4)	Hong Kong 26 February 2008	HK$1	**100%**	100%	Property development

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
杭州正江房地產開發有限公司 Hangzhou Zhengjiang Real Estate Development Co., Ltd. (a) [(4)]	Mainland China 16 March 2006	RMB20,000,000	**94.5%**	94.5%	Property development
合肥眾安假日酒店有限公司 Hefei Zhong An Holiday Inn Co., Ltd. [(3)]	Mainland China 18 March 2008	RMB350,000,000	**100%**	100%	Hotel management
匯駿建材物資貿易(杭州)有限公司 Huijun Construction Materials Trading (Hangzhou) Co., Ltd. [(1)]	Mainland China 16 July 2008	US$12,000,000	**100%**	100%	Material trading
杭州匯宏投資管理有限公司 Hangzhou Huihong Investment Management Co., Ltd. [(1)]	Mainland China 19 February 2008	US$49,990,000	**100%**	100%	Investment management
杭州德宏新型建材有限公司 Hangzhou Dehong New Construction Materials	Mainland China 1 February 2008	US$29,900,000	**100%**	100%	Material manufacture

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
杭州眾安印象建築工程設計有限公司 Hangzhou Zhong An Image Construction Design Co., Ltd. (4)	Mainland China 10 December 2009	RMB1,000,000	**51%**	N/A	Construction design
余姚眾安企業管理有限公司 Yuyao Zhong An Enterprise Management Co., Ltd. (1)	Mainland China 7 September 2009	US$20,000,000	**100%**	N/A	Property development
合肥綠色港灣物業管理有限公司 Hefei Green Lounge Property Management Co., Ltd. (b) (4)	Mainland China 1 August 2007	RMB500,000	**100%**	N/A	Property management
安徽眾安物業管理有限公司 Anhui Zhong An Property Management Co., Ltd. (b) (4)	Mainland China 24 November 2003	RMB1,000,000	**100%**	N/A	Property management
杭州眾安服務控股有限公司 Hangzhou Zhong An Service Holding Co., Ltd. (4)	Mainland China 13 August 2009	RMB50,000,000	**100%**	N/A	Investment holding
杭州德宏能源開發有限公司 Hangzhou Dehong Energy Development Co., Ltd. (1)	Mainland China 3 September 2009	US$45,000,000	**100%**	N/A	Energy investment
浙江安源不動產經紀有限公司 Zhejiang Anyuan Real Estate Agent Co., Ltd. (4)	Mainland China 30 October 2009	RMB10,000,000	**100%**	N/A	Real estate agency
浙江安源農業開發有限公司 Zhejiang Anyuan Agriculture Development Co., Ltd. (4)	Mainland China 11 June 2009	RMB10,000,000	**100%**	N/A	Agriculture development

19. Interests in subsidiaries (continued)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
浙江安源家政服務有限公司 Zhejiang Anyuan Housekeeping Service Co., Ltd. (4)	Mainland China 30 October 2009	RMB10,000,000	**90%**	N/A	Housekeeping Service
淳安民福旅遊置業有限公司 Chunan Minfu Property Co., Ltd. (b) (3)	Mainland China 24 October 2003	RMB6,000,000	**100%**	N/A	Property development

Notes:

N/A Not yet incorporated/established or acquired by the Group.

(a) On 9 December 2009, the company's name was changed from Zhejiang Zhong'an Property Development Co., Ltd. (浙江眾安房地產開發有限公司) to Zhong An Group Co., Ltd. (眾安集團有限公司).

(b) These subsidiaries were acquired by the Group in 2009.

(c) Types of legal entities:

(1) Wholly-foreign-owned enterprise

(2) Sino-foreign equity joint venture

(3) Limited liability company invested by foreign invested enterprise

(4) Limited liability company

20. Trade receivables

The Group's trading terms with its customers are mainly lease receivables on credit. The credit period is generally one month, extending up to three months for major customers. All balances of the trade receivables as at the end of the year are neither past due nor impaired.

Trade receivables are non-interest bearing and unsecured.

21. Prepayments, deposits and other receivables

		Group		Company	
		2009	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Due from other related parties		**8,292**	8,292	**–**	–
Prepayments					
– for land acquisition		**–**	51,421	**–**	–
– for projects		**–**	1,888	**–**	–
Advance to suppliers		**116,534**	122,213	**–**	–
Deposits					
– for acquisition of a subsidiary	(a)	**210,000**	210,000	**–**	–
– for land acquisition		**–**	128,950	**–**	–
– others		**19,162**	14,633	**–**	–
Tax recoverable		**5,634**	25,570	**–**	–
Other receivables		**109,999**	114,841	**771**	839
		469,621	677,808	**771**	839
Impairment		**(18,000)**	–	**–**	–
		451,621	677,808	**771**	839

(a) Pursuant to a share transfer agreement entered into in 2007 between a subsidiary of the Company, Ideal World Investments Limited, and Huijun Architectural Design Limited ("Huijun Design"), an independent third party, regarding transfer of 100% equity interest of Huijun (International) Holdings Limited ("Huijun International"), a wholly-owned subsidiary of Huijun Design, from Huijun Design to the Group, Huijun Design assigned to the Group loans of approximately HK$218,000,000 owed by Huijun International to Huijun Design (the "Huijun shareholder's loan") for a consideration of US$28,800,000. In 2007, the Group was requested by Huijun Design to make a deposit of RMB210,000,000 as a guarantee for the payment obligation of the Huijun shareholder's loan. In addition, the Group is obligated to pay the consideration to Huijun Design after completion of the development and sale of properties of Zhejiang Huijun Real Estate Co., Ltd. ("Huijun Real Estate"), a subsidiary of Huijun International established in the PRC, and the completion of liquidation of Huijun Real Estate or on an earlier date the Group may choose. Regardless of when the Group elects or is due to pay the consideration, the Group's payment obligation is subject to the return of RMB210,000,000 deposits paid by the Group. The Directors are of the view that the deposit will be fully settled in 2010.

The above balances are unsecured, interest-free and have no fixed terms of repayment. The fair values of the prepayments, deposits and other receivables at the end of these years approximate to their corresponding carrying amounts.

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB18,000,000 (2008:Nil) with a carrying amount before provision of RMB71,016,000 (2008:RMB77,263,000). The individually impaired other receivables relate to an agency that were in default.

22. Long term prepayment

The Group's long term prepayment represents payments for prepaid leasehold land which will be transferred to properties under development upon issue of the certificates of land use rights.

23. Cash and cash equivalents and pledged deposits

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**792,787**	1,652,098	**23,424**	62,797
Time deposits	**128,348**	16,343	**–**	–
	921,135	1,668,441	**23,424**	62,797
Less: Pledged deposits	**(29,348)**	(16,343)	**–**	–
Cash and cash equivalents	**891,787**	1,652,098	**23,424**	62,797

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2009 and 2008, the deposits were pledged to banks as guarantees to mortgage facilities granted to purchasers of the Group's properties.

24. Trade payables

An aged analysis of the Group's trade payables as at the reporting period, based on the payment due dates, is as follows:

	2009 RMB'000	2008 RMB'000
Within six months	**613,647**	472,654
Over six months but within one year	**6,495**	2,803
Over one year	**8,428**	9,765
	628,570	485,222

The above balances are unsecured and interest-free and are normally settled based on progress of construction. The fair values of the trade payables at the end of these years approximate to their corresponding carrying amounts.

25. Other payables and accruals

		Group		Company	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Deposits related to construction		**34,414**	28,991	**–**	–
Payables for acquisition of subsidiaries	(a)	**227,924**	203,114	**–**	–
Interest expenses accrued		**6,661**	6,080	**–**	–
Other payables		**66,951**	49,400	**1,676**	1,776
		335,950	287,585	**1,676**	1,776

(a) The Huijun shareholder's loan of US$28,800,000 as disclosed in note 21 (a), equivalent to RMB196,652,000 and RMB196,836,000 as at 31 December 2009 and 2008, respectively, was included in the balances. The Directors are of the view that the balance will be settled in 2010.

Other payables are interest-free and repayable on demand. The fair values of other payables and accruals at the end of these financial years approximate to their corresponding carrying amounts.

26. Advances from customers

Advances from customers represent sales proceeds received from buyers in connection with the Group's pre-sale of properties during these financial years.

27. Interest-bearing bank borrowings

	2009 RMB'000	2008 RMB'000
Group		
Current:		
Bank loans-secured	**173,753**	142,117
Non-current:		
Bank loans-secured	**891,036**	521,789

	2009 RMB'000	2008 RMB'000
Repayable:		
Within one year or on demand	**173,753**	142,117
Over one year but within two years	**164,027**	62,753
Over two years but within five years	**432,321**	217,330
Over five years	**294,688**	241,706
	1,064,789	663,906
Current liabilities	**173,753**	142,117
Non-current liabilities	**891,036**	521,789

Except for certain short-term bank loans amounting to RMB5,000,000 (2008: RMB5,000,000) bore interest at fixed rates, all bank loans bore interest at floating rates.

The Group's bank loans bore interest at rates ranging from 4.86% to 8.32% per annum (2008: 5.31% to 8.61% per annum).

As at 31 December 2009, all bank loans of the Group were in Renminbi.

27. Interest-bearing bank borrowings (continued)

The Group's bank loans are secured by:

(i) the Group's investment properties with a value at the end of the reporting period approximately RMB1,596,400,000 (2008: RMB1,134,900,000) (note 14);

(ii) the Group's properties under development with carrying amounting of approximately RMB145,367,000 (2008: RMB153,798,000) (note 15); and

(iii) the Group's property and equipment with a net book value at the end of reporting period of approximately RMB158,392,000 (2008: RMB163,872,000) (note 13)

The fair values of the interest-bearing bank borrowings at the end of these years approximate to their corresponding carrying amounts.

28. Share capital

Shares

	2009 '000	2008 '000
Authorised: 4,000,000,000 (2008: 4,000,000,000) ordinary shares of HK$0.10 each	**HK$400,000**	HK$400,000
Issued and fully paid: 1,942,672,000 (2008: 1,942,672,000) ordinary shares of HK$0.10 each	**RMB185,339**	RMB185,339

29. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Directors, including independent non-executive directors and other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 15 May 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

29. Share Option Scheme (continued)

The initial maximum number of shares which may be allotted and issued upon exercise of all options granted (excluding options which have lapsed in accordance with the terms of the Scheme and other share option scheme of the Group, if any) under the Scheme and other share option schemes of the Group (if any) must not exceed 10% of the shares of the Company in issue as at 15 May 2009, being the date of approval of the Scheme by the shareholders at the annual general meeting of the Company. Such maximum number may however be refreshed at a general meeting of the Company by shareholders. In addition, no options may be granted under the Scheme or other share option scheme adopted by the Group (if any) if the grant of such option will result in the maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted but yet to be exercised under the Scheme and other share option schemes adopted by the Group (if any) exceeding 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted by the grantee within 21 days from the date of offer at a consideration of HK$1.00. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one to five years and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of

(i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options;

(ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and

(iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the date of approval of these financial statements, the Company had granted a total of 40,000,000 share options under the Scheme.

All of the 40,000,000 share options were outstanding under the Scheme as at the end of reporting period.

29. Share Option Scheme (continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2009

Number of options '000	Exercise price HK$ per share	Exercise period
40,000	3.10	9 July 2010 to 8 July 2019

The fair value of options granted during the year was approximately RMB70,133,000 (2008: nil), of which the Group recognised a share option expense of RMB15,519,000 (2008: nil) during the year ended 31 December 2009.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2009
Dividend yield (%)	**0.73**
Expected volatility (%)	**75.06**
Risk-free interest rate (%)	**1.83 to 2.17**
Expected life of options (year)	**5.50 to 7.50**
Exercise price (HK$ per share)	**3.10**

The expected life of the options is estimated by averaging the vesting term and the term from vesting date to the option expiry date and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

As none of share options was exercised during the year, these was no impact of ordinary shares of the Company, share capital or share premium.

At the end of the reporting period, the Company had 40,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 40,000,000 additional ordinary shares of the Company and additional share capital of RMB3,522,000 and share premium of RMB105,658,000 (before issue expenses).

Subsequent to the end of the reporting period, there was no change in the number of share options.

29. Share Option Scheme (continued)

At the date of approval of these financial statements, the Company had 40,000,000 share options outstanding under the Scheme, which represented approximately 2% of the Company's shares in issue as at that date.

30. Reserves

Group

(a) Share Premium

The share premium of the Company represents the excess of ordinary shares paid by the shareholders over the nominal value

(b) Contributed surplus

The contributed surplus of the Group represents the difference between the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the reorganisation of the Group from 2006 to 2007 for purpose of preparation for the listing of the Company on Main Board of Hong Kong Stock Exchange, and the nominal value of the Company's shares issued in exchange therefor. Prior to the incorporation of the Company, the contributed surplus represents the aggregate of the normal value of the paid-up capital of the subsidiaries of the Group.

(c) Capital reserve

Capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in case of acquisition of an additional minority interest of a subsidiary, the difference between the cost of acquisition and the minority interest acquired.

(d) Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of the PRC group companies, the subsidiaries of the Group that are domiciled in Mainland China are required to allocate 10% of their profit after tax, as determined in accordance with PRC Accounting Regulations, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of their respective registered capital.

In addition, certain of the PRC group companies are foreign investment enterprises which are not subject to the SSR allocation. According to the relevant PRC regulations applicable to foreign investment enterprises, each of these subsidiaries is required to allocate certain portion (not less than 10%) of its profit after tax, as determined in accordance with PRC Accounting Regulations, to the statutory reserve fund (the "SRF") until such reserve reaches 50% of its registered capital.

The SSR and the SRF are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

30. Reserves (continued)

Company

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2008	3,094,116	(64,325)	26,549	–	3,056,340
Total comprehensive loss for the year	–	(184,307)	(17,388)	–	(201,695)
Repurchase and cancellation of shares	(117,295)	–	–	–	(117,295)
Final 2008 dividend declared	–	–	(38,853)	–	(38,853)
At 31 December 2008 and 1 January 2009	2,976,821	(248,632)	(29,692)	–	2,698,497
Total comprehensive income for the year	–	(3,912)	74,091	–	70,179
Interim 2009 dividend declared	–	–	(38,853)	–	(38,853)
Entity-settled share option arrangements	–	–	–	15,519	15,519
At 31 December 2009	**2,976,821**	**(252,544)**	**(5,546)**	**15,519**	**2,745,342**

31. Related party transactions

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Compensation of key management personnel of the Group which comprises Directors disclosed in note 8; and

(b) As disclosed in notes 21, the Group has balances due from a director and other related parties at the end of 31 December 2008 and 2009. All the balances due from other related parties were arising from non-trade activities, unsecured, interest-free and repayable on demand.

32. Commitments

The Group had the following commitments for property development expenditure at the balance sheet date:

	2009 RMB'000	2008 RMB'000
Contracted, but not provided for:		
Properties under development	**1,954,409**	568,744

33. Operating lease commitments

As lessor

The Group leases out its investment properties and certain completed properties for sales under operating lease arrangements, on terms ranging from one to fifteen years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

At the statement of financial position dates, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**44,038**	38,131
After one year but not more than five years	**144,978**	128,176
More than five years	**49,237**	57,879
	238,253	224,186

As lessee

The Group leases certain of its office premises under operating lease arrangements, negotiated for terms of five years with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

33. Operating lease commitments (continued)

As lessee (continued)

At 31 December 2009 and 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	6,527	4,580
After one year but not more than five years	15,191	10,711
More than five years	31,820	34,488
	53,538	49,779

34. Contingent liabilities

	2009 RMB'000	2008 RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	872,285	116,295

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The Group did not incur any material losses during the financial years in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

35. Acquisition of subsidiaries

In September 2009, the Group acquired a 100% equity interest in Chunan Minfu Property Co., Ltd. ("Chunan") from an independent third party at a total consideration of RMB200,000,000. Before the acquisition, except for holding two pieces of vacant land, Chunan had no other business activities. The sole purpose of the acquisition was to acquire two pieces of vacant land owned by Chunan. As it does not meet the definition of a business, this transaction is accounted for as an acquisition of assets. Pursuant to the acquisition agreement, the Group is subject to a contingent payment of RMB15,000,000 to the selling shareholder for its assistance to obtain government's approval in changing land categorization from business to residential purpose. At the date of approval of these financial statements, the Directors are of the view that the completion of the change of land categorization is uncertain.

The fair values of the identifiable assets of Chunan allocated as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Note	**Fair value allocated** RMB'000	**Previous carrying amount** RMB'000
Net assets acquired:			
Properties under development	15	200,000	4,200
Satisfied by:			
Cash		175,000	
Other payables and accruals		25,000	
		200,000	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	As at the acquisition date RMB'000
Cash consideration paid	(175,000)
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(175,000)

From the date of the acquisition, Chunan's results have had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2009.

Had the acquisition taken place at the beginning of the year, there was no impact on the revenue and the profit of the Group for the year.

35. Acquisition of subsidiaries (continued)

In June 2009, the Group acquired the 100% equity interests in Hefei Green Lough Property Management Co., Ltd. and Anhui Zhong An Property Management Co., Ltd. from independent third parties at total considerations of RMB500,000 and RMB1,000,000, respectively. These two companies are engaged in property management services.

The fair values of the identifiable assets and liabilities of these two companies as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition RMB'000	**Previous carrying amount** RMB'000
Net assets acquired:		
Cash and cash equivalent	1,397	1,397
Prepayments, deposits and other receivables	103	103
	1,500	1,500
Satisfied by:		
Other payables and accruals	1,500	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

	As at the acquisition date RMB'000
Cash consideration paid	–
Cash and cash equivalents acquired	1,397
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	1,397

From the date of the acquisition, these two companies' results have had no significant impact on the Group's consolidated revenue or profit for the year ended 31 December 2009.

Had the acquisition taken place at the beginning of the year, there was no impact on the revenue and the profit of the Group for the year.

36. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

2009 **Group**

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	3,300	3,300
Trade receivables	14,318	–	14,318
Financial assets included in prepayments, deposits and other receivables	329,453	–	329,453
Pledged deposits	29,348	–	29,348
Cash and cash equivalents	891,787	–	891,787
	1,264,906	3,300	1,268,206

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	628,570
Financial liabilities included in other payables and accruals	289,684
Interest-bearing bank borrowings	1,064,789
	1,983,043

36. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2008 Group

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	3,300	3,300
Trade receivables	10,857	–	10,857
Financial assets included in prepayments, deposits and other receivables	476,716	–	476,716
Pledged deposits	16,343	–	16,343
Cash and cash equivalents	1,652,098	3,300	1,652,098
	2,156,014	3,300	2,159,314

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	485,222
Financial liabilities included in other payables and accruals	270,076
Interest-bearing bank borrowings	663,906
	1,419,204

36. Financial instruments by category (continued)

Company

Financial assets

	2009 Loans and receivables RMB'000	2008 Loans and receivables RMB'000
Interests in subsidiaries	**996,498**	1,018,848
Financial assets included in prepayments, deposits and other receivables	**771**	839
Amounts due from subsidiaries	**2,027,699**	1,958,224
Cash and cash equivalents	**23,424**	62,797
	3,048,392	3,040,708

Financial Liabilities

	2009 Financial liabilities at amortised cost RMB'000	2008 Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	**1,676**	1,867
Amounts due to subsidiaries	**116,653**	116,828
	118,329	118,695

37. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2009			
RMB	**50**	**(4,948)**	**(3,711)**
RMB	**(50)**	**4,948**	**3,711**
2008			
RMB	50	(2,368)	(1,776)
RMB	(50)	2,368	1,776

37. Financial risk management objectives and policies (continued)

(b) Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain bank balances denominated in HK$ and US$. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2009			
If HK$ weakens against US$	**5**	**(351)**	**(264)**
If HK$ strengthens against US$	**5**	**351**	**264**
If RMB weakens against US$	**5**	**711**	**534**
If RMB strengthens against US$	**5**	**(711)**	**(534)**
2008			
If HK$ weakens against US$	5	(953)	(715)
If HK$ strengthens against US$	5	953	715
If RMB weakens against US$	5	4	3
If RMB strengthens against US$	5	(4)	(3)

37. Financial risk management objectives and policies (continued)

(c) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposited with overseas banks and state-owned banks in Mainland China. The carrying amounts of the other receivables, pledged deposits and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk. The Group has arranged bank financing for certain purchasers of its property units and has provided guarantees to secure the obligations of such purchasers for repayments. Detailed disclosures of these guarantees are made in note 34.

(d) Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

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

Group

	2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	2,500	171,253	596,348	294,688	1,064,789
Trade payables	628,570	–	–	–	–	628,570
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	–	872,285	–	–	–	872,285
Other payables and accruals	355,950	–	–	–	–	355,950
	964,520	874,785	171,253	596,348	294,688	2,901,594

37. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

	2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	142,117	280,083	241,706	663,906
Trade and bills payables	485,222	–	–	–	–	485,222
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	–	116,295	–	–	–	116,295
Other payables and accruals	287,585	–	–	–	–	287,585
	772,807	116,295	142,117	280,083	241,706	1,533,008

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

Company

	2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	116,653	–	–	–	–	116,653
Other payables and accruals	1,676	–	–	–	–	1,676
	118,329	–	–	–	–	118,329

	2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	116,828	–	–	–	–	116,828
Other payables and accruals	1,867	–	–	–	–	1,867
	118,695	–	–	–	–	118,695

37. Financial risk management objectives and policies (continued)

(e) Capital management

The primary objective of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

Group

	2009 **RMB'000**	2008 RMB'000
Interest-bearing bank borrowings (note 27)	**1,064,789**	663,906
Trade and bills payables	**628,570**	485,222
Other payables and accruals	**335,149**	287,585
Less: Cash and cash equivalents	**(891,787)**	(1,652,098)
Net debt	**1,137,522**	(215,385)
Equity attributable to owners of the parent	**4,280,029**	3,931,879
Capital and net debt	**5,417,551**	3,716,494
Gearing ratio	**21%**	(6%)

38. Events after the reporting period

The board of directors of the Company proposes to increase the share capital of the Company by capitalising the share premium of the Company, pursuant to which bonus shares will be allotted and issued to the shareholders, whose names appear on the register of member of the Company on the date of annual general meeting of the Company to be held which will be 30 June 2010, on the basis of 1 bonus share for every 5 ordinary shares held by the shareholders. Based on a total of 1,942,672,000 shares in issue as at 31 December 2009, 388,534,400 bonus shares will be issued by the Company

The bonus issue and the increase in the Company's share capital are subject to the approval from the Company's shareholders at the forthcoming annual general meeting.

39. Approval of the financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2010.

Properties Held for Investment

As at 31 December 2009

	Address	Existing use at 31 December 2009	Lease term of land
1.	Basement 1 to Level 9 and Level 11 to Level 15, Guomao Building, No. 93 Shixin Road, Chengxiang Town, Xiaohan District, Hangzhou City, Zhejiang Province, China	Shops, staff quarters and portion of it is vacant	Medium (note)
2.	A retail shop unit on L1, Shanghai La Vie, No. 433 Chang Le Road, Xuhui District, Shanghai City, China	Shop	Medium
3.	Portion of Level 1, the whole of Level 2 to Level 4, Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou City, Zhejiang Province, China	Shops and portion of it is vacant	Medium
4.	L1-L5, the completed retail portion in High Long Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, China	Shops	Medium
5.	The completed office tower in High Long Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, China	Office	Medium

Properties Held for Investment

As at 31 December 2009

	Address	Existing use at 31 December 2009	Lease term of land
6.	The completed serviced apartments in High Long Plaza, Shanyin Road, Xiaoshan District, Hangzhou City, Zhejiang Province, China	Serviced apartments	Medium

Note: Medium is defined as the term of land use rights granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.

Properties Held for Development and/or Sale

31 December 2009

	Address	Status of completion as at 31 December 2009 (if the property is still under construction)	Expected completion date	Use as at 31 December 2009	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
A.	**Completed properties**							
1.	Guotai Garden, Jinji Road and Jinhui Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		86,091	178,812		90%
	– Apartment units			Properties held for sale			692	
	– Retail shop units			Properties held for sale			598	
2.	Landscape Garden, Panshui Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		87,333	155,942		90%
	– Townhouse units			Properties held for sale			662	
	– Retail shop units			Properties held for sale			4,495	
3.	Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		2,979	11,131		90%
	– Retail shop units			Properties held for sale			6,297	
4.	Yipeng Building Material Market, Qinpeng Road, Yipeng Town, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		24,800	29,309		90%
	– Retail shop units			Properties held for sale			–	
5.	Zhong'an Garden, East Xiaoran Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		17,788	46,404		90%
	– Apartment units			Properties held for sale			394	
	– Retail shop units			Properties held for sale			1,732	
6.	Phase 1 and South Section of Phase 2, Vancouver City, Renmin Road and Gongren Road, Huaibei, Anhui Province, the PRC		Completed		348,248	268,859		95%
	– Apartment units			Properties held for sale			1,683	
	– Townhouse units			Properties held for sale			391	
	– Retail shop units			Properties held for sale			23,792	

Properties Held for Development and/or Sale

31 December 2009

	Address	Status of completion as at 31 December 2009 (if the property is still under construction)	Expected completion date	Use as at 31 December 2009	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
7.	New White Horse Apartment, Gongren Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC				62,800	221,947		90%
	– Apartment units		Completed	Properties held for sale			1,180	
8.	Vancouver City, Phase 2 – North Section, Renmin Road and Gongren Road, Huaibei, Anhui Province, the PRC		Completed	Properties held for sale	84,330	73,600		95%
	– Low-rise apartment units						144	
	– Villas						2,678	
	– Retail shop units						10,378	
9.	Green Harbour, Phase 1A, Yixing Town, Baohe District, Hefei, An'hui Province, the PRC		Completed	Properties held for sale	110,000	57,600		84.15%
	– Townhouse units						15,663	
10.	White Horse Noble Mansion, Sandun Town, Xihu District, Hangzhou, Zhejiang Province, the PRC				73,514	168,657		99.7%
	– Townhouse units in Phase A		Completed	Properties held for sale			2,624	
	– Apartment units in Phase B		Completed	Properties held for sale			6,350	

31 December 2009

	Address	Status of completion as at 31 December 2009 (if the property is still under construction)	Expected completion date	Use as at 31 December 2009	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
B.	**Properties held for development**							
11.	A piece of land at Landscape Bay, Ning Wei Town, Hangzhou, the PRC	Main structure under construction	December 2010 to December 2011	Under construction	215,334	324,339		92.6%
	Phase 1						174,547	
	Phase 2						73,683	
12.	Yinlong Chateau*, Wenyan, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in April to June 2010	December 2011 to June 2012	Vacant pending development	87,130	245,000	202,000	94.5%
13.	A piece of land at Huifeng Plaza, Yucai Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in October 2010	December 2012	Vacant pending development	13,900	69,545	28,991	90%
14.	Green Harbour Phase 1B & C, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC				119,454	126,100		84.15%
	Phase 1B	Main structure under construction	June 2010	Under construction			46,000	
	Phase 1C	Expected to commence construction in June 2010	June 2012	Vacant pending development			66,705	
15.	Green Harbour Phase 2, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC	Expected to commence construction in October 2010	October 2012	Vacant pending development	269,000	128,200	87,300	84.15%

* For identification only. Formerly known as Corporate Square (名企廣場).

31 December 2009

	Address	Status of completion as at 31 December 2009 (if the property is still under construction)	Expected completion date	Use as at 31 December 2009	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
16.	Green Harbour Phase 3-6, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC			Vacant pending development	1,438,050	555,300		84.15%
	Phase 3	Expected to commence construction in March 2011	March 2013				190,600	
	Phase 4	Expected to commence construction in May 2011	May 2013				170,000	
	Phase 5	Expected to commence construction in March 2012	October 2013				98,000	
	Phase 6	Expected to commence construction in June 2012	December 2013				83,900	
17.	Vancouver City Phase 3A-3D, Renmin Road and Gongren Road, Huaibei City, Anhui Province, the PRC				413,600	534,036		95%
	– Phase 3A	Main Structure under construction	June 2010	Under construction			125,590	
	– Phase 3B	Foundation works in progress	June 2011	Under construction			120,110	
	– Phase 3C	Expected to commence construction in November 2010	November 2012	Vacant pending development			123,300	
	– Phase 3D	Expected to commence construction in March 2011	March 2013	Vacant pending development			122,300	
18.	Vancouver City Phase 4, Renmin Road and Gongren Road, Huaibei City, Anhui Province, the PRC	Expected to commence construction in June 2011	June 2012	Vacant pending development	306,020	334,560	324,000	95%
19.	Vancouver City Phase 5, Renmin Road and Gongren Road, Huaibei City, Anhui Province, the PRC	Foundation works in progress	June 2011	Under construction	303,583	112,400	102,200	95%

Properties Held for Development and/or Sale

31 December 2009

	Address	Status of completion as at 31 December 2009 (if the property is still under construction)	Expected completion date	Use as at 31 December 2009	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
20.	Vancouver City Phase 6, Renmin Road and Gongren Road, Huaibei, Anhui Province, the PRC	Expected to commence construction in February 2011	October 2014	Vacant pending development	216,620	237,920	228,000	95%
21.	Reserved land for Phase A, International Office Centre, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC				92,610	843,400		100%
	Phase A1	Expected to commence construction in June 2011	December 2014	Vacant pending development			307,500	
	Phase A2	Expected to commence construction in August 2012	October 2015	Vacant pending development			158,900	
	Phase A3	Foundation works in progress	December 2012	Under construction			216,900	
22.	Reserved land for Phase B & C, International Office Centre, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in August 2013	October 2016	Vacant pending development	204,056	1,444,000	1,018,400	100%
23	A piece of land at Chunan County, Qiandaohu Town, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in June 2010	June 2012	Vacant pending development	108,000	65,836	65,000	100.0%
24	A piece of land at Xiaoheshan, Yuhang District, Hanzhou, Zhejiang Province, the PRC	Expected to commence construction in August 2010	December 2012	Vacant pending development	145,265	303,434	286,424	90.0%
25	A piece of land at: north to Shenggui Hill, west to Xingjian North Road and south to Beihuan West Road, Yuyao, Zhejiang Province, the PRC			Vacant pending development	395,294			90.0%
	Phase 1	Expected to commence construction in July 2010	November 2011			165,450	120,000	
	Phase 2	Expected to commence construction in October 2011	November 2014			210,200	205,000	

Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

Results

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,624,476**	1,437,841	330,043	672,733	207,568
Profit before tax	**670,240**	442,175	485,068	203,076	84,792
Income Tax	**(227,975)**	(159,860)	(51,596)	(112,501)	(41,047)
Profit for the year	**442,265**	282,315	433,472	90,575	43,745
Attributable to:					
Equity holders of the Company	**408,917**	253,986	391,306	81,966	38,803
Minority interests	**33,348**	28,329	42,166	8,609	4,942
	442,265	282,315	433,472	90,575	43,745

Assets, Liabilities and Minority Interests

	31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**7,266,226**	6,326,363	7,685,374	2,179,323	2,066,915
Total Liabilities	**(2,841,786)**	(2,283,911)	(3,749,400)	(1,931,741)	(1,836,008)
Minority Interests	**(144,411)**	(110,573)	(81,681)	(46,155)	(39,648)
	4,280,029	3,931,879	3,854,293	201,427	191,259