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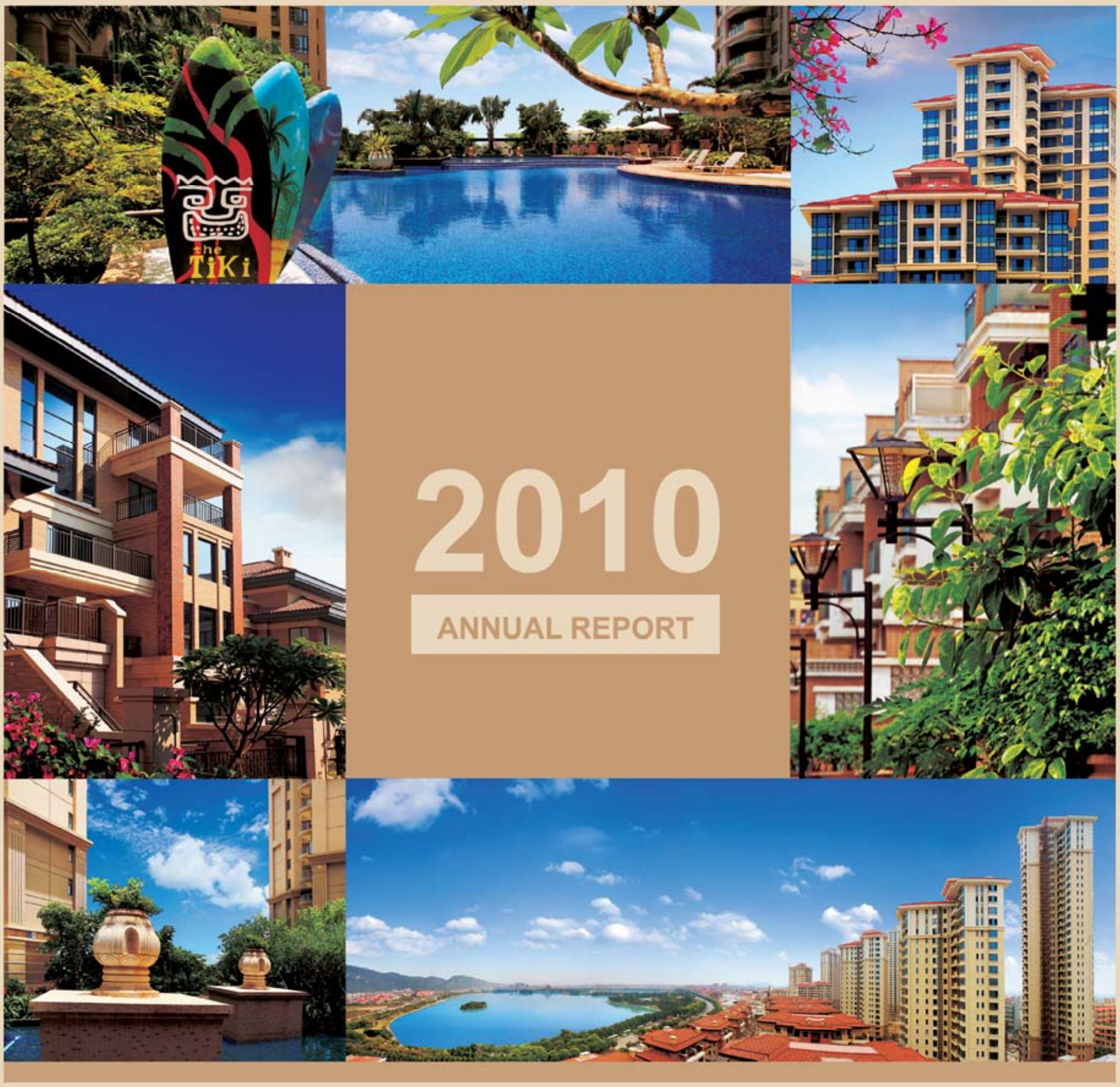


2010
ANNUAL REPORT

CHINA SCE PROPERTY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK

Xiamen • Seashore Suite No.1

Contents

Corporate Profile

China SCE Property Holdings Limited ("China SCE Property" or the "Company") and its subsidiaries (collectively, the "Group") were established in 1996 and listed on the Main Board of the Stock Exchange of Hong Kong Limited in February 2010 (Stock Code: 1966). The Group's major businesses include investment holding, real estate development, property investment and property management. The Company upholds "constructing a classic homestead" as its corporate mission and strives for excellence in product quality. After many years of development, the Company has established a good brand image in the industry and was granted the awards and honours of "Top 100 Real Estate Enterprises in China" and "Star of the Top 100 Real Estate Enterprises in China" for three consecutive years.

China SCE Property is headquartered in Xiamen as its development base for carrying out its national development strategy of "firming its foothold on West Taiwan Strait Economic Zone; expanding into the Bohai Rim Economic Zone; and paying attention to the Pearl River Delta Economic Zone". As of 31 December 2010, the Group together with its jointly-controlled entity and associates, owned a land bank with aggregate planned gross floor area of approximately 8.4 million sq.m., distributed over Beijing, Shenzhen, Xiamen, Quanzhou, Zhangzhou, Anshan, Tangshan and Linfen, etc.

China SCE Property will fully utilize the international capital platform that was established through its listing in Hong Kong to implement prudent financial development strategies. In future development, the Company will actively implement its development strategies on the basis of emphasizing and improving product quality as it always did, and strives to become a regional leader in the industry to maximize the value created for our shareholders and make greater contributions to both the real estate industry and the society at large.

Xiamen • SCE Building

DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai *(Vice Chairman)*
Mr. Cheng Hiu Lok *(Vice Chairman)*
Mr. Li Wei

Non-executive Director

Mr. Fung Ka Pun

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORIZED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Ting Leung Huel Stephen
Mr. Dai Yiyi

NOMINATION COMMITTEE

Mr. Cheng Hiu Lok *(Chairman)*
Mr. Li Wei
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong Law:
Chiu & Partners

COMPLIANCE ADVISORS

Cinda International Capital Limited

REGISTERED OFFICE IN CAYMAN ISLANDS

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

SCE Building
No. 208, Nanwu Road
Gaoqi, Xiamen
Fujian Province
China

PLACE OF BUSINESS IN HONG KONG

Room 1606, Nanyang Plaza
No. 57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Dirve
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industry and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Hongkong and Shanghai Banking Corporation
Hang Seng Bank

INVESTOR RELATIONS

Email: ir@sce-re.com
Fax: (86) 592 5721 855

STOCK CODE

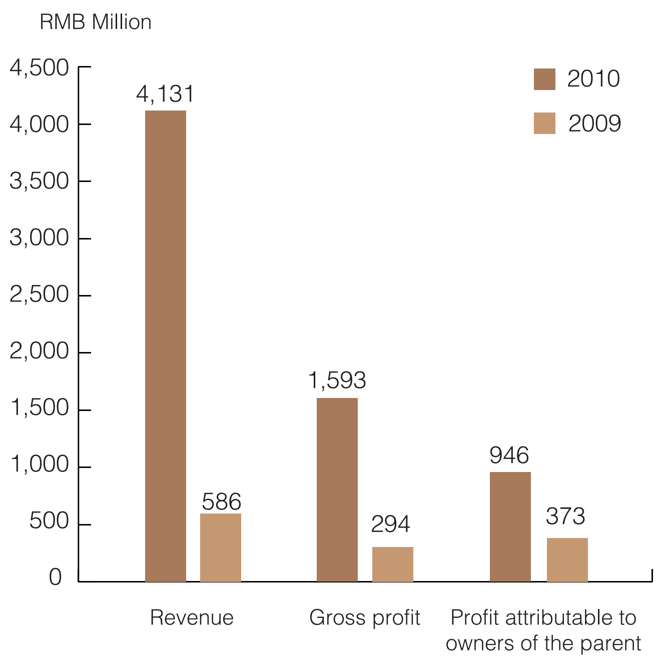
Hong Kong Stock Exchange: 1966.HK

COMPANY WEBSITE

www.sce-re.com

SUMMARY OF RESULTS

	For the year ended 31 December		
	2010	2009	Change
	RMB'000	RMB'000	(%)
Revenue	**4,131,295**	586,463	604.4
Gross profit	**1,593,495**	293,659	442.6
Profit before tax	**1,527,418**	540,687	182.5
Income tax expense	**(591,107)**	(178,996)	230.2
Profit for the year	**936,311**	361,691	158.9
Profit/(loss) attributable to:			
Owners of the parent	**946,125**	373,434	153.4
Non-controlling interests	**(9,814)**	(11,743)	(16.4)
	936,311	361,691	158.9
Earnings per share			
Basic	**RMB33.8 cents**	RMB17.9 cents	89.2



Financial Highlights

REVENUE ANALYSIS

	2010 RMB'000	2009 RMB'000	Change (%)
Sales of properties	**4,071,625**	564,993	620.7
Property management fees	**16,861**	8,737	93.0
Gross rental income	**42,809**	12,733	236.2
Total	**4,131,295**	586,463	604.4

FINANCIAL POSITION

	2010 RMB'000	2009 RMB'000	Change (%)
Total assets	**10,577,689**	8,705,494	21.5
Total liabilities	**(5,892,739)**	(6,393,268)	(7.8)
Non-controlling interests	**(1,017,891)**	(802,851)	26.8
Equity attributable to owners of the parent	**3,667,059**	1,509,375	143.0

SUCCESSFUL LISTING IN HONG KONG

On 5 February 2010, the Company was listed successfully on the Stock Exchange of Hong Kong Limited and became the first domestic real estate enterprise listed in Hong Kong in 2010.

LAUNCHING OF SUNSHINE TOWN PHASE 1

On 7 February 2010, the launching ceremony of Sunshine Town Phase 1 was held as scheduled. On the launching day, over 400 units of the project were sold on cumulative basis and total sales revenue exceeded RMB150 million. Sunshine Town is situated at the junction of Nanhuan Road and Jianzhong Road on the Quanzhou 308 Provincial Highway which is 10 minutes away from the city centre area of Quanzhou.

AWARDED THE HONOURS OF THE "TOP 100 REAL ESTATE ENTERPRISES IN CHINA", "STAR OF TOP 100" AND THE "LEADING FUJIAN REAL ESTATE ENTERPRISE IN CHINA"

On 26 March 2010, the Company was awarded the honours of the "Top 100 Real Estate Enterprises in China" and "Star of Top 100" again after the same honours were awarded in 2008 and 2009. Moreover, the Company was also awarded the honour of the "Leading Fujian Real Estate Enterprise in China".

LAUNCHING OF THE FORTUNE PLAZA PHASE 1 PARKVIEW BAY

On 8 May 2010, Fortune Plaza Phase 1 Parkview Bay was launched as scheduled. The project of Parkview Bay is located on the land site to the east of the city of Fengze District in Quanzhou, with total gross floor area ("GFA") of approximately 300,000 sq.m., comprising 18 buildings of 18-33 storeys in neo-classical high-rise architectural style. Approximately 500 units were offered to the market, which were almost fully subscribed on that day.

ACQUISITION OF LAND PARCEL IN ANSHAN CITY OF LIAONING PROVINCE

In May 2010, the Group successfully acquired five parcels of land which were listed for sale in Anshan City, Liaoning Province, through the bidding process with a maximum planned GFA up to 2.2 million sq.m. for a total land price of about RMB423 million. The land is located at Anhai Road West in Anshan City, Liaoning Province, with a total site area of approximately 600,000 sq.m. The Group has established two joint venture companies respectively with independent third-party developers to develop commercial-residential projects and hotel projects, and the Group holds 70% interest in the joint venture companies. The land will be developed into a large urban complex project combining residential, commercial and hotel elements.

Review of Significant Events

ACQUISITION OF 100% EQUITY INTEREST IN BEIJING DUSHISHENGJING REAL ESTATE DEVELOPMENT CO., LTD. ("BJ SHENGJING")

On 7 June 2010, the Group acquired 100% equity interest in BJ Shengjing from Beijing Dupeng Real Estate Development Co., Ltd., a state-owned enterprise, for a consideration of approximately RMB127 million. BJ Shengjing was primarily engaged in real estate development, its core asset was the proposed Beijing Desheng Residence Project. This acquisition became the first case for a central enterprise which does not operate real estate business as its core business to transfer a wholly-owned real estate subsidiary.

LAUNCHING OF THE SCE INTERNATIONAL COMMUNITY PHASE 1 CENTRAL PARK

On 24 July 2010, the SCE International Community Phase 1 Central Park located in Linfen City of Shanxi Province was launched officially. During the first week of launching, the first batch of units on offer were subscribed by 60% with very good market response. The SCE International Community project is located at the southeastern part of the Linfen Economic and Technology Development Zone, next to the old city area of Linfen on its southern side, with prime location advantages. The total planned GFA of the project was approximately 570,000 sq.m. and it will become one of the largest residential complex in Linfen City. Phase 1 of the project has a total GFA of approximately 80,000 sq.m. comprising 4 buildings of 18 storeys.

WINNER OF THE "2010 MOST INFLUENTIAL REAL ESTATE ENTERPRISE IN CHINA" AWARD

On 14 August 2010, the 4-day China Bo Ao Real Estate Forum was closed. China SCE Property had won the honour of the "2010 Most Influential Real Estate Enterprise in China" Award.

ACQUISITION OF THE LAND SITE IN TANGSHAN CITY OF HEBEI PROVINCE

On 29 September 2010, the Group, through its wholly-owned subsidiary Tangshan Zhongjun Property Development Company Limited, successfully acquired four parcels of land located at the northwest side of South Lake, Tangshan City, through auction with a total site area of approximately 110,000 sq.m. and a total planned GFA of approximately 60,000 sq.m. for a consideration of approximately RMB190 million. The land is for residential, commercial and ancillary uses.

ACQUISITION OF THE LAND SITE IN XIAMEN CITY OF FUJIAN PROVINCE

In October 2010, Xiamen Junxianghexin Real Estate Co., Ltd., in which the Group holds 90% interest, successfully acquired a parcel of land in Xiamen for a consideration of approximately RMB280 million. The project is located in west of Fang Shan North Road and north of Xiang'an North Road in Ma Xiang Town, Xiang'an District, Xiamen City, with a total site area of approximately 60,000 sq.m. and a total planned GFA of approximately 140,000 sq.m.

LAUNCHING OF THE STRAIT ECO-CITY

In October 2010, the Strait Eco-City jointly developed by the Group and the local government was launched officially. The foundation laying ceremony of the connection road with the coastal corridor of the No. 201 provincial highway was also launched concurrently. The Strait Eco-City is a large-scale residential and commercial development project located in Shijing Town of Nan'an City in Quanzhou, with a total site area of approximately 9,400,000 sq.m.

GLAMOROUS LAUNCHING OF THE REGENT

On 7 November 2010, The Regent in Xiamen was launched with glamour. On the launching day, 9 villas and 162 high-rise residences were launched, over 75% of the initial units launched were sold on the same day, with the amount of subscription exceeded RMB 380 million. The Regent is located at the northwest of the junction of Haicang Avenue and Jiaosong Road with a planned GFA of approximately 85,000 sq.m. It enjoys pleasant sea-and-lake views and will be developed as a high-end fine-furnished residential project.

SUCCESSFUL ISSUANCE OF RMB 2 BILLION SENIOR NOTES

On 14 January 2011, the Company had successfully issued RMB 2 billion US$ settled synthetic bonds denominated in RMB at the interest rate of 10.5% due in 5 years, and thus became the first domestic real estate developer that launched synthetic Renminbi bonds successfully.

GRAND LAUNCHING OF SAPPHIRE BOOMTOWN PHASE 1

On 8 January 2011, Sapphire Boomtown Phase 1 in Zhangzhou City was launched officially. The first batch of 93 townhouses and condominium units on offer were almost completely subscribed. Sapphire Boomtown is located at the south of Shuixian Avenue in Zhangzhou City, with a planned GFA exceeding 500,000 sq.m., which will be developed into a large-scale residential community.

WONG CHIU YEUNG
Chairman

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of China SCE Property Holdings Limited ("China SCE" or the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2010.

The year of 2010 is a remarkable year for the real estate industry. To curb the fast-paced increase of property prices in some cities, the central government introduced a new wave of macroeconomic control policies in the second quarter of 2010. Although the momentum of the fast-paced increase in property prices was initially curtailed, the turnover and prices of commodity housing remained at its historical high in 2010. In order to strengthen and amplify the results of its control measures, gradually solve the urban housing problems, continue to effectively curb investment and speculative investment in properties and promote the stable and healthy development of the real estate market, the central government introduced macroeconomic control policies entitled "The Eight New Rules" (新國八條) on 26 January 2011.

China SCE also experienced a remarkable year in 2010 during which meaningful milestones were set. During the year, the Company seized the opportunity to enter the international capital markets successfully and was listed on the Stock Exchange of Hong Kong Limited on 5 February 2010, and became the first domestic real estate enterprise listed in Hong Kong in 2010. The successful listing has provided China SCE with a higher platform from which the Group can achieve greater development in the future with more confidence and in a better position. Although the central government was stepping up its macroeconomic control measures on the real estate market, the Group was actively dealing with the situation. By adopting cautious and sound operating strategies, the results of the Group saw a significant growth in 2010 and recorded the best result since its establishment in terms of area under construction, completed area, saleable area, delivered area and contract sales area and amount, which should be satisfactory to our shareholders.

RESULTS AND DIVIDENDS

For the financial year ended 31 December 2010, the Group recorded a revenue of RMB4,131 million and a gross profit of RMB1,593 million, representing a significant growth of 604.4% and 442.6% respectively from the 2009 financial year. Profit attributable to owners of the parent amounted to RMB946 million, representing an increase of 153.4% from the previous financial year.

In return for the tremendous support of our shareholders, the Board of the Company recommends the distribution of a final dividend of HK5 cents per share to shareholders for the year ended 2010. Together with the interim dividend of HK4 cents per share which has already been distributed, our dividend yield is 4.5%.

BUSINESS REVIEW

Faced with the rapidly changing real estate market during the year, the Group actively devised its strategies, steadily moved forward and successfully took market opportunities and achieved striding growth throughout 2010. All performance indicators were at their historical high.

With the brand effect that came with high quality and strong competitive advantage that came with our excellent development capability, all projects for sale by the Group recorded good sales performance. During the reporting period, realized contract sales area of the Group was approximately 480,000 sq.m. and contract sales amount was approximately RMB 3.6 billion, representing a growth of 149.6% and 85.1% respectively from the previous financial year.

In terms of corporate strategy development, the Group continued to uphold its national development strategy of "Firming its foothold on West Taiwan Strait Economic Zone; expanding into the Bohai Rim Economic Zone; and paying attention to the Pearl River Delta Economic Zone". The Group adheres to a cautious land acquisition strategy to obtain quality land resources at low costs in a diversified manner. During the reporting period, it newly acquired two parcels of land in Fujian Province and extended its scope of development to the Bohai Rim region and has established quality projects in Anshan of Liaoning Province, Tangshan of Hebei Province and Beijing. During the year, the Group added new land bank with an aggregate planned GFA of approximately 2.36 million sq.m. As at 31 December 2010, the Group together with its jointly controlled entity and associated companies, hold a land bank with an aggregate planned GFA of approximately 8.4 million sq.m. We believe that our current land bank is sufficient for the development and construction needs of the Group for the next four to five years.

FUTURE OUTLOOK

Our Group strongly believes that adhering to our national development strategy, pursuing high quality and maintaining sufficient cash flow will be our keys to success in facing the competition of 2011. We will further enhance our performance efficiency and rise to the challenges with utmost confidence.

In future, we will enhance our performance in the following areas:

Continue to uphold our high quality standards

We will carry out our mission of "Constructing a Classic Homestead". We have always believed that high quality products are the lifeline of corporate development and also the driving force of a company's sustainable development. Our pursuit of quality has realized results in terms of successful sales.

Continue to improve our land bank distribution by increasing land bank

We adhere to our national development strategy of "Firming its foothold on West Taiwan Strait Economic Zone; expanding into the Bohai Rim Economic Zone; and paying attention to the Pearl River Delta Economic Zone". By using our successful business experience in Fujian, we will extend our business to the Bohai Economic Rim. We have already grasped suitable opportunities to gradually increase the number of development projects in the Bohai Economic Rim and results are becoming apparent.

The implementation of prudent financial strategies

The Group fully utilized the international financing platform established through its listing to implement prudent financial strategies. Its cash and bank balances and net debt ratio remained at healthy levels. As at 31 December 2010, cash and cash equivalents of the Group amounted to RMB1,522 million and its net gearing ratio was 25.4%. Prior to the publication of this annual report, on 14 January 2011, the Company successfully issued RMB 2 billion 10.5% synthetic bonds due in 5 years with settlement in US dollars and became the first PRC real estate enterprise that issue synthetic bonds successfully. The successful issuance of bonds has further enhanced the Group's risk tolerance level to ensure the continuing development of the Group.

Focusing on the optimization of product structure

While pursuing high quality, the Group also places importance on the optimization of product structure. It insists on business development with a focus on mid- to high-end products and is committed to developing a mid-end product line that corresponds to rigid demand. It also strategically develops high-end properties based on its successful experience in the development of World City in Beijing to satisfy the multiple needs of the market. Besides developing residential properties, the Group is also speeding up the development of quality investment properties. Our Fortune Plaza located at new city area of Quanzhou, the Gold Coast located at Shishi, Quanzhou and project located at Anshan of Liaoning Province are all planned to be developed into composite city-complex projects in order to increase the rental revenue of the Group, thus enhancing our ability to cope with market risks.

Placing great emphasis on property management services

We will also continue to place emphasis on professional property management and try our best to provide excellent property services to property owners and create a fine living environment. In future, we will continue to maintain strategic co-operation partnerships with international property management companies and continue to explore innovative management models that meet the needs of property owners based on a regulated and standardized management system.

APPRECIATION

Lastly, on behalf of the Board, I would like to express our sincere appreciation to all shareholders and investors for their trust in our Company, all business partners for your unreserved support and all our staff for your excellent contribution to the development of our Group in the past year!

Wong Chiu Yeung
Chairman

Hong Kong, China
23 March 2011

BUSINESS REVIEW

In 2010, China's economy still maintained rapid growth against a backdrop of slow recovery in global economy. According to preliminary figures from National Bureau of Statistics, China's GDP in 2010 reached RMB 39,798.3 billion, representing an increase of 10.3% over 2009 based on comparable pricing. For long-term and stable development of the Chinese real estate market, the State government introduced a number of strict macro-control policies consecutively in 2010 to curb overheated investment and speculative demand. However, the real estate market was still very active, with turnover and price of commodity housing remained at high levels. In 2010, China's commodity housing achieved sales of 1,043.5 million sq.m. in area and a sales volume of RMB5,247.8 billion, representing an increase of 10.1% and 18.3% respectively over 2009.

Despite changing economic environment and stringent macro-control policies, the Group managed to achieve good results, recording the best performance since its establishment in construction area, completed area, saleable area, delivered area as well as contract sales area and amount. Below is a review of our major operating businesses during the reporting period.

Project development

Projects commenced in 2010

During the reporting period, the Group, together with its jointly-controlled entity, commenced 9 projects in Fujian Golden Triangle metropolitan area, with a total planned gross floor area ("GFA") of approximately 1.3 million sq.m. Also, the Strait Eco-City, located in Nanan City of Quanzhou and developed in cooperation with the local government, also officially commenced operation during the year.

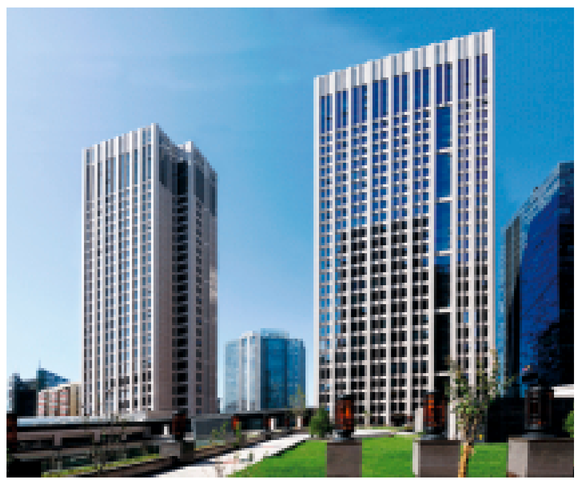
City	Name of Project	Type of Property	Total GFA (sq.m.)	Interest Attributable to the Group (%)
Quanzhou	Fortune Plaza • Royal Terrace	Residential	249,436	58
Quanzhou	Sapphire Peninsula Phase 2	Residential	126,463	100
Quanzhou	Sunshine Town Phase 1 (Blocks 9-17)	Residential	152,634	100
Quanzhou	Sunshine Mansion	Residential	300,641	80
Quanzhou	Purple Lake International Phase 1	Residential	62,217	49
Zhangzhou	Sapphire Boomtown Phase 1	Residential	148,578	80
Xiamen	The Regent	Residential	85,192	60
Xiamen	Provence Town	Residential	142,930	90
Xiamen	SCE Building Phase 2	Office building	36,333	100
Total:			1,304,424	

Projects completed in 2010

During the reporting period, the Group, together with its jointly-controlled entity, completed 4 projects with a total planned GFA of approximately 540,000 sq.m. As at 31 December 2010, 95% saleable area of these completed projects have been sold.

City	Name of Project	Type of Property	Total GFA (sq.m.)	Interest Attributable to the Group (%)
Quanzhou	West Lake No. 1	Residential	198,782	100
Quanzhou	Sapphire Uptown	Residential	105,623	51
Quanzhou	Sunshine Town Phase 1 (Blocks 1-8)	Residential	60,063	100
Fuzhou	Wuyi Oasis Phase 3	Residential	176,856	50
Total:			541,324	

Xiamen • Seashore Suite No.1



Beijing • World City

Quanzhou • West Lake No.1

Xiamen • Jade Lakefront Manor

Projects under development as at 31 December 2010

As at 31 December 2010, the Group, together with its jointly-controlled entity, had 11 projects under development with a total GFA of approximately 1.8 million sq.m.

City	Name of Project	Type of Property	Total GFA (sq.m.)	Interest Attributable to the Group (%)
Quanzhou	Fortune Plaza • Parkview Bay	Residential	300,398	58
Quanzhou	Fortune Plaza • Royal Terrace	Residential	249,436	58
Quanzhou	Sunshine Town Phase 1 (Blocks 9-17)	Residential	152,634	100
Quanzhou	Sapphire Peninsula	Residential	267,676	100
Quanzhou	Purple Lake International Phase 1	Residential	62,217	49
Quanzhou	Sunshine Mansion	Residential	300,641	80
Zhangzhou	Sapphire Boomtown Phase 1	Residential	148,578	80
Xiamen	The Regent	Residential	85,192	60
Xiamen	SCE Building Phase 2	Office building	36,333	100
Xiamen	Provence Town	Residential	142,930	90
Linfen	SCE International Community Phase 1	Residential	82,809	90
Total:			1,828,844	

Quanzhou • Fortune Plaza • Parkview Bay

Quanzhou • Sunshine Town

Xiamen • The Regent

Projects held for future development as at 31 December 2010

As at 31 December 2010, the Group, together with its jointly-controlled entity and associates, owned a land bank with aggregate planned GFA of approximately 5.1 million sq.m. pending for future development.

City	Name of Project	Type of Property	Total GFA (sq.m.)	Interest Attributable to the Group (%)
Quanzhou	Fortune Plaza Phases 3 & 4	Residential, commercial, office building and hotel	817,821	58
Quanzhou	Sunshine Town Phase 2	Residential	220,229	100
Quanzhou	Purple Lake International Phase 2	Residential	60,982	49
Quanzhou	Gold Coast	Residential, commerical and tourism related intergrated development	1,256,400	45
Zhangzhou	Sapphire Boomtown Phases 2, 3 & 4	Residential	371,721	80
Linfen	SCE International Community Phases 2 & 3	Residential	485,878	90
Anshan	Anshan Project	Residential, commerical and hotel	1,813,868	70
Beijing	Beijing Project	Residential	38,195	100
Tangshan	Sapphire Villa	Residential	64,911	100
Total:			5,130,005	

Contract sales

During 2010, the Group launched 4 new projects onto the market, including Sunshine Town Phase 1, Parkview Bay of Fortune Plaza, SCE International Community Phase 1 and The Regent. During the year, the Group achieved contract sales area of approximately 480,000 sq.m. with contract sales amount of approximately RMB3.6 billion, representing an increase of 149.6% and 85.1% respectively as compared to the previous financial year. Information shows that the Company has recorded higher growth in business. Contract sales distribution by city are set out as follows:

City	Contract Sales Area (sq.m.)	Contract Sales Amount (RMB million)
Quanzhou	402,464	2,752
Xiamen	23,642	478
Beijing	2,408	85
Linfen	59,408	291
Total:	487,922	3,606

Land bank

As at 31 December 2010, the Group, together with its jointly-controlled entity and associates, owned a land bank with an aggregate GFA of approximately 8.4 million sq.m. (attributable portion was approximately 6.1 million sq.m), including an aggregate planned GFA of approximately 1.4 million sq.m. for which framework agreements had been entered into with local governments. In terms of distribution by city, approximately 65% of the Group's land bank was located in the Western Taiwan Strait Economic Zone, 30% in the Bohai Rim Economic Zone, and the remaining 5% in Shenzhen.When compared with the land distribution of the last financial year, the distribution of the Group's land gradually tended to have a more balanced pattern. Such land distribution reflected our adherence to the strategy "Firming its foothold on West Taiwan Strait Economic Zone; expanding into the Bohai Rim Economic Zone; and paying attention to the Pearl River Delta Economic Zone". We believe that the existing land bank will satisfy our development and construction needs in the next four to five years.

During the reporting period, the Group newly acquired five parcels of land, details of which are as follows:

Quanzhou Nanan Parcel

In January 2010, the Group successfully acquired through the bidding invitation, auction and listing process a parcel of commercial and residential land in Nanan City, Quanzhou, with a site area of approximately 60,000 sq.m. and a total planned GFA of approximately 300,000 sq.m. for a total land price of about RMB150 million. The project is located at the junction of Liu Nan Road and Nan Da Road of Nanan City with easy accessibility and comprehensive facilities. The project has started construction during the year and its marketing center and clubhouse opened to the public in January 2011.

Anshan Parcel

In May 2010, the Group successfully acquired through the bidding process five parcels of land which were listed for sale in Anshan City, Liaoning Province, with a total site area of about 600,000 sq.m. and a planned GFA of up to 2.2 million sq.m. for a total land cost of approximately RMB423 million. The Group has established two joint venture companies respectively with independent third-party developers to develop commercial-residential projects and hotel projects, and the Group holds 70% interest in the joint venture companies. The land will be developed into a large complex project combining residential, commercial and hotel elements.

Beijing Parcel

In June 2010, the Group acquired 100% equity interest in Beijing Dushishengjing Real Estate Development Co. Ltd. ("BJ Shengjing") from Beijing Dupeng Real Estate Development Co., Ltd., a state-owned enterprise, for a consideration of approximately RMB127 million. This has become the first case for a central enterprise which does not operate real estate business as its core business to transfer a wholly-owned subsidiary. Through this acquisition, the Group obtained the Beijing Project, a core project of BJ Shengjing. The project is located in the central area of Beijing Second Ring Deshengmen, with a site area of nearly 6,000 sq.m. and a total planned GFA of approximately 40,000 sq.m. It will become another high-end property project of the Group in Beijing after the Beijing World City.

Tangshan Parcel

In September 2010, the Group, through its wholly-owned subsidiary Tangshan Zhongjun Property Development Company Limited, successfully acquired through auction four parcels of land located at the northwest side of South Lake, Tangshan, with a total site area of approximately 110,000 sq.m. and a total planned GFA of approximately 60,000 sq.m. for a consideration of approximately RMB190 million. The land is for residential, commercial and ancillary uses.

Xiamen Parcel

In October 2010, Xiamen Junxianghexin Real Estate Co., Ltd., in which the Group holds 90% interest, completed the acquisition of a parcel of land in Xiang'an District, Xiamen City, for a consideration of approximately RMB280 million. The project is located in west of Fang Shan North Road and north of Xiang'an North Road in Ma Xiang Town, Xiang'an District, Xiamen City, with a total site area of approximately 60,000 sq.m. and a total planned GFA of approximately 140,000 sq.m. This project has commenced construction during the year.

Business outlook

We believe the risks that may arise from cyclical fluctuations of the market can be diversified effectively by improving the strategic distribution of land. In addition to further improving the Company's market leading position in Fujian Province, the Company will continue to seek new development opportunities in the Bohai Economic Rim to expand its land bank.

2011 will be a challenging year for the real estate industry. Facing an ever changing external environment, the first priority of the Group will still be self-improvement. We believe that only enterprises that have achieved the desired development level are able to easily deal with various external market changes. Therefore, we will continue to enhance the Group's operational efficiency and proceed further while gaining experience. Looking forward, the Chinese economy will continue to maintain its rapid development. As China's urbanisation process is in full swing, the Chinese real estate market is still promising, and the real estate industry has great potential for development in future.

We will not slow down our pace of property development in future. In 2011, our planned construction area will be approximately 1.2 million sq.m. and planned completed area will be approximately 900,000 sq.m. Details are as follows:

Projects planned for commencement in 2011

City	Name of Project	Type of Property	Total GFA (sq.m.)	Interest Attributable to the Group (%)
Quanzhou	Fortune Plaza Phase 3	Commercial	303,000	58
Quanzhou	Gold Coast Phase 1	Residential, commercial and tourism related intergrated development	353,800	45
Zhangzhou	Sapphire Boomtown Phase 2	Residential	150,726	80
Anshan	Anshan Project Phase 1	Residential	168,729	70
Tangshan	Sapphire Villa	Residential	64,911	100
Linfen	SCE International Community Phase 2	Residential	141,647	90
Total:			1,182,813	

Projects planned for completion in 2011

City	Name of Project	Type of Property	Total GFA (sq.m.)	Interest Attributable to the Group (%)
Quanzhou	Sunshine Town Phase 1 (Blocks 9-17)	Residential	152,634	100
Quanzhou	Fortune Plaza • Parkview Bay	Residential	300,398	58
Quanzhou	Fortune Plaza • Royal Terrace (low density residence)	Residential	47,307	58
Xiamen	The Regent (low density residence)	Residential	19,108	60
Xiamen	SCE Building Phase 2	Office building	36,333	100
Xiamen	Provence Town	Residential	142,930	90
Zhangzhou	Sapphire Boomtown Phase 1 (low density residence)	Residential	127,683	80
Linfen	SCE International Community Phase 1	Residential	82,809	90
Total:			909,202	

Project planned for pre-sale in 2011

The Group expects that 8 new projects will be launched in the market in 2011, including Sapphire Boomtown Phase 1, Provence Town, Royal Terrace of Fortune Plaza, Sunshine Mansion, Sapphire Peninsula, Gold Coast Phase 1, Sapphire Villa and Anshan Project Phase 1, together with the unsold units of the projects which commenced sales in 2010, the Group's saleable area in 2011 will be approximately 1.2 million sq.m.

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly includes property sales, rental income and property management income.

The annual revenue increased by 604.4% from RMB586 million in 2009 to RMB4,131 million in 2010, which was attributable to the substantial increase in property sales, rental income and property management income.

- **Sale of properties**

  Property sales increased by 620.7% from RMB565 million in 2009 to RMB4,072 million in 2010, which was attributable to the increase in delivery area from 23,507 sq.m. in 2009 to 444,414 sq.m. in 2010.

- **Rental income**

  Rental income increased by 236.2% from RMB12,733,000 in 2009 to RMB42,809,000 in 2010, which was mainly attributable to the increase in leased area of retail shops in the Beijing World City.

- **Property management income**

  Property management income increased by 93.0% from RMB8,737,000 in 2009 to RMB16,861,000 in 2010, which was mainly attributable to the increase in number and floor area of properties under management.

Cost of sales

Cost of sales increased by 766.7% from RMB293 million in 2009 to RMB2,538 million in 2010. The increase in cost of sales was mainly attributable to the substantial increase in delivery area.

Gross profit

Gross profit increased by 442.6% from RMB294 million in 2009 to RMB1,593 million in 2010. Gross profit margin decreased from 50.1% in 2009 to 38.6% in 2010. The decrease in gross profit margin was attributable to the delivery of more mid-end projects during the year.

Other income and gains

Other income and gains increased by 38.5% from RMB16,039,000 in 2009 to RMB22,219,000 in 2010. The increase in other income and gains was mainly attributable to the increase in interest income.

Changes in fair value of investment properties

The changes in the fair value of investment properties decreased by 82.7% from RMB372 million in 2009 to RMB64 million in 2010. The substantial decrease in the fair value of investment properties was mainly attributable to stable market value of investment properties during the year.

Selling and marketing expenses

Selling and marketing expenses increased by 159.4% from RMB38,955,000 in 2009 to RMB101,066,000 in 2010. The increase in selling and marketing expenses was mainly attributable to the substantial increase in the number of projects for presale.

Administrative expenses

Administrative expenses increased by 88.1% from RMB91,197,000 in 2009 to RMB171,583,000 in 2010. The increase in administrative expenses was mainly attributable to the employment of additional management staff to meet the need of business expansion, and the increase in amortisation of prepaid land lease payments.

Finance costs

Finance costs increased by 22.1% from RMB5,642,000 in 2009 to RMB6,891,000 in 2010. The increase in finance costs was attributable to the increase in bank loans.

Share of profits and losses of jointly-controlled entities and associates

Share of profits and losses of jointly-controlled entities and associates changed from losses of RMB4,693,000 in 2009 to profits of RMB127,848,000 in 2010. The substantial increase in profits was mainly due to the substantial increase in delivery area by jointly-controlled entities and associates.

Income tax expense

Income tax expense increased by 230.2% from RMB178,996,000 in 2009 to RMB591,107,000 in 2010. The increase in tax expenses was mainly attributable to the increase in income tax and land appreciation tax as a result of the substantial increase in property sales incomes recognised during the year.

Profit attributable to owners of the parent

Profit attributable to equity owner increased by 153.4% from RMB373 million in 2009 to RMB946 million in 2010, which was mainly attributable to the significant increase in property sales contribution and in profits. Earnings per share increased by 89.2% from RMB17.9 cents in 2009 to RMB33.8 cents in 2010. Core net profit margin increased from 16.2% in 2009 to 21.7% in 2010.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2010, the Group's cash and bank balances were approximately RMB1,522,129,000 (2009: approximately RMB604,805,000), of which approximately RMB1,488,581,000 (2009: approximately RMB482,982,000) was denominated in RMB, approximately RMB33,410,000 (2009: approximately RMB44,073,000) was denominated in Hong Kong dollars and approximately RMB138,000 (2009: approximately RMB77,750,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, the Group was required to place certain amounts of cash and bank deposits into designated bank accounts as guarantees. As at 31 December 2010, the amount of restricted cash was approximately RMB253,238,000 (2009: approximately RMB115,325,000).

Borrowings and pledged assets

As at 31 December 2010, the total amount of interest-bearing bank and other borrowings was approximately RMB2,714 million (2009: approximately RMB2,106 million), of which approximately RMB632 million (2009: approximately RMB567 million) was repayable within one year, approximately RMB1,066 million (2009: approximately RMB360 million) was repayable in the second year, approximately RMB1,013 million (2009: approximately RMB1,171 million) was repayable within three to five years and approximately RMB3 million (2009: approximately RMB8 million) was repayable after five years.

At at 31 December 2010, approximately RMB2,714 million (2009: approximately RMB2,106 million) of bank and other borrowings was secured by the Group's properties and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with total carrying value of approximately RMB5,155 million (2009: approximately RMB4,412 million).

Except for certain secured bank loans of approximately RMB50 million (2009: approximately RMB8 million) as at 31 December 2010, which are denominated in Hong Kong dollars, all the Group's bank and other borrowings are denominated in RMB.

Except for certain short term bank loans of approximately RMB545 million as at 31 December 2009, the interest rates of which were fixed in nature, all borrowings bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

Gearing ratio

The net gearing ratio was calculated by dividing the net amount of debts (interest-bearing bank and other borrowings after deduction of cash and cash equivalents (including restricted cash)) by the total equity. As at 31 December 2010, the net gearing ratio was 25.4% (2009: 64.9%).The decrease in net gearing ratio in 2010 was due to the proceeds raised from the initial public offering of the shares of the Company and the capital return from the presale projects.

Exchange rate movement exposures

The majority of the Group's income and expenses are denominated in RMB, therefore any exchange rate changes of RMB against other currencies will not have material adverse effect on the operation of the Group. As such, we have not entered into any hedging transaction during the year.

Contingent liabilities

As at 31 December 2010, the Group provided financial guarantees to the banks in respect of the following items:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**1,305,421**	879,213

In addition, the Group's share of the jointly-controlled entities' and associates' own financial guarantees which were not included in the above, were as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**334,531**	339,245
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	**24,635**	27,867

Capital commitments

As at 31 December 2010, the capital commitments of the Group were as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Contracted but not provided for:		
Capital expenditure for properties under development, completed properties held for sale and construction of investment and owner-occupied properties in Mainland China	**1,812,174**	1,332,476

In addition, the Group's share of the jointly-controlled entities' own capital commitments which were not included in the above, were as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Contracted but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development	**75,508**	9,564

Employee and remuneration policies

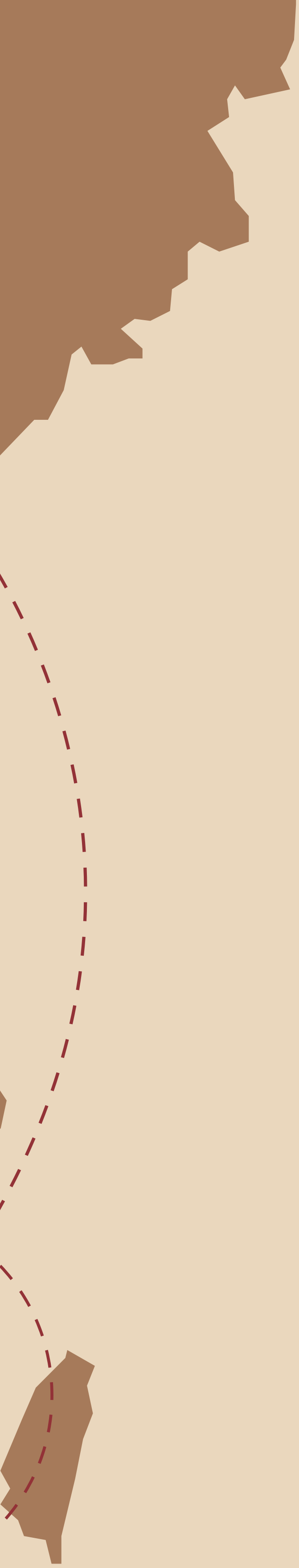
As at 31 December 2010, the Group had 1,024 employees. For the year ended 31 December 2010, the total cost of employees was approximately RMB77 million (2009: approximately RMB33 million). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on regular basis according to the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employee's skills and capabilities in all aspects.

Use of proceeds

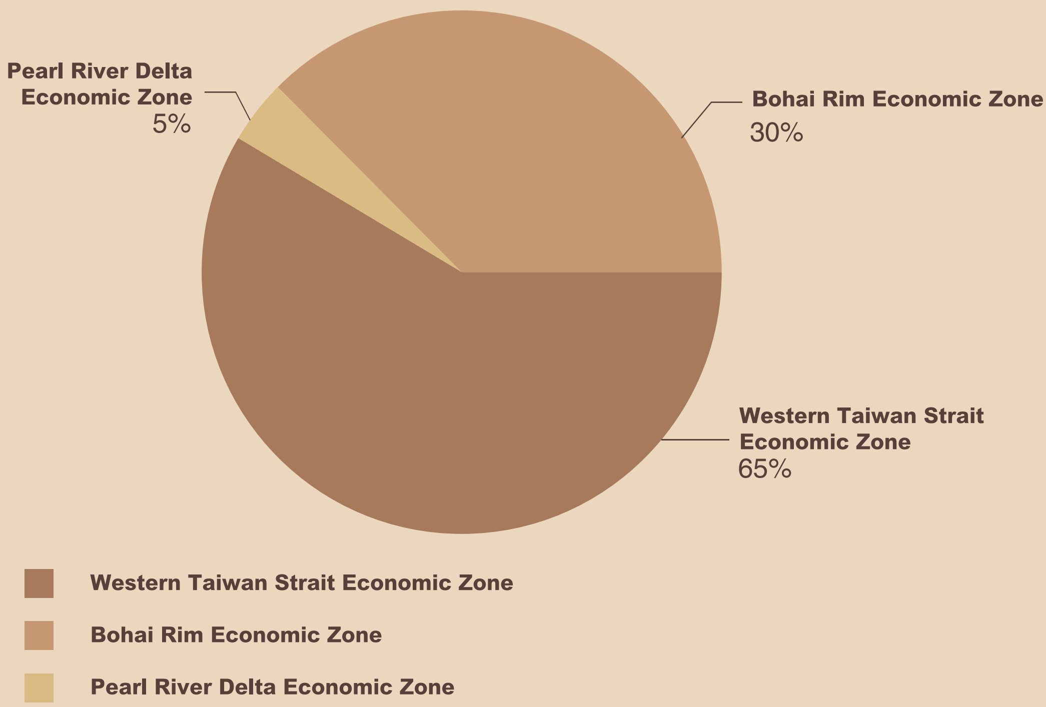
The Company's shares were listed on the Stock Exchange since 5 February 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK$1,500 million (RMB1,318 million) (net of related issuing expenses). Such net proceeds were used in the following manner:

	Amount Raised (RMB million)	Amount Used as at 31 December 2010 (RMB million)
Land premium	660	**660**
Development of existing property projects	528	**183**
General working capital	130	**130**
	1,318	**973**


Bohai Rim Economic Zone
Anshan
Tangshan
Beijing
Linfen
Western Taiwan Strait
Economic Zone
Quanzhou
Zhangzhou
Xiamen
Pearl River Delta
Economic Zone
Shenzhen



Land bank distribution



Western Taiwan Strait Economic Zone

Quanzhou:
Sunshine Town
Sunshine Mansion
Sapphire Peninsula
Fortune Plaza
Purple Lake International
Gold Coast

Xiamen:
The Regent
SCE Building (Phase 2)
Provence Town

Zhangzhou:
Sapphire Boomtown

Bohai Rim Economic Zone

Beijing:
Beijing Project (德勝公館)

Linfen:
SCE International Community

Anshan:
Anshan Project (天峰御泉)

Tangshan:
Sapphire Villa

Pearl River Delta Economic Zone

Shenzhen:
Sapphire Hill

Fortune Plaza • Parkview Bay

Located in the core area of Quanzhou new town, next to the Quanzhou Haixia Sports Center

Type of development:	Residential
Project highlight:	Easy accessibility with comprehensive facilities in the vicinity
Site area:	75,947 sq.m.
Total gross floor area:	300,398 sq.m.
Expected date of completion:	2011
Shareholding of the Group:	58%

Fortune Plaza • Royal Terrace

Located in the core area of Quanzhou new town, next to the Quanzhou Haixia Sports Center

Type of development:	Residential
Project highlight:	Easy accessibility with comprehensive facilities in the vicinity
Site area:	109,850 sq.m.
Total gross floor area:	249,436 sq.m.
Expected date of completion:	2011 and 2012
Shareholding of the Group:	58%

Sunshine Town Phase 1 (Blocks 9-17) Located at Nanhuan Road, Quanzhou

Type of development:	Residential
Project highlight:	Easy accessibility
Site area:	18,113 sq.m.
Total gross floor area:	152,634 sq.m.
Expected date of completion:	2011
Shareholding of the Group:	100%

Sapphire Peninsula Located in the southern zone of Quanzhou Bridge, Quanzhou

Type of development:	Residential
Project highlight:	Panoramic river view, convenient traffic
Site area:	80,904 sq.m.
Total gross floor area:	267,676 sq.m.
Expected date of completion:	2012 or after
Shareholding of the Group:	100%

Purple Lake International

Situated within the Quanzhou Golf Course

Type of development:	Low density residential housing
Project highlight:	Located at the scenic area in Zimao Mountain, with the Quanzhou Golf Club on the south
Site area:	180,000 sq.m.
Total gross floor area:	123,199 sq.m.
Expected year of completion:	2011 or after
Shareholding of the Group:	49%

Sunshine Mansion

Located at the junction between Liunan Road and Nanda Road, Nan'an City, Quanzhou

Type of development:	Residential
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	64,632 sq.m.
Total gross floor area:	300,641 sq.m.
Expected year of completion:	2012 or after
Shareholding of the Group:	80%

Sapphire Boomtown Located on the southern side of Shuixian Avenue, Zhangzhou

Type of development:	Residential
Project highlight:	Good location, excellent scenery
Site area:	239,786 sq.m.
Total gross floor area:	520,299 sq.m.
Expected date of completion:	2011 or after
Shareholding of the Group:	80%

The Regent Situated at the junction of Haicang Avenue and Jiaosong Road, Xiamen

Type of development:	High-end residential housing
Project highlight:	Sea and lake view
Site area:	25,092 sq.m.
Total gross floor area:	85,192 sq.m.
Expected date of completion:	2011 and 2012
Shareholding of the Group:	60%

SCE Building Phase 2

Located on the east side of the junction of Dailiao Road and Fangzhong Road, Xiamen

Type of development:	Office building
Project highlight:	Adjacent to the Xiamen Airport, convenient traffic
Site area:	8,448 sq.m.
Total gross floor area:	36,333 sq.m.
Expected date of completion:	2011
Shareholding of the Group:	100%

Provence Town

Located at the junction of Fangshan North Road and Xiang'an North Road, Xiang'an District, Xiamen

Type of development:	Residential
Project highlight:	Easy accessibility
Site area:	56,948 sq.m.
Total gross floor area:	142,930 sq.m.
Expected date of completion:	2011 or after
Shareholding of the Group:	90%

SCE International Community Phase 1 Situated at Banxia Road, Yaodu District, Linfen City, Shanxi

Type of development: Residential
Project highlight: Excellent geographical location
Site area: 23,359 sq.m.
Total gross floor area: 82,809 sq.m.
Expected date of completion: 2011
Shareholding of the Group: 90%

Fortune Plaza Phases 3 & 4 Located in the core area of Quanzhou new town, next to the Quanzhou Haixia Sports Center

Type of development: Residential, commercial, offices and hotel
Project highlight: Easy accessibility with comprehensive facilities in the vicinity
Site area: 256,613 sq.m.
Total gross floor area: 817,821 sq.m.
Expected date of completion: 2012 or after
Shareholding of the Group: 58%

Sunshine Town Phase 2 Located at Nanhuan Road, Quanzhou

Type of development:	Residential
Project highlight:	Easy accessibility
Site area:	43,041 sq.m.
Total gross floor area:	220,229 sq.m.
Expected date of completion:	2014 or after
Shareholding of the Group:	100%

Gold Coast Yongning Town, Shishi City, Quanzhou

Type of development:	Commercial cum residential, tourism related integrated development
Project highlight:	Panoramic seaview, ancillary tourism facilities
Site area:	1,196,614 sq.m.
Total gross floor area:	1,256,400 sq.m.
Expected date of completion:	2012, 2014 or after
Shareholding of the Group:	45%

SCE International Community Phases 2 & 3 Situated at Banxia Road, Yaodu District, Linfen City, Shanxi

Type of development:	Residential
Project highlight:	Excellent geographical location
Site area:	140,448 sq.m.
Total gross floor area:	485,878 sq.m.
Expected date of completion:	2013 or after
Shareholding of the Group:	90%

Anshan Project Located at Anhai Road West, Anshan City

Type of development:	Residential and commercial ancillary facilities, commercial and hotel
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	603,562 sq.m.
Total gross floor area:	1,813,868 sq.m.
Expected date of completion:	2012 or after
Shareholding of the Group:	70%

Beijing Project

Located at 18 Dewai Avenue, Xicheng District, Beijing

Type of development:	Residential
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	5,549 sq.m.
Total gross floor area:	38,195 sq.m.
Expected date of completion:	2014 or after
Shareholding of the Group:	100%

Sapphire Villa

Located at Northwest of South Lake, Tangshan

Type of development:	Residential
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	113,292 sq.m.
Total gross floor area:	64,911 sq.m.
Expected date of completion:	2012
Shareholding of the Group:	100%

EXECUTIVE DIRECTORS

Wong Chiu Yeung (黃朝陽), aged 45, is one of the founders of our Company and the Chairman of our Board and President of our Company as well as the Chairman of the Remuneration Committee of our Company. He was appointed as our Executive Director on November 30, 2007. He is responsible for formulating business development strategies for our Company, supervising the administration of human resources, financial management, sales and marketing management, design management of our Company and managing the commercial property. Since his involvement in the development of our Group's first property project in 1996 (namely Junda Center), Mr. Wong has been involved in all of the projects developed by our Group thereafter, and has 15 years of experience in real estate development. Mr. Wong is a member of the National Committee of Chinese People's Political Consultative Conference (中國政治協商會議全國委員會), vice chairman of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會), guest professor of Nanchang University (南昌大學), vice chairman of the Board of Directors of Quanzhou Normal University (泉州師範學院), chairman of the Board of Directors of Nan'an Overseas Chinese Middle School (南安華僑中學), permanent honorable chairman of each of Hong Kong Federation of Fujian Association (香港福建社團聯會), Hong Kong Quanzhou Countrymen Association (香港泉州同鄉會) and Hong Kong Xiamen Fraternal Association (香港廈門聯誼總會). Mr. Wong is currently studying an Executive Master Program in Business Administration at Xiamen University.

Chen Yuanlai (陳元來), aged 44, is one of the founders of our Company and the Vice Chairman of our Board. He was appointed as our Executive Director on August 12, 2009. Since his involvement in the development of our Group's first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by our Group thereafter, and has 15 years of experience in real estate development. Mr. Chen also has extensive experience in investment management and project management through his involvement in all projects developed by our Group. He is the Director of Fujian Provincial Young Entrepreneurs Association (福建省青年企業家協會) and a member of Fujian Provincial Youth Federation (福建省青年聯合委員會). Mr. Chen was a representative of the Second Session of the People's Congress of Fengze District in Quanzhou (泉州市豐澤區第二屆人民代表大會). Mr. Chen completed the Executive Management Program in Business Administration of Commercial Real Estate Development and Funding, a one year program offered by School of Professional and Continuing Education of Hong Kong University and Fudan University, Shanghai, in May 2008.

Cheng Hiu Lok (鄭曉樂), aged 46, is one of the founders of our Company and the Vice Chairman of our Board and the Chairman of Nomination Committee of our Company. He was appointed as our Executive Director on August 12, 2009. Since his involvement in the development of our Group's first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by our Group thereafter. Mr. Cheng has 15 years of experience in real estate development. Mr. Cheng also has extensive experience in investment management, project management and construction management through his involvement in the projects developed by our Group. Mr. Cheng completed his college education at Fujian Normal University (福建省師範大學) in 1987.

Li Wei (李維), aged 40, is an Executive Director and the Executive Vice President of our Company, as well as a member of the Nomination Committee. He was appointed as our Executive Director on August 12, 2009. Mr. Li is responsible for the daily operational management and operation plan of our Company, including management of Office of President, Administrative and Human Resources Department. Mr. Li was the general manager of the Corporate Operations Department and the Credit Department of the Xiamen Branch of China Construction Bank before he joined our Company in June 2006. Mr. Li graduated and obtained his bachelor's degree in economics from the Faculty of Banking and Finance of Xiamen University in 1992.

NON-EXECUTIVE DIRECTOR

Fung Ka Pun (馮家彬), aged 65, was appointed as a Non-executive Director of our Company on January 6, 2010. Mr. Fung is a fellow member of the Association of International Accountants and a member of the Institute of Chartered Secretaries & Administrators. Mr. Fung is an executive director and vice-chairman of the Board of Hao Tian Resources Group Limited (0474) and an independent non-executive director of three other listed companies in Hong Kong, namely Samling Global Limited (3938), GZI Transport Limited (1052) and Lee Hing Development Co., Ltd (0068). From June 1995 to March 2010, Mr. Fung was a director of CIAM Group Limited (0378). From March 2004 to March 2008, Mr. Fung acted as an independent non-executive director of Lei Shing Hong Limited, a company previously listed on the Hong Kong Stock Exchange and was privatized by way of a scheme of arrangement in March 2008. From September 2004 to August 2010, Mr. Fung was an independent non-executive director of Denway Motors Limited, a company previously listed in the Hong Kong Stock Exchange and was privatised by way of a scheme of arrangement in August 2010. Mr. Fung is the founder and chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and corporate finance business. Mr. Fung is also a director of Mateland Holdings Limited, a joint venture partner of the Regent Project of our Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ting Leung Huel Stephen (丁良輝), aged 57, MH, FCCA, FCPA (Practising), CTA (HK), ACA, FHKIoD, was appointed as an Independent Non-executive Director of our Company on January 6, 2010. He is also the Chairman of our Audit Committee and a member of our Remuneration Committee. Mr. Ting is an accountant in public practice and has more than 30 years of experience in this field. Currently, he is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants (Practising). Mr. Ting is a member of the 9th and 10th Chinese People's Political Consultative Conference, Fujian. Mr. Ting is a non-executive director of Chow Sang Sang Holdings International Limited (0116) and an independent non-executive director of seven other listed companies in Hong Kong, namely Tong Ren Tang Technologies Co., Ltd. (1666), Tongda Group Holdings Limited (0698), Minmetals Resources Limited (1208), JLF Investment Company Limited (0472), Computer and Technologies Holdings Limited (0046), Texhong Textile Group Limited (2678) and Dongyue Group Limited (0189).

Lu Hong Te (呂鴻德), aged 50, was appointed as an Independent Non-executive Director of our Company on January 6, 2010, and is also a member of our Audit Committee and Nomination Committee. Mr. Lu obtained a bachelor's degree in industrial management science from National Cheng Kung University in 1983, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Mr. Lu is a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in marketing management and corporate competitive strategies. He also serves as a visiting professor at institutions including the Singapore National University, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center. Mr. Lu is an Independent non-executive director of Capxon International Electronic Company Limited (0469), ANTA Sports Products Limited (2020) and China Lilang Limited (1234), the shares of which are listed on the Hong Kong Stock Exchange. He is also an independent director of four companies in Taiwan, namely Everlight Chemical Industrial Corporation (1711) and Aiptek International Inc. (6225) which are listed on the Taiwan Stock Exchange and Firich Enterprises Co., Ltd. (8076) and Lanner Electronics Inc. (6245), the shares of which are traded in the Gre Tai Securities Market in Taiwan. Mr. Lu previously acted as an independent non-executive director of China Green (Holdings) Limited (0904), a company listed in Hong Kong, from November 2008 to March 2009.

Dai Yiyi (戴亦一), aged 43, was appointed as an Independent Non-executive Director of our Company on January 6, 2010, and is also a member of our Audit Committee and Remuneration Committee. Mr. Dai is the vice dean and a full-time professor of the Executive Master of Business Administration program of the School of Management of Xiamen University and also serves as an adjunct professor for real estate CEO programs held by Tsinghua University and Peking University. From 1997 to 2001, Mr. Dai served as the research secretary, assistant to the dean and vice dean of the Planning and Statistics Department at the School of Economics of Xiamen University. From 2003 to 2007, Mr. Dai served as the deputy head and then the head of the Executive Master of Business Administration program for senior management personnel held by the School of Management of Xiamen University. Mr. Dai was a senior visiting scholar at the School of Management of McGill University (Canada) in 2002 and a senior visiting scholar at Northwestern University (USA) from 2007 to 2008. Mr. Dai has been a consultant with the Fujian Real Estate Association since 2005. Mr. Dai is an independent non-executive director of Mingfa Group (International) Company Limited (0846), a company listed in Hong Kong, and is an independent director of Xiamen C&D Inc. and Xiamen International Trade Group Corp., Ltd., which are listed on the Shanghai Stock Exchange, and Fujian Septwolves Industry Co., Ltd. and Guangdong Shirongzhaoye Co., Ltd., which are listed on the Shenzhen Stock Exchange. Mr. Dai graduated from Xiamen University with a bachelor's degree in economics in 1989, and received a doctoral degree in economics from Xiamen University in 1999. He also completed training at the 6th Ford Program of the Sino-American Economics Training Centre of Renmin University of China. Mr. Dai was awarded a certificate as a PRC certified property valuer in 1997.

SENIOR MANAGEMENT

Liu Zhijie (劉志傑), aged 54, is the Vice President of our Company and the General Manager of our Construction Department. He joined our Group in 1998. He is responsible for the engineering management of our Company. Mr. Liu completed his college education in civil engineering at Fujian College of Architecture and Civil Engineering (福建省建築高等專科學校) in 1981. Mr. Liu possesses extensive experience in engineering and construction and cost management.

Huang Youquan (黃攸權), aged 42, is the Vice President of our Company and the General Manager of our Finance Department. He is responsible for the financial management of our Company. Before joining our Group in 2003, Mr. Huang was the audit manager and assistant to the head of the Xiamen office of Fujian Hongshen Accounting Firm (福建弘審會計師事務所有限公司廈門分公司). Mr. Huang graduated and obtained a bachelor's degree in science from the Faculty of Mathematics of Xiamen University in 1991. He has also been undertaking the Executive Master of Business Administration program in the Xiamen University since September 2009. Mr. Huang is a PRC Certified Public Accountant and a member of the Fujian Institute of Certified Public Accountants.

Huang Jing Song (黃勁松), aged 41, is the Vice President of our Company. He is responsible for the property companies and commercial properties related work of our Company. Before joining our Group in 2010, Mr. Huang was the deputy general manager of the Trading Business Department of Xiamen International Trade Group Corp., Ltd. (廈門國貿集團股份有限公司) and the general manager of Xiamen International Motors Co., Ltd. (廈門國貿汽車股份有限公司). Mr. Huang graduated from the Faculty of International Trade in Xiamen University and obtained his master's degree of business administration from the Singapore National University in 2002. Mr. Huang has more than 19 years of experience in enterprises management.

Bian Yinghua (卞應華), aged 37, is the Assistant President of our Company and the General Manager of Xiamen Company. Before joining our Company in September 2007, Mr. Bian was the deputy head of the Strategic Development Department of China Ocean Shipping (Group) Company. Mr. Bian graduated and obtained a bachelor's degree in engineering from the Faculty of Civil Engineering of Dalian University of Technology (大連理工大學) in 1996.

Li Siu Po (李少波), aged 42, is our Financial Controller and Company Secretary. He is responsible for the financial reporting, investor relations and secretarial work of our Company. Before joining our Company in January 2008, Mr. Li was a manager of one of the international CPA firms. Mr. Li graduated from Hong Kong Polytechnic University with a bachelor's degree in accounting in 1994. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Li has extensive experience in financial management and auditing.

Tang Xiaojuan (湯筱娟), aged 38, is the General Manager of our Marketing Department and the General Manager of Commercial Property Management Company. She is responsible for managing the sales and marketing functions of our Company, as well as performing customer services and commercial property management related work. Prior to joining our Company in 2002, Ms. Tang served as the office manager of Xiamen Yong Hong Ji Real Estate Development Company Limited (廈門永宏基房地產開發有限公司). Ms. Tang graduated and obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics (江西財經學院) in1994.

Zheng Quanlou (鄭全樓), aged 39, is the General Manager of our Design Department. He is responsible for design management related work. Before joining our Company in November 1998, Mr. Zheng was the on-site manager of Quanzhou Dong Hai Development Company Limited (泉州市東海開發有限公司). Mr. Zheng completed his college education in construction engineering at Fujian College of Architecture and Civil Engineering (福建省建築高等專科學校) in 1992 and obtained his bachelor's degree from Faculty of Civil Engineering of Fujian Agriculture and Forestry University in 2009. Mr. Zheng is a PRC Registered Cost Engineer, and serves as an expert of bid evaluation of construction project in Quanzhou since 2006. Mr. Zheng is currently attending an Executive Master of Business Administration course in Xiamen University.

Zhang Haitao (張海濤), aged 42, is the General Manager of our President Office. She is responsible for supervising audit functions, managing legal affairs, and strategic planning of our Company. Before joining our Company in January 2007, Ms. Zhang was the senior manager of Xiamen Tianjian Huatian Accounting Firm (廈門天健華天會計師事務所). Ms. Zhang graduated and obtained a bachelor's degree in economics from the Faculty of Accounting of Xiamen University in 1990. Ms. Zhang is a PRC Certified Public Accountant and a senior accountant with extensive auditing experience.

COMPANY SECRETARY

Li Siu Po (李少波), a member of our senior management, is the Financial Controller and Company Secretary of our Company. The biography of Mr. Li is set forth above.

CORPORATE GOVERNANCE PRACTICES

The Company firmly believes that insisting a high standard of corporate governance facilitates the maintenance of the high efficiency of the senior management as well as protects interests of the Company and the shareholders. Therefore the Company strives to develop and implement effective corporate governance practices and continuously making amendment to them so as to enhance the operational efficiency of the Company. During the year ended 31 December 2010, the Company and the Board had been in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules"), save as disclosed in "Chairman and Chief Executive Officer" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions of Directors of Listing Companies (the "Model Code") set out in Appendix 10 to the Listing Rules as its code for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year under review.

THE BOARD OF DIRECTORS

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

The Board currently comprises eight Directors, including four Executive Directors, namely Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok and Mr. Li Wei, one Non-executive Director namely Mr. Fung Ka Pun, and three Independent Non-executive Directors, namely Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi. There is no relationship, including financial, business, family or other material/relevant relationships between Board members.

During the year under review, the Company has held six Board Meetings. The attendance of each Director is contained in the following table:

	Number of attendance/ Total number of meeting
Executive Directors:	
Mr. Wong Chiu Yeung	6/6
Mr. Cheng Hiu Lok	6/6
Mr. Chen Yuanlai	6/6
Mr. Li Wei	6/6
Non-executive Director:	
Mr. Fung Ka Pun	6/6
Independent Non-executive Directors:	
Mr. Ting Leung Huel Stephen	6/6
Mr. Lu Hong Te	6/6
Mr. Dai Yiyi	6/6

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Rule A.2.1 in Appendix 14 to the Listing Rules, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board believes that the serving by the same individual as Chairman and Chief Executive Officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company. During the period, Mr. Wong Chiu Yeung performed his duties as the Chairman and the Chief Executive Officer of the Company.

COMPLIANCE OF NON-COMPETITION DEED

The Company entered into a non-competition deed ("Non-competition Deed") with Mr. Wong Chiu Yeung on 6 January 2010 pursuant to which Mr. Wong has undertaken to the Company not to compete with any business of the Group and shall use his best endeavors to procure his affiliates not to engage in, assist or support a third party in the operation of, or participate or be interested in any property development business in the PRC. Furthermore, Mr. Wong has undertaken to the Company (for itself and for the benefit of the Group) that during the term of the Non-competition Deed to procure any investment or commercial opportunity relating to property development business in the PRC that he or any of his affiliates identifies or proposes or that is offered or presented to them by a third party to first refer such opportunity to the Company in accordance with terms ofthe Non-competition Deed.

The Company has received a declaration from Mr. Wong of his compliance with the terms of the Non-competition Deed during 5 February 2010, being the effective date of the Non-competition Deed, up to the date of this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTOR

Each of the Independent Non-executive Directors and Non-executive Director of the Company was appointed on 6 January 2010 for a term of three years.

Each of the Independent Non-executive Directors has confirmed by written confirmation that he has complied with the independence requirement set out in Rule 3.13 of the Listing Rules. The Board considers that all Independent Non-executive Directors are independent under these independence requirements.

The Independent Non-executive Directors and Non-executive Director play an important role in applying their independent analyses to provide a professional and fair view to the decisions of the Board. This is not only beneficial to the warranty of the scientific element of the decision, but also enhancing the protection of interests of the Company and the shareholders.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 6 January 2010 in compliance with Appendix 14 to the Listing Rules. The Remuneration Committee is chaired by Mr. Wong Chiu Yeung. Other members are Mr. Ting Leung Huel Stephen and Mr. Dai Yiyi.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's structure for remuneration of Directors and senior management and on the establishment of formal and transparent procedures for developing such remuneration policy. In determining the remuneration of the Directors, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, performance and contributions of the Directors and the change in market conditions.

During the period under review, the Remuneration Committee has held one meeting. The attendance of each member of the Remuneration Committee is contained in the following table:

	Number of attendance/ Total number of meeting
Executive Director:	
Mr. Wong Chiu Yeung	1/1
Independent Non-executive Directors:	
Mr. Ting Leung Huel Stephen	1/1
Mr. Dai Yiyi	1/1

NOMINATION COMMITTEE

The Company established a Nomination Committee on 6 January 2010 in compliance with Appendix 14 to the Listing Rules. The Company's Nomination Committee is chaired by Mr. Cheng Hiu Lok. Other members are Mr. Li Wei and Mr. Lu Hong Te.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, and to assess the independence of the Independent Non-executive Directors.

During the period under review, the Nomination Committee has not held any meeting.

AUDIT COMMITTEE

The Company established an Audit Committee on 6 January 2010 in compliance with Rule 3.21 of the Listing Rules. As required, the Audit Committee of the Company comprises three Independent Non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman. Other two members are Mr. Lu Hong Te and Mr. Dai Yiyi. Mr. Ting Leung Huel Stephen, the chairman of the Company's Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules on the Stock Exchange.

The Audit Committee reports to the Board and is authorized by the Board to assess matters relating to the accounts of financial statements. The Audit Committee oversees all financial reporting procedures and the effectiveness of the Company's internal controls, to advise the Board on the appointment and re-appointment of external auditor, and to review and oversee the independence and objectivity of external auditor.

During the period under review, the Audit Committee has held two meetings. The attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/Total number of meeting
Independent Non-executive Directors:	
Mr. Ting Leung Huel Stephen	2/2
Mr. Lu Hong Te	2/2
Mr. Dai Yiyi	2/2

AUDITORS REMUNERATION

During the period under review, the remuneration paid to the auditors of the Company, Ernst & Young, in respect of audit and non-audit services is set as below:

	For the year ended 31 December 2010 HK$
Audit services for the year 2010	2,250,000
Agreed upon procedure services for the interim results of the year 2010	300,000
Review services for the financial statements for the nine months ended 30 September 2010	950,000
Total	3,500,000

The Audit Committee is responsible to recommend to the Board on matters related to the appointment, re-appointment and removal of the auditors. The Audit Committee recommended the re-appointment of Ernst & Young as the external auditors of the Group for 2011, subject to the approval of the shareholders at the annual general meeting of the Company.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2010, and confirm that the financial statements give a true view of the results of the Company and the Group for the year of the date ended, and are prepared in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company, Ernst & Young, about their reporting responsibilities on the financial statement of the Group is set out in the Independent Auditors' Report on page 58.

INTERNAL CONTROLS

The Board is fully responsible for maintaining proper and effective internal controls and for regularly reviewing the operational efficiency of the financial, operational, compliance, risk controls and other aspects of the system in order to safeguard the independence of the respective duties and powers of the Company which in turn protecting the investment of shareholders and the assets of the Company. During the year under review, the Board has conducted a review on the internal controls system of the Group and its effectiveness.

The Audit and Legal Department of the Company is responsible for regular review and audit of the finance and operation the Company and its subsidiaries. The purpose of this work is to ensure the normal operation of internal controls and the playing of its due role. For shortcomings of the Company's internal controls and accounting procedures which the external auditors has identified and reported to the Company, the Audit and Legal Department would pay full attention to the recommendations made by the external auditors and make appropriate action for improvements.

Besides, the Company has also appointed Ernst & Young (China) Advisory Limited to examine and evaluate the internal controls system of the Company for the year.

The Board will conduct examination and evaluation of the practicability and effectiveness of the internal controls system of the Company at least once a year and strive to enhance its operational efficiency.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company believes that establishing a good relationship with investors plays a vital role in enhancing the operational efficiency of the Company and in protecting interests of the shareholders. Therefore, the Company ensures that fair and transparent disclosure is made for its business and financial performance through a variety of formal communication channels. A full report will be published in our website at http://www.sce-re.com. Interim and annual reports, circulars, notices and monthly newsletters of the Group will be despatched to shareholders in due course. The website of the Company provides information such as e-mail address, correspondence address, telephone numbers etc. for making inquiries to the Board, and will provide information on business operation activities of the Company.

During the year, the Company has received numerous visits from investors and arranged investors and analysts to visit our property sites at various locations. The Company has also presented to them the development strategies and business operation status of the Company. We believe actively seeking face-to-face communication with investors and analysts is the best way to enhance their confidence in the Company.

The Company's annual general meeting of shareholders is a good opportunity for communication between the Board and shareholders of the Company. Notice of AGM and related documents will be sent to shareholders pursuant to the requirements of the Listing Rules, and will be published on the website of the Stock Exchange.

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") during the year. Details of the principal activities of the subsidiaries are set out in note 21 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 60 to 142. An interim dividend of HK4 cents per ordinary share was paid on 13 September 2010. The directors recommend the payment of a final dividend of HK5 cents per ordinary share in respect of the year to shareholders on the register of members on 28 April 2011. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company's shares have been listed on the Stock Exchange since 5 February 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK$1,500 million (RMB1,318 million) (net of related issuing expenses). Such net proceeds have been used in the following manner:

	Amount raised *(RMB million)*	**Amount used as at 31 December 2010** *(RMB million)*
Land premium	660	660
Development of existing property projects	528	183
General working capital	130	130
	1,318	973

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's prospectus and audited financial statements for the year ended 31 December 2010, is set out on page 143. 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 during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 144.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group during the year are set out in note 19 to the financial statements. Further details of the Group's major properties under development are set out on page 144.

COMPLETED PROPERTIES HELD FOR SALE

Details of the completed properties held for sale of the Group during the year are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Law of the Cayman Islands amounted to RMB1,880,314,000, of which RMB124,290,000 has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling RMB8,000,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year. Purchases from the Group's five largest suppliers amounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
Mr. Wong Chiu Yeung
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Li Wei

Non-executive Director:

Mr. Fung Ka Pun	(appointed on 6 January 2010)

Independent non-executive Directors:

Mr. Ting Leung Huel Stephen	(appointed on 6 January 2010)
Mr. Lu Hong Te	(appointed on 6 January 2010)
Mr. Dai Yiyi	(appointed on 6 January 2010)

In accordance with article 84 of the Company's articles of association, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Mr. Li Wei, Mr. Fung Ka Pun and Mr. Lu Hong Te will retire as Directors at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the meeting.

The Company has received annual confirmations of independence from all the three independent non-executive directors and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 39 to 43 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company namely, Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok and Mr. Li Wei, has entered into a service contract with the Company for a term of three years commencing from 5 February 2010 and is subject to termination by either party giving not less than three months' written notice.

The Company has issued a letter of appointment to each of Mr. Fung Ka Pun, being the non-executive director, Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, being the independent non-executive directors of the Company for an initial term of three years commencing from 6 January 2010.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as the transactions set out in note 42 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

At 31 December 2010, the interests and short positions of the Directors and chief executives in the share, underlying share and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Interest in shares			
Name of director	**Personal interest**	**Interest of controlled corporation**	**Number of shares held**	**Percentage of the Company's issue share capital**
Mr. Wong Chiu Yeung ("Mr. Wong")	1,000,000	1,640,000,000 (Note 1)	1,641,000,000	57.5%
Mr. Chen Yuanlai ("Mr. Chen")	–	120,000,000 (Note 2)	120,000,000	4.2%
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	120,000,000 (Note 3)	120,000,000	4.2%
Mr. Fung Ka Pun ("Mr. Fung")	–	12,380,000 (Note 4)	12,380,000	0.4%

Note 1: These 1,640,000,000 Shares are registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong holds 100% of the entire issued share capital of Newup and is deemed to be interested in the 1,640,000,000 shares held by Newup pursuant to the SFO.

Note 2: These 120,000,000 Shares are registered in the name of Rising Trade Holdings Limited. Mr. Chen holds 100% of the entire issued share capital of Rising Trade Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Rising Trade Holdings Limited pursuant to the SFO.

Note 3: These 120,000,000 Shares are registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng holds 100% of the entire issued share capital of Wealthy Gate Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

Note 4: These 12,380,000 Shares are registered in the name of Goodwill International (Holdings) Limited of which 2,600,000 Shares are held in trust of the K P Fung Family Trust, a discretionary trust set up by Mr. Fung. 19% and 25.44% of the entire issued share capital of Goodwill International (Holdings) Limited is directly and indirectly owned by Mr. Fung, respectively. As such, he is deemed to be interested in all these Shares held by Goodwill International (Holdings) Limited, as to 9,780,000 Shares as interest of controlled corporation and as to 2,600,000 Shares as founder of a discretionary trust.

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 5 January 2020.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any 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 of the Company. 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 closing price of the Company's shares at the date of the 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 within 5 business days from the date of delivery of the offer letter, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the grant of the share options.

At the time of grant of the share options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets on the date of the offer of the share options; and (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Further details of the Scheme are disclosed in note 35 to the financial statements. No share options had been granted under the Scheme since the Scheme has became effective.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Newup (Note)	Directly beneficially owned	1,640,000,000	57.5	—

Note: Newup is wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong is deemed to be interested in the shares held by Newup. Mr. Wong is the sole director of Newup.

Save as disclosed above, at 31 December 2010, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had registered an interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transaction, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

As announced by the Company on 25 May 2010, the Group entered into a sale and purchase agreement with Sino Vanguard Holdings Limited ("Sino Vanguard") on 25 May 2010 for the acquisition of the entire issued share capital of Wealth Grow Investments Limited ("Wealth Grow"), which then indirectly owned 20% of the equity interest in Shanxi Yuanhong Real Estate Co., Ltd. ("Shanxi Yuanhong"). Shanxi Yuanhong was then a 60%-owned subsidiary of the Company. As Sino Vanguard was a substantial shareholder of Shangxi Yuanhong, Sino Vanguard was a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the sale and purchase agreement constituted a connected transaction of the Company.

Pursuant to the sale and purchase agreement, the total consideration of the acquisition was RMB55 million, RMB25 million of which shall be paid within three business days upon signing of the sale and purchase agreement and the balance of RMB30 million shall be paid upon completion of the procedures for the transfer of the entire issued share capital of Wealth Grow. Upon completion of the sale and purchase agreement, the Group's interest in Shanxi Yuanhong has increased from 60% to 80%.

The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions disclosed in note 42 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules as at 23 March 2011, being the latest practical date prior to the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 45 to the financial statements.

AUDITORS

Ernst & Young retire 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

Wong Chiu Yeung
Chairman

Hong Kong
23 March 2011

ERNST & YOUNG
安 永

To the shareholders of China SCE Property Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China SCE Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 142, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

23 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	**2010**	2009
		RMB'000	RMB'000
REVENUE	6	**4,131,295**	586,463
Cost of sales		**(2,537,800)**	(292,804)
Gross profit		**1,593,495**	293,659
Other income and gains	6	**22,219**	16,039
Changes in fair value of investment properties	16	**64,228**	371,613
Selling and marketing expenses		**(101,066)**	(38,955)
Administrative expenses		**(171,583)**	(91,197)
Other expenses		**(832)**	(137)
Finance costs	7	**(6,891)**	(5,642)
Share of profits and losses of:			
Jointly-controlled entities		**92,283**	(1,598)
Associates		**35,565**	(3,095)
PROFIT BEFORE TAX	8	**1,527,418**	540,687
Income tax expense	11	**(591,107)**	(178,996)
PROFIT FOR THE YEAR		**936,311**	361,691
OTHER COMPREHENSIVE INCOME/(LOSS):			
Share of other comprehensive income/(loss) of jointly-controlled entities		**(1,697)**	12
Share of other comprehensive income of associates		**4,589**	—
Exchange differences on translation of foreign operations		**(1,013)**	(5,793)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,879**	(5,781)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**938,190**	355,910

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010	2009
		RMB'000	RMB'000
Profit/(loss) attributable to:			
Owners of the parent	12	**946,125**	373,434
Non-controlling interests		**(9,814)**	(11,743)
		936,311	361,691
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**944,981**	367,653
Non-controlling interests		**(6,791)**	(11,743)
		938,190	355,910
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted		**RMB33.8 cents**	RMB17.9 cents

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

Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property and equipment	15	**115,610**	84,592	79,986
Investment properties	16	**1,396,000**	1,296,000	882,000
Prepaid land lease payments	17	**1,613,786**	2,162,231	752,075
Intangible asset	18	**4,662**	4,819	—
Properties under development	19	**409,828**	354,620	308,496
Contract in progress	20	**26,457**	—	—
Investments in jointly-controlled entities	22	**141,456**	156,218	123,194
Investments in associates	23	**46,282**	6,128	11,489
Prepayments and deposits	26	**357,197**	154,976	508,040
Deferred tax assets	33	**70,004**	82,449	20,808
Total non-current assets		**4,181,282**	4,302,033	2,686,088
CURRENT ASSETS				
Properties under development	19	**4,250,492**	2,052,276	1,370,435
Completed properties held for sale	24	**147,462**	1,131,664	803,671
Trade receivables	25	**27,107**	22,144	4,597
Prepayments, deposits and other receivables	26	**205,974**	325,967	142,466
Due from related parties	27	**218,411**	172,809	126,069
Tax recoverable		**24,832**	93,796	90,353
Restricted cash	28	**253,238**	115,325	83,410
Cash and cash equivalents	28	**1,268,891**	489,480	59,679
Total current assets		**6,396,407**	4,403,461	2,680,680
CURRENT LIABILITIES				
Trade payables	29	**443,456**	307,534	436,578
Receipts in advance	30	**1,531,958**	2,994,693	1,898,011
Other payables and accruals	31	**476,658**	487,097	618,142
Interest-bearing bank and other borrowings	32	**631,891**	567,037	1,009,425
Due to related parties	27	**76,798**	231,266	368,440
Tax payable		**454,581**	74,075	29,048
Total current liabilities		**3,615,342**	4,661,702	4,359,644
NET CURRENT ASSETS/(LIABILITIES)		**2,781,065**	(258,241)	(1,678,964)

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
NET CURRENT ASSETS/(LIABILITIES)		**2,781,065**	(258,241)	(1,678,964)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,962,347**	4,043,792	1,007,124
NON-CURRENT LIABILITIES				
Other payables	31	**16,410**	2,240	2,479
Interest-bearing bank and other borrowings	32	**2,082,354**	1,539,028	344,493
Deferred tax liabilities	33	**170,985**	186,498	86,225
Provision for major overhauls	34	**7,648**	3,800	—
Total non-current liabilities		**2,277,397**	1,731,566	433,197
Net assets		**4,684,950**	2,312,226	573,927
EQUITY				
Equity attributable to owners of the parent				
Issued capital	35	**250,683**	11	10
Reserves	36	**3,416,376**	1,509,364	457,493
		3,667,059	1,509,375	457,503
Non-controlling interests		**1,017,891**	802,851	116,424
Total equity		**4,684,950**	2,312,226	573,927

Wong Chiu Yeung
Director

Li Wei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 35)	Share premium account RMB'000 (note 35)	Capital reserve RMB'000 (note 36(b))	Statutory surplus reserve RMB'000 (note 36(c))	Merger reserve RMB'000 (note 36(d))	Other reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	10	–	3,463	54,135	30	3,499	75,886	320,480	457,503	116,424	573,927
Profit for the year	–	–	–	–	–	–	–	373,434	373,434	(11,743)	361,691
Other comprehensive income/(loss) for the year:											
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	12	–	–	12	–	12
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(5,793)	–	(5,793)	–	(5,793)
Total comprehensive income/(loss) for the year	–	–	–	–	–	12	(5,793)	373,434	367,653	(11,743)	355,910
Issue of shares	1	682,675	–	–	–	–	–	–	682,676	–	682,676
Share issue expenses	–	(687)	–	–	–	–	–	–	(687)	–	(687)
Deregistration of subsidiaries	–	–	–	(10,270)	–	–	–	10,270	–	–	–
Transfer to statutory surplus reserve	–	–	–	28,894	–	–	–	(28,894)	–	–	–
Acquisition of subsidiaries that are not a business	–	–	–	–	–	–	–	–	–	622,300	622,300
Partial disposal of an interest in a subsidiary	–	–	2,230	–	–	–	–	–	2,230	75,870	78,100
At 31 December 2009 and 1 January 2010	11	681,988*	5,693*	72,759*	30*	3,511*	70,093*	675,290*	1,509,375	802,851	2,312,226

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 35)	Share premium account RMB'000 (note 35)	Capital reserve RMB'000 (note 36(b))	Statutory surplus reserve RMB'000 (note 36(c))	Merger reserve RMB'000 (note 36(d))	Other reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	11	681,988*	5,693*	72,759*	30*	3,511*	70,093*	675,290*	1,509,375	802,851	2,312,226
Profit for the year	–	–	–	–	–	–	–	946,125	946,125	(9,814)	936,311
Other comprehensive income/(loss) for the year:											
Share of other comprehensive loss of jointly-controlled entities	–	–	–	–	–	(1,697)	–	–	(1,697)	–	(1,697)
Share of other comprehensive income of associates	–	–	–	–	–	4,589	–	–	4,589	–	4,589
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(4,036)	–	(4,036)	3,023	(1,013)
Total comprehensive income/(loss) for the year	–	–	–	–	–	2,892	(4,036)	946,125	944,981	(6,791)	938,190
Capitalisation issue	197,956	(197,956)	–	–	–	–	–	–	–	–	–
Issue of shares	52,716	1,317,900	–	–	–	–	–	–	1,370,616	–	1,370,616
Share issue expenses	–	(52,233)	–	–	–	–	–	–	(52,233)	–	(52,233)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	282,349	282,349
Acquisition of non-controlling interests	–	–	(5,866)	–	–	–	–	–	(5,866)	(60,518)	(66,384)
Interim 2010 dividend	–	–	–	–	–	–	–	(99,814)	(99,814)	–	(99,814)
Transfer to statutory surplus reserve	–	–	–	42,509	–	–	–	(42,509)	–	–	–
At 31 December 2010	250,683	1,749,699*	(173)*	115,268*	30*	6,403*	66,057*	1,479,092*	3,667,059	1,017,891	4,684,950

* These reserve accounts comprise the consolidated reserves of RMB3,416,376,000 (2009: RMB1,509,364,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	**2010**	2009
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,527,418**	540,687
Adjustments for:			
Finance costs	7	**6,891**	5,642
Share of profits and losses of:			
Jointly-controlled entities		**(92,283)**	1,598
Associates		**(35,565)**	3,095
Interest income	6	**(4,725)**	(2,778)
Write-off of items of property and equipment	8	**797**	11
Loss on disposal of items of property and equipment, net	8	**35**	126
Depreciation	15	**11,095**	7,330
Amortisation of prepaid land lease payments	17	**49,507**	22,067
Changes in fair value of investment properties	16	**(64,228)**	(371,613)
Amortisation of an intangible asset	18	**157**	42
		1,399,099	206,207
Additions to prepaid land lease payments	17	**(48,416)**	(815,933)
Decrease/(increase) in properties under development		**(1,457,607)**	139,946
Increase in contract in progress		**(26,457)**	—
Decrease/(increase) in completed properties held for sale		**984,202**	(299,127)
Increase in trade receivables		**(4,963)**	(17,547)
Decrease/(increase) in prepayments, deposits and other receivables		**(78,589)**	690,204
Decrease in amounts due from related parties		**6,874**	2,702
Increase/(decrease) in trade payables		**135,922**	(131,387)
Increase/(decrease) in receipts in advance		**(1,462,735)**	1,096,502
Increase in other payables and accruals		**35,455**	40,935
Increase in provision for major overhauls	34	**3,677**	880
Cash generated from/(used in) operations		**(513,538)**	913,382
Interest received		**4,725**	2,778
Interest paid		**(123,538)**	(104,582)
PRC corporate income tax paid		**(101,497)**	(44,389)
PRC land appreciation tax paid		**(43,208)**	(22,254)
Net cash flows from/(used in) operating activities		**(777,056)**	744,935

	Notes	2010 RMB'000	2009 RMB'000
Net cash flows from/(used in) operating activities		**(777,056)**	744,935
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	15	**(43,636)**	(3,879)
Additions to investment properties	16	**(30,129)**	(42,387)
Proceeds from disposal of items of property and equipment		**691**	535
Proceeds from disposal of jointly-controlled entities		**–**	5,752
Investments in jointly-controlled entities		**–**	(58,800)
Dividend received from jointly-controlled entities		**106,290**	25,000
Acquisition of subsidiaries that are not a business	37	**(126,636)**	(857,107)
Acquisition of non-controling interests		**(66,500)**	–
Decrease in considerations payable for the acquisition of subsidiaries and associates		**–**	(236,745)
Increase/(decrease) in an amount due to a non-controlling shareholder of certain subsidiaries		**24,879**	(3,356)
Increase in advances of loans to jointly-controlled entities and associates		**(47,299)**	(97,591)
Decrease/(increase) in restricted cash		**(137,913)**	140,244
Net cash flows used in investing activities		**(320,253)**	(1,128,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	35	**1,370,616**	681,989
Share issue expenses	35	**(52,233)**	–
New bank and other borrowings		**1,356,498**	1,824,219
Repayment of bank and other borrowings		**(748,028)**	(1,502,082)
Decrease in advances from non-controlling shareholders of certain subsidiaries		**(52,654)**	(101,692)
Capital contribution from non-controlling shareholders		**268,349**	–
Decrease in amounts due to related parties, net		**(164,489)**	(89,231)
Dividends paid		**(99,814)**	–
Net cash flows from financing activities		**1,878,245**	813,203
NET INCREASE IN CASH AND CASH EQUIVALENTS		**780,936**	429,804
Cash and cash equivalents at beginning of year		**489,480**	59,679
Effect of foreign exchange rate changes, net		**(1,525)**	(3)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,268,891**	489,480
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,268,891**	489,480

Statement of Financial Position

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSET			
Investment in a subsidiary	21	**–**	–
CURRENT ASSETS			
Prepayments	26	**787**	8,137
Due from subsidiaries	21	**2,061,408**	659,840
Cash and cash equivalents		**2,215**	18
Total current assets		**2,064,410**	667,995
CURRENT LIABILITIES			
Other payables and accruals	31	**2,169**	5,580
Total current liabilities		**2,169**	5,580
NET CURRENT ASSETS		**2,062,241**	662,415
Net assets		**2,062,241**	662,415
EQUITY			
Issued capital	35	**250,683**	11
Reserves	36(e)	**1,811,558**	662,404
Total equity		**2,062,241**	662,415

Wong Chiu Yeung
Director

Li Wei
Director

1. CORPORATE INFORMATION

China SCE Property Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") during the year.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 February 2010.

In the opinion of the directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements (Continued)*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* and HK Interpretation 4 amendment

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong and the PRC, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property and equipment". The corresponding amortisation has also been reclassified to depreciation.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) *Improvements to HKFRSs 2009* and HK Interpretation 4 amendment *(Continued)*

The effects of the above changes are summarised below:

	2010	2009
	RMB'000	RMB'000
Consolidated statement of comprehensive income for the year ended 31 December		
Decrease in amortisation of prepaid land lease payments	**(167)**	(173)
Increase in depreciation of property and equipment	**167**	173
	–	–
Consolidated statement of financial position at 31 December		
Decrease in prepaid land lease payments, net	**(8,146)**	(8,313)
Increase in property and equipment, net	**8,146**	8,313
	–	–

	2009
	RMB'000
Consolidated statement of financial position at 1 January	
Decrease in prepaid land lease payments, net	(8,486)
Increase in property and equipment, net	8,486
	–

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 January 2009, and the related notes affected by the amendments have been presented in these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 should always be measured on a sale basis. As a result of the amendments, HK(SIC)-Int 21 *Income Taxes - Recovery of Revalued Non-depreciable Assets*, will be superseded once the amendments become effective. The Group expects to adopt the Amendments to HKAS 12 retrospectively from 1 January 2012. The Group has previously provided deferred tax on the fair value gains on its investment properties assuming that the carrying amount of these properties will be recovered through use.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3. 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 a subsidiary are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in profit or loss and other comprehensive income of the consolidated statement of comprehensive income, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations from 1 January 2010 (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. 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.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than completed properties held for sale, inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as 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 profit or loss of the statement of comprehensive income 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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;

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

(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 any entity that is a related party of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property 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 profit or loss of the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure is capitalised in the carrying amount of the asset as a replacement.

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 principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	over the lease terms
Buildings	over the lease terms
Leasehold improvements	over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	19% to 25%
Motor vehicles	15% to 25%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation *(Continued)*

Where 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.

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 profit or loss of the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Properties under development

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

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

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

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 total land and building costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangement

The Group has entered into a service concession arrangement with a government body in Quanzhou, the PRC, for the operation and management of certain sports and recreation facilities. The transactions related to such service concession arrangement are accounted for by the Group as follows:

Consideration paid by the Group

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public services. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible asset (other than goodwill)" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the sports and recreation facilities to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence. The obligations are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible asset (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful life of an intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible asset with indefinite useful life is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss of the statement of comprehensive income in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset (other than goodwill) *(Continued)*

Operating concession

Operating concession represents the right to operate certain sports and recreation facilities and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 30 years.

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

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

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss of the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of a completed investment property or an investment property under construction are recognised in profit or loss of the statement of comprehensive income in the year of the retirement or disposal.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss of the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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 profit or loss of the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss of the statement of comprehensive income 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

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, 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.

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, amounts due from related parties, deposits and trade and other receivables and are classified and accounted for as loans and receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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; or

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss of the statement of comprehensive income. 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 profit or loss of the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

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 profit or loss of the statement of comprehensive income 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 profit or loss of the statement of comprehensive income.

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- where the deferred tax liability 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 taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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.

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, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

(a) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) from the rendering of services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) facilities rental income, on a time proportion basis over the lease terms.

Land development contract

The Group has entered into a land development contract (the "Land Development Contract") with the local government of Nan'an City (the "Nan'an Government"), the PRC, to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City.

Pursuant to the Land Development Contract, upon completion of the necessary construction and development works of each land parcel, the Group will be entitled to the entire sale proceeds arising from the sale of the relevant land parcel by the Nan'an Government through public auction.

Revenue from the Land Development Contract is recognised upon the transfer of risks and rewards in connection with the land parcel developed and when the amount of revenue can be measured reliably, which occurs upon the completion of related construction and development works as well as the sale of the relevant land parcel. The timing of sale of each land parcel by the Nan'an Government is uncertain and out of the control of the Group.

Costs incurred by the Group in connection with the Land Development Contract comprises the aggregate costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development contract and are classified as "Contract in progress" before the relevant land parcel is sold.

Contract in progress is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of the proceeds derived from the sale of the relevant land parcel by the Nan'an Government, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of the land parcel based on prevailing market conditions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss of the statement of comprehensive income as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

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

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars while RMB is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss of the statement of comprehensive income.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments - Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for these 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.

Classification between investment properties and properties held for sale

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Valuation of properties under development and completed properties held for sale

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

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 judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Allocation of construction cost on properties under development

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

Estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the year based on the appraised market value provided 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 estimation, 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 each reporting date.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to 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 for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

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

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.

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 calculations of which involve the use of estimates.

Deferred tax assets

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Allowance on trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and aged analysis of the outstanding receivables and on management's estimation. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of all non-financial assets at each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for major overhauls

The Group has contractual obligations which it must fulfil as a condition of the operating concession granted by the grantor, that are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The estimation of the expenditure requires the Group to estimate the expected future cash outlays on major overhauls of the facilities over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment and property management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment combines with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 6 to the financial statements.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

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

6. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2010	2009
	RMB'000	RMB'000
Revenue		
Sale of properties	**4,071,625**	564,993
Property management fees	**16,861**	8,737
Gross rental income	**42,809**	12,733
	4,131,295	586,463
Other income and gains		
Bank interest income	**4,725**	2,778
Foreign exchange gains, net	**4,378**	7,523
Others	**13,116**	5,738
	22,219	16,039

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	**122,565**	78,714
Interest on bank loans repayable beyond five years	**973**	847
Interest on loans from companies controlled by Mr. Wong Chiu Yeung ("Mr. Wong") (note 42(a)(iii))	**–**	25,021
Increase in a discounted amount of provision for major overhauls arising from the passage of time (note 34)	**171**	32
Total interest expense on financial liabilities not at fair value through profit or loss	**123,709**	104,614
Less: Interest capitalised	**(116,818)**	(98,972)
	6,891	5,642

8. PROFIT BEFORE TAX

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

		Group	
	Notes	**2010**	2009
		RMB'000	RMB'000
Cost of properties sold		**2,517,386**	284,081
Cost of services provided		**20,257**	8,681
Depreciation	15	**11,095**	7,330
Amortisation of land lease payments	17	**49,507**	22,067
Amortisation of an intangible asset*	18	**157**	42
Provision for major overhauls	34	**3,677**	880
Minimum lease payments under operating leases for land and buildings		**3,852**	2,853
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**87**	217
Auditors' remuneration		**1,642**	1,851
Employee benefit expense (including directors' remuneration (note 9)):			
Salaries and other staff costs		**72,928**	31,480
Pension scheme contributions		**4,134**	1,461
Less: Amount capitalised		**(13,666)**	(5,562)
		63,396	27,379
Foreign exchange differences, net**	6	**(4,378)**	(7,523)
Write-off of items of property and equipment***	15	**797**	11
Loss on disposal of items of property and equipment***		**35**	126

* The amortisation of an intangible asset for the year is included in "Cost of sales" in the consolidated statement of comprehensive income.

** The amount for the year ended 31 December 2009 included RMB6,852,000 foreign exchange gain released from exchange fluctuation reserve upon the deregistration of a subsidiary in 2009.

*** These items are included in "Other expenses" on the face of the consolidated statement of comprehensive income of the Group.

9. DIRECTORS' REMUNERATION

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

	Group	
	2010	2009
	RMB'000	RMB'000
Fees	**836**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**4,374**	1,193
Discretionary performance related bonuses	**5,367**	2,162
Pension scheme contributions	**48**	22
	9,789	3,377
	10,625	3,377

(a) Independent non-executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010					
Independent non-executive directors:					
Mr. Ting Leung Huel Stephen	**209**	**–**	**–**	**–**	**209**
Mr. Lu Hong Te	**209**	**–**	**–**	**–**	**209**
Mr. Dai Yiyi	**209**	**–**	**–**	**–**	**209**
	627	**–**	**–**	**–**	**627**

No fee and other emoluments were paid to the independent non-executive directors for the year ended 31 December 2009 as they were appointed subsequent to 31 December 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2010					
Executive directors:					
Mr. Wong	**–**	**1,255**	**1,882**	**10**	**3,147**
Mr. Chen Yuanlai ("Mr. Chen")	**–**	**1,045**	**1,220**	**10**	**2,275**
Mr. Cheng Hiu Lok ("Mr. Cheng")	**–**	**1,046**	**1,220**	**10**	**2,276**
Mr. Li Wei ("Mr. Li")	**–**	**1,028**	**1,045**	**18**	**2,091**
Non-executive director:					
Mr. Fung Ka Pun	**209**	**–**	**–**	**–**	**209**
	209	**4,374**	**5,367**	**48**	**9,998**
2009					
Executive director:					
Mr. Wong	–	324	705	–	1,029
Mr. Chen	–	285	485	11	781
Mr. Cheng	–	324	487	–	811
Mr. Li	–	260	485	11	756
	–	1,193	2,162	22	3,377

No fee and other emoluments were paid to the non-executive director for the year ended 31 December 2009 as he was appointed subsequent to 31 December 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2009: one) non-director, highest paid employee for the year are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,043**	928
Discretionary performance related bonuses	**523**	258
Pension scheme contributions	**10**	11
	1,576	1,197

The number of non-director, highest paid employees whose remuneration fell within the following bands:

	2010	2009
	RMB'000	RMB'000
RMB1,000,001 to RMB1,500,000	**–**	1
RMB1,500,001 to RMB2,000,000	**1**	–
	1	1

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2010	2009
	RMB'000	RMB'000
Group:		
Current charge for the year:		
PRC CIT	**321,779**	49,934
PRC LAT	**272,396**	55,368
	594,175	105,302
Deferred (note 33)	**(3,068)**	73,694
Total tax charge for the year	**591,107**	178,996

11. INCOME TAX *(Continued)*

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to "Guo Fa [2007] No. 39" promulgated on 26 December 2007, for the Group's subsidiaries in Xiamen and Shenzhen which enjoyed a preferential tax rate of 15% prior to 1 January 2008, the tax rate is transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

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

	2010	2009
	RMB'000	RMB'000
Profit before tax	**1,527,418**	540,687
At the statutory/applicable income tax rates of different jurisdictions	**394,307**	136,456
Lower tax rate for specific cities	**(9,384)**	(648)
Effect of change in tax rates used for the recognition of deferred taxes	**–**	(446)
Effect of withholding tax at 10% on		
the distributable profit of the Group's PRC subsidiaries	**7,304**	–
Profits and losses attributable to jointly-controlled entities and associates	**(32,669)**	986
Income not subject to tax	**(796)**	(533)
Expenses not deductible for tax	**3,710**	7,144
Tax losses utilised from previous periods	**–**	(190)
Tax losses not recognised	**7,865**	3,195
Tax effect on unrealised profits arising from transactions within the Group	**(442)**	(7,892)
LAT	**272,396**	55,368
Tax effect of LAT	**(51,184)**	(14,444)
Tax charge at the Group's effective rate	**591,107**	178,996

The share of tax charge for the year ended 31 December 2010 attributable to jointly-controlled entities and associates amounting to RMB108,123,000 (2009: RMB10,412,000) and RMB29,530,000 (2009: tax credit of RMB190,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" in the consolidated statement of comprehensive income.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB250,820,000 (2009: a loss of RMB12,113,000) which has been dealt with in the financial statements of the Company (note 36(e)).

13. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Interim dividend, declared and paid – HK4 cents (2009: Nil) per ordinary share	**99,814**	–
Proposed final – HK5 cents (2009: Nil) per ordinary share	**124,290**	–
	224,104	–

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

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,795,665,753 (2009:2,087,406,027) in issue during the year as adjusted retrospectively to reflect the capitalisation issue in February 2010 (note 35(b)).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

15. PROPERTY AND EQUIPMENT

Group

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2010					
At 31 December 2009 and 1 January 2010:					
Cost (restated)	68,952	11,687	9,960	12,678	103,277
Accumulated depreciation (restated)	(3,242)	(3,747)	(4,625)	(7,071)	(18,685)
Net carrying value (restated)	65,710	7,940	5,335	5,607	84,592
At 1 January 2010, net of accumulated depreciation (restated)	65,710	7,940	5,335	5,607	84,592
Additions	5,037	18,842	7,407	12,350	43,636
Depreciation	(2,330)	(4,010)	(2,519)	(2,236)	(11,095)
Write-off	–	(322)	(250)	(225)	(797)
Disposals	–	–	(248)	(478)	(726)
At 31 December 2010, net of accumulated depreciation	68,417	22,450	9,725	15,018	115,610
At 31 December 2010:					
Cost	73,989	30,207	16,869	24,325	145,390
Accumulated depreciation	(5,572)	(7,757)	(7,144)	(9,307)	(29,780)
Net carrying value	68,417	22,450	9,725	15,018	115,610

15. PROPERTY AND EQUIPMENT *(Continued)*

Group

	Land and buildings RMB'000 (Restated)	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000 (Restated)
31 December 2009						
At 1 January 2009:						
Cost	57,004	5,982	7,116	10,704	10,535	91,341
Accumulated depreciation	(1,601)	(2,242)	(2,592)	(4,920)	–	(11,355)
Net carrying value	55,403	3,740	4,524	5,784	10,535	79,986
At 1 January 2009, net of accumulated depreciation	55,403	3,740	4,524	5,784	10,535	79,986
Additions	–	28	1,108	1,330	1,413	3,879
Acquisition of subsidiaries that are not a business (note 37)	–	5,677	1,795	1,257	–	8,729
Transfer	11,948	–	–	–	(11,948)	–
Depreciation	(1,641)	(1,505)	(2,033)	(2,151)	–	(7,330)
Write-off	–	–	(11)	–	–	(11)
Disposals	–	–	(48)	(613)	–	(661)
At 31 December 2009, net of accumulated depreciation	65,710	7,940	5,335	5,607	–	84,592
At 31 December 2009:						
Cost	68,952	11,687	9,960	12,678	–	103,277
Accumulated depreciation	(3,242)	(3,747)	(4,625)	(7,071)	–	(18,685)
Net carrying value	65,710	7,940	5,335	5,607	–	84,592

At 31 December 2010, certain of the Group's buildings with an aggregate carrying amount of RMB60,466,000 (2009: RMB60,767,000) were pledged to banks to secure the bank loans granted to the Group (note 39).

The Group's leasehold land included in property and equipment with a net carrying amount of RMB8,146,000 (2009:RMB8,313,000) is situated in Hong Kong and is held under a medium term lease.

16. INVESTMENT PROPERTIES

Group

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2009	882,000	—	882,000
Additions	42,387	—	42,387
Net profit from a fair value adjustment	371,613	—	371,613
Carrying amount at 31 December 2009 and 1 January 2010	1,296,000	—	1,296,000
Additions	6,995	23,134	30,129
Transfer from prepaid land lease payments	—	5,643	5,643
Net profit from a fair value adjustment	8,005	56,223	64,228
Carrying amount at 31 December 2010	**1,311,000**	**85,000**	**1,396,000**

All of the Group's investment properties are situated in Mainland China and are held under medium term lease.

The Group's investment properties were revalued on 31 December 2010 by DTZ Debenham Tie Leung, independent professionally qualified valuers, at RMB1,396,000,000 (2009: RMB1,296,000,000).

The fair value of completed investment properties was based on either capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties, or by making reference to comparable market transactions. The fair value of investment properties under construction is determined on the basis of the residual method. However, using residual method to value investment properties under construction also requires considering the significant risks which are relevant to the development process, including but not limited to construction and letting risks.

At 31 December 2010, the Group's investment properties with an aggregate carrying amount of RMB1,396,000,000 (2009: RMB1,296,000,000) were pledged to secure the bank loans granted to the Group (note 39).

The Group's investment properties are leased to third parties and companies controlled by Mr. Wong under operating leases, further summary details of which are included in note 40(a).

17. PREPAID LAND LEASE PAYMENTS

	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)
Carrying amount at 1 January (restated)	**2,212,208**	763,454
Additions	**48,416**	815,933
Acquisition of subsidiaries that are not a business (note 37)	**126,636**	1,153,107
Transfer to properties under development	**(678,999)**	(498,219)
Transfer to investment properties	**(5,643)**	—
Recognised during the year	**(49,507)**	(22,067)
At end of year	**1,653,111**	2,212,208
Current portion included in prepayments, deposits and other receivables	**(39,325)**	(49,977)
Non-current portion	**1,613,786**	2,162,231

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

	2010 RMB'000	2009 RMB'000
Long term leases	**810,525**	700,234
Medium term leases	**842,586**	1,511,974
	1,653,111	2,212,208

At 31 December 2010, certain of the Group's leasehold land with an aggregate carrying amount of RMB996,980,000 (2009: RMB1,124,086,000) were pledged to banks to secure the bank loans granted to the Group (note 39).

18. INTANGIBLE ASSET

Group

	Operating concession	
	2010	2009
	RMB'000	RMB'000
Cost at 1 January, net of accumulated amortisation	**4,819**	–
Acquisition of subsidiaries that are not a business (note 37)	**–**	4,861
Amortisation provided during the year	**(157)**	(42)
At 31 December	**4,662**	4,819
At 31 December:		
Cost	**4,861**	4,861
Accumulated amortisation	**(199)**	(42)
Net carrying amount	**4,662**	4,819

On 28 March 2006, Quanzhou Straits Sports Centre Co., Ltd (the "Straits Sports Centre") entered into an operating right concession agreement (the "Operating Right Agreement") with Quanzhou Sports Bureau (the "Sports Bureau"), a local government body in Quanzhou, the PRC, at a cash consideration of RMB5,000,000. Pursuant to the Operating Right Agreement, the Straits Sports Centre is granted an operating concession (the "Operating Concession") to operate and manage certain sports and recreation facilities (the "Facilities") in Quanzhou for a period of 30 years (the "Operating Period").

This service concession arrangement involves the Group as operator (i) paying a specific amount as consideration to obtain the Operating Concession of the Facilities; (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the Sports Bureau for the Operating Period; and (iii) receiving a right to charge users using the Facilities. The Group is entitled to operate and manage the Facilities, and is entitled to all the income associated with the operation of the Facilities. However, the relevant government bodies as grantors will control and regulate the scope of services provided and the prices charged by the Group during the Operating Period, retain ownership, and to be entitled to any residual interest in the Facilities at the end of the Operating Period.

The cost of the Operating Concession is being amortised over the Operating Period.

19. PROPERTIES UNDER DEVELOPMENT

	Group	
	2010	2009
	RMB'000	RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**4,250,492**	2,052,276
Beyond normal operating cycle included under non-current assets	**409,828**	354,620
	4,660,320	2,406,896
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	**1,900,345**	1,190,918
After one year	**2,350,147**	861,358
	4,250,492	2,052,276

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

At 31 December 2010, certain of the Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of RMB2,574,109,000 (2009: RMB1,928,086,000) were pledged to banks to secure the bank loans granted to the Group (note 39).

20. CONTRACT IN PROGRESS

	Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**–**	–
Additions	**26,457**	–
At 31 December	**26,457**	–

On 18 August 2009, the Group entered into the Land Development Contract with the Nan'an Government to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City. Pursuant to the Land Development Contract, though the Group does not have ownership title or land use right to such land parcels, when the land parcels are sold by the Nan'an Government through public auctions, the Group is entitled to the entire sales proceeds arising from such land sales.

The development of the relevant land parcels commenced during the year and is expected to be completed in 2015 which is beyond the Group's normal operating cycle.

Contract in progress represents costs incurred by the Group in connection with the construction and development of the relevant land parcels under the Land Development Contract and comprises costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs attributable to such land development contract.

21. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RMB	Company 2009 RMB
Unlisted investment, at cost	**8**	8

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and repayable on demand. As at 31 December 2010, the carrying amounts of such balances approximated to their fair values.

Particulars of the principal subsidiaries of the Group are set out below:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
New Bright Construction & Landscape Limited	Hong Kong	HK$100	–	100	Investment holding
South China Property International Limited	Hong Kong	HK$10,000	–	100	Investment holding
Bohai International Investment Limited^	Hong Kong	HK$10,000	–	100	Investment holding
Dragon Tale Investments Limited	British Virgin Islands	US$1	–	100	Investment holding

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xiamen Zhongjun Industrial Co., Ltd.** (廈門中駿集團有限公司)	PRC	HK$915,000,000	–	100	Investment holding and trading of construction materials
Xiamen Cippon Tai Wo Property Management Co., Ltd.** (廈門世邦泰和物業管理有限公司)	PRC	HK$15,000,000	–	100	Property management
Xiamen Rundi Architectural Design Co., Ltd.** (廈門潤地建築設計有限公司)	PRC	HK$23,000,000	–	100	Construction and interior design
Xiamen Guanjun Aviation Storage Services Co., Ltd.* (廈門冠駿航空倉儲服務有限公司#)	PRC	RMB50,000,000	–	100	Property investment
Xiamen Lucky Star Decoration Engineering Co., Ltd.** (廈門福斯達裝修工程有限公司)	PRC	RMB50,000,000	–	100	Interior design and decoration
Xiamen Jinmen Seaview Manor Real Estate Co., Ltd.** (廈門金門海景山莊房地產發展有限公司)	PRC	HK$20,000,000	–	100	Property development
Tianxia Estate (Xiamen) Development Co., Ltd.** (天下房地產(廈門)開發有限公司)	PRC	US$7,000,000	–	100	Property development
Beijing World City Property Management Co., Ltd.** (北京世界城物業管理有限公司#)	PRC	RMB50,000,000	–	100	Property management
Nanan Junjie Real Estate Development Co., Ltd* (南安駿杰房地產開發有限公司#)	PRC	RMB100,000,000	–	80	Property development
Fujian Taijing Constrution Co., Ltd* (福建泰景建設有限公司#)	PRC	RMB20,280,000	–	100	Property construction

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd.* (漳州龍文華港房地產發展有限公司#)	PRC	HK$100,000,000	–	80	Property development
Beijing Jinghui Real Estate Development Co., Ltd.**^ (北京京匯房地產開發有限公司#)	PRC	RMB100,000,000	–	100	Property development
Quanzhou Junjing Real Estate Development Co., Ltd.* (泉州駿景房地產開發有限公司#)	PRC	RMB100,000,000	–	100	Property development
Nanan Junxin Real Estate Development Co., Ltd.* (南安駿信房地產開發有限公司#)	PRC	RMB50,000,000	–	51	Property development
Zhongjun (Quanzhou) Real Estate Development Co., Ltd.* (中駿（泉州）房地產開發有限公司#)	PRC	RMB315,000,000	–	100	Property development
Nan'an Huajing Real Estate Development Co., Ltd.* (南安市華景房地產開發有限公司#)	PRC	RMB70,000,000	–	100	Property development
Shenzhen Fanya Real Estate Development Co., Ltd.** (深圳泛亞房地產開發有限公司)	PRC	HK$160,000,000	–	63.2	Property development
Shanxi Yuanhong Real Estate Co., Ltd.* (山西源宏房地產開發有限公司#)	PRC	RMB100,000,000	–	90	Property development
Xiamen Zhongjun Tianfeng Real Estate Co., Ltd.*** (廈門中駿天峰房地產有限公司)	PRC	RMB240,000,000	–	60	Property development
Tangshan SCE Real Estate Development Co., Ltd.* (唐山中駿房地產開發有限公司#)	PRC	RMB100,000,000	–	100	Property development

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Anshan Junda Construction and Development Co., Ltd.*** (鞍山駿達建設發展有限公司#)	PRC	RMB28,000,000	–	70	Property development
Beijing Dushishengjing Real Estate Development Co., Ltd.* (北京都市聖景房地產開發有限公司#)	PRC	RMB10,000,000	–	100	Property development
Fujian Straits West-Coast Investment Co., Ltd.* (福建省海峽西岸投資發展有限公司#)	PRC	RMB1,000,000,000	–	58	Property development
Quanzhou Straits Sports Center Co., Ltd.* (泉州市海峽體育中心有限公司#)	PRC	RMB300,000,000	–	58	Operation and management of sports and recreation facilities
Fujian SCE Gulf Construction and Development Co., Ltd. *** (福建中駿海灣建設開發有限公司)	PRC	US$36,000,000	–	38.25	Undertaking of the pre-development work for a land site
Anshan SCE Estate Development Co., Ltd.*** (鞍山中駿房地產開發有限公司#)	PRC	RMB390,000,000	–	70	Property development
Xiamen Junxianghexin Real Estate Development Co., Ltd.*@ (廈門駿翔和信房地產有限公司#)	PRC	RMB150,000,000	–	90	Property development

* Registered as limited liability companies under the PRC law.

** Registered as wholly-foreign-owned entities under the PRC law.

*** Registered as Sino-foreign joint ventures under the PRC law.

\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.

^ At 31 December 2010, the shares of these Companies were pledged to a bank to secure a bank loan of RMB42,499,000 (2009: Nil) granted to the Group.

@ Pursuant to the relevant agreements concluded between the Group and the non-controlling shareholder of this subsidiary, the Group is entitled to all the results and assets and obligated to all liabilities of this subsidiary effective from the date of the relevant agreements by paying the non-controlling shareholder a fixed return and a consideration for the capital contributed by the non-controlling shareholder. The legal ownership of the relevant non-controlling interest will be transferred to the Group by the non-controlling shareholder when the Group settles all the fixed return and the consideration. Accordingly, the relevant non-controlling interest was considered as being acquired by the Group at the date of the relevant agreements and the relevant non-controlling interest was held by the non-controlling shareholder to secure the payment of the outstanding fixed return and the consideration.

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the subsidiaries acquired during the year are set out in note 37 to the financial statements.

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

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2010	2009
	RMB'000	RMB'000
Share of net assets	**153,951**	169,160
Due to a jointly-controlled entity	**(12,495)**	(12,942)
	141,456	156,218

The amount due to a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	**Nominal value of registered/ paid-up capital**	**Place of incorporation/ registration**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Well China International Investment Holdings Limited	Ordinary shares of HK$140,000,000	Hong Kong	49[(1)]	Investment holding
Quanzhou Yuanhang Real Estate Development Co., Ltd.* (泉州遠航房地產開發有限公司#)	Registered capital of RMB150,000,000	PRC	49[(1)]	Property development and investment
Poly-Wuyi (Hong Kong) Development Limited	Ordinary shares of US$10,000	Hong Kong	50	Investment holding
Fuzhou Wuyi Oasis Real Estate Co., Ltd.** (福州武夷綠州房地產有限公司)	Registered capital of RMB40,000,000	PRC	50	Property development

* Registered as a limited liability company under the PRC law.

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

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.

(1) Pursuant to the relevant shareholders' agreements, the Group is entitled to a 50% voting right in the boards of directors of these entities.

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

All of the above investments in jointly-controlled entities are held though subsidiaries of the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	Group	
	2010	2009
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**40,664**	120,132
Current assets	**250,315**	632,194
Current liabilities	**(117,023)**	(560,066)
Non-current liabilities	**(20,005)**	(23,100)
Net assets	**153,951**	169,160
Share of the jointly-controlled entities' results:		
Revenue	**502,171**	63,602
Other income	**4,423**	738
	506,594	64,340
Total expenses	**(306,188)**	(55,526)
Tax	**(108,123)**	(10,412)
Profit/(loss) after tax	**92,283**	(1,598)

23. INVESTMENTS IN ASSOCIATES

	Group 2010 RMB'000	Group 2009 RMB'000
Share of net assets	**46,282**	6,128

Particulars of the associates are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Quanzhou Baoxing Real Estate Development Co., Ltd.* (泉州寶興房地產開發有限公司#)	Registered capital of RMB48,000,000	PRC	30	Property development
China Bright Investments Limited	Ordinary shares of HK$100	Hong Kong	20	Investment holding
Grand Richy Investments Limited	Ordinary shares of US$100	BVI	45	Investment holding
South Fujian Goal Coast Resort Co., Ltd. Shishi** (石獅市閩南黃金海岸度假村有限公司)	Registered capital of RMB205,000,000	PRC	45	Property development
Xiamen Dayoufu Property Consultation Co.** (廈門大友富置業顧問有限公司)	Registered Capital of HKD1,050,000	PRC	20	Property agency

* Registered as a limited liability company under the PRC law.

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

\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.

23. INVESTMENTS IN ASSOCIATES *(Continued)*

The Group's shareholdings in all associates are held indirectly by subsidiaries of the Company.

All associates have been accounted for using the equity method in the financial statements and their financial year end date is coterminous with that of the Group.

The following table illustrates the summarised financial information, on a 100% basis, of the Group's associates extracted from their financial statements:

	2010	2009
	RMB'000	RMB'000
Assets	**630,314**	971,555
Liabilities	**(478,324)**	(944,374)
Revenue	**592,464**	17,562
Profit/(loss)	**114,058**	(3,743)

24. COMPLETED PROPERTIES HELD FOR SALE

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

At 31 December 2010, certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB127,623,000 (2009: RMB3,488,000) were pledged to banks to secure the bank loans granted to the Group (note 39).

25. TRADE RECEIVABLES

The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. All trade receivables are non-interest-bearing.

25. TRADE RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**12,671**	17,281
1 to 6 months past due	**9,711**	2,319
7 to 12 months past due	**2,243**	—
Over 1 year past due	**2,482**	2,544
	27,107	22,144

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of diversified customers for whom there was no recent history of default and have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments (note)	**412,914**	383,821	**787**	8,137
Deposits	**91,763**	39,635	**—**	—
Other receivables	**58,494**	57,487	**—**	—
	563,171	480,943	**787**	8,137
Non-current portion	**(357,197)**	(154,976)	**—**	—
Current portion	**205,974**	325,967	**787**	8,137

Note: The balances included prepayments for the acquisition of land use rights in Mainland China amounting to RMB307,197,000 (2009: RMB154,976,000) as at 31 December 2010.

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

27. BALANCES WITH RELATED PARTIES

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

	Group	
	2010	2009
	RMB'000	RMB'000
Due from related parties:		
Director – Mr. Chen	**–**	589
Companies controlled by Mr. Wong	**1,580**	2,688
Jointly-controlled entities	**33,876**	11,728
Associates	**182,955**	157,804
	218,411	172,809
Due to related parties:		
Director – Mr. Wong	**–**	196
Jointly-controlled entities	**–**	142,975
Associates	**76,798**	88,095
	76,798	231,266

The balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the balances with related parties approximate to their fair values.

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

28. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Group	
	2010	2009
	RMB'000	RMB'000
Cash and bank balances	**1,522,129**	604,805
Less: Restricted cash (notes)	**(253,238)**	(115,325)
Cash and cash equivalents	**1,268,891**	489,480

Notes:

(a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of the construction fees of the relevant property projects when approval from relevant local government authorities is obtained. At 31 December 2010, such guarantee deposits amounted to RMB81,191,000 (2009: RMB1,196,000).

(b) According to the relevant mortgage facility agreements signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificate of the relevant property has been passed to the bank. As at 31 December 2010, such deposits amounted to RMB1,435,000 (2009: RMB7,706,000).

(c) Pursuant to a management agreement entered into between the Sports Bureau and Straits Sports Centre, the fund advanced by the Sports Bureau and deposited in a designated bank account can only be used for the payments of construction costs and expenditure incurred for the construction of the Facilities. As at 31 December 2010, such deposit amounted to RMB4,052,000 (2009: RMB5,830,000).

(d) In addition to the restrictions as detailed in notes (a), (b) and (c), certain subsidiaries of the Group are also required to place certain amounts as guarantee deposits for public maintenance fund or the use of the loan proceeds which deposited in specific bank accounts are restricted. As at 31 December 2010, the aggregate amount of such deposits was RMB166,560,000 (2009: RMB100,593,000).

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,488,581,000 (2009: RMB482,982,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. All the bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents and restricted cash approximate to their fair values.

29. TRADE PAYABLES

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within 1 year	**437,989**	299,075
Over 1 year	**5,467**	8,459
	443,456	307,534

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

30. RECEIPTS IN ADVANCE

Receipts in advance represent sales proceeds received from buyers in connection with the Group's pre-sale of properties during the year.

31. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Notes	**2010**	2009	**2010**	2009
		RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits received		**201,721**	130,737	**–**	–
Accruals		**31,458**	13,553	**1,964**	3,116
Due to non-controlling shareholders of certain subsidiaries	(a)	**17,820**	2,960	**–**	–
Advances from non-controlling shareholders of certain subsidiaries	(b)	**205,015**	152,361	**–**	–
Other payables		**37,054**	189,726	**205**	2,464
		493,068	489,337	**2,169**	5,580
Non-current portion		**(16,410)**	(2,240)	**–**	–
Current portion		**476,658**	487,097	**2,169**	5,580

Notes:

(a) The balances are secured by certain equity interests of the Group's subsidiaries. The balances are interest-free, except for an amount of RMB15,000,000 at 31 December 2010 (2009: RMB2,960,000) which bear interest at 5.81% per annum (being the one-year-borrowing rate offered by the People's Bank of China) (2009: 5.31% per annum), and are repayable in accordance with the terms of the relevant subcontracting and share transfer agreements.

(b) The balances are unsecured, interest-free and repayable on demand.

Other payables are non-interest-bearing and are expected to be settled within one year.

As at 31 December 2010, the carrying amounts of the Group's other liabilities and the balances with non-controlling shareholders of certain subsidiaries approximate to their fair values.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2010			2009		
	Contractual interest rate (%) per annum	**Maturity**	**RMB'000**	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans – secured	**2.50-5.84**	**2011**	**548,282**	5.04 – 6.05	2010	555,000
Current portion of long term bank loans – secured	**2.50-6.05**	**2011**	**83,609**	2.50 – 6.53	2010	12,037
			631,891			567,037
Non-current						
Bank loans – secured	**2.50-6.05**	**2012-2028**	**1,932,354**	2.50 – 6.53	2011 – 2028	1,539,028
Other loans – secured	**10.00**	**2012**	**150,000**			—
			2,082,354			1,539,028
			2,714,245			2,106,065

	Group	
	2010	2009
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**631,891**	567,037
In the second year	**916,184**	360,330
In the third to fifth years, inclusive	**1,013,552**	1,171,059
Beyond five years	**2,618**	7,639
	2,564,245	2,106,065
Other borrowings repayable:		
In the second year	**150,000**	—
	2,714,245	2,106,065

32. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans are secured by the Group's property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 39 to the financial statements.

(b) Certain of the Group's bank loans with an aggregate amount of RMB42,499,000 (2009: Nil) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group.

(c) As at 31 December 2009, Mr. Wong and a family member of Mr. Wong provided guarantees totalling RMB17,804,000 in respect of certain of the Group's bank loans. During the year, all the guarantees were released.

(d) Except for certain secured bank loans of RMB50,282,000 (2009: RMB8,378,000) as at 31 December 2010, which were denominated in Hong Kong dollars, all of the Group's bank and other borrowings were denominated in RMB.

(e) Except for certain short term bank loans of RMB545,000,000 as at 31 December 2009, the interest rates of which were fixed in nature, all borrowings bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

33. DEFERRED TAX

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

Deferred tax liabilities

Group

	Withholding taxes	**Revaluation of investment properties**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2009	—	104,344	104,344
Deferred tax charged to profit or loss of the consolidated statement of comprehensive income during the year	—	92,903	92,903
At 31 December 2009 and 1 January 2010	—	197,247	197,247
Deferred tax charged to profit or loss of the consolidated statement of comprehensive income during the year	7,304	16,057	23,361
At 31 December 2010	**7,304**	**213,304**	**220,608**

33. DEFERRED TAX *(Continued)*

Deferred tax assets

Group

	Unrealised profits arising from intra-group transactions	Provision of LAT	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	6,928	65	31,934	38,927
Acquisition of subsidiaries that are not a business (note 37)	—	—	35,062	35,062
Credited/(charged) to profit or loss of the consolidated statement of comprehensive income during the year	13,374	10,684	(4,849)	19,209
At 31 December 2009 and 1 January 2010	20,302	10,749	62,147	93,198
Credited/(charged) to profit or loss of the consolidated statement of comprehensive income during the year	(15,956)	39,380	3,005	26,429
At 31 December 2010	**4,346**	**50,129**	**65,152**	**119,627**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2010	2009
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**70,004**	82,449
Net deferred tax liabilities recognised in the consolidated statement of financial position	**170,985**	186,498

At 31 December 2010, the Group has tax losses arising in Mainland China of RMB318,235,000 (2009: RMB274,755,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of certain of these losses of RMB67,297,000 (2009: RMB35,837,000) 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 utilitsed.

33. DEFERRED TAX *(Continued)*

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

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

34. PROVISION FOR MAJOR OVERHAULS

Pursuant to the Operating Right Agreement, the Group has contractual obligations which it must fulfil as a condition of the Operating Concession. The obligations are (a) to maintain the Facilities it operates to a specified level of serviceability and (b) to restore the Facilities to a specified condition before they are handed over to the Sports Bureau at the end of the Operating Concession. These contractual obligations to maintain or restore the sports and recreation facilities, except for upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of the Facilities for the year are as follows:

	2010	2009
	RMB'000	RMB'000
At 1 January	**3,800**	–
Acquisition of subsidiaries that are not a business (note 37)	**–**	2,888
Additional provisions	**3,677**	880
Increase in a discounted amount arising from the passage of time (note 7)	**171**	32
At 31 December	**7,648**	3,800

35. SHARE CAPITAL

Shares

	Company	
	2010	2009
	HK$	HK$
Authorised:		
10,000,000,000 (2009: 3,000,000) ordinary shares of HK$0.10 each	**1,000,000,000**	300,000
Issued and fully paid:		
2,853,200,000 (2009: 112,660) ordinary shares of HK$0.10 each	**285,320,000**	11,266
Equivalent to RMB'000	**250,683**	11

During the year, the movement in share capital were as follows:

(a) Pursuant to a written resolution of shareholders of the Company passed on 6 January 2010, the authorised share capital of the Company was increased from HK$300,000 to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of 9,997,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) Pursuant to the same written resolution stated in note (a) above and upon the completion of the Company's initial public offering on 5 February 2010, 2,253,087,340 shares of HK$0.1 each of the Company were issued and allotted at par as fully paid to the shareholders whose names appeared on the register of the members of the Company on 1 January 2010 by way of capitalisation of a sum of HK$225,309,000 which was then standing to the credit of the share premium account of the Company.

(c) On 5 February 2010, the Company's shares were listed on the Stock Exchange and the Company issued 600,000,000 new ordinary shares of HK$0.10 each at HK$2.60 per share, raising gross proceeds of HK$1,560,000,000.

35. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

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

					RMB equivalent		
	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**	**Issued capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	112,660	11	774,602	774,613	11	681,988	681,999
Capitalisation issue	2,253,087,340	225,309	(225,309)	–	197,956	(197,956)	–
Issue of shares	600,000,000	60,000	1,500,000	1,560,000	52,716	1,317,900	1,370,616
Share issue expenses	–	–	(59,468)	(59,468)	–	(52,233)	(52,233)
At 31 December 2010	**2,853,200,000**	**285,320**	**1,989,825**	**2,275,145**	**250,683**	**1,749,699**	**2,000,382**

Share options

Pursuant to the written resolutions passed by the shareholders of the Company on 6 January 2010, the Company adopted a share option scheme (the "Scheme"). Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 285,320,000 shares will be available for issue under the Scheme, which represented 10% of the aggregate of the shares in issue on the date the shares of the Company commence trading on the Stock Exchange. Each participant cannot be entitled to more than 1% of the total number of shares in issue in any 12-month period. The option shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 5 January 2020. No option has been granted under the Scheme since the adoption of the Scheme.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 64 and 65 of the financial statements.

(b) Capital reserve

Capital reserve represents the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(c) Statutory surplus reserve

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

For the entity concerned, the statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of their registered capital.

(d) Merger reserve

The merger reserve represents the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the group reorganisation completed in December 2007.

36. RESERVES *(Continued)*

(e) Company

	Note	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2009		—	795	(8,278)	(7,483)
Total comprehensive income/ (loss) for the year		—	12	(12,113)	(12,101)
Issue of shares		682,675	—	—	682,675
Share issue expenses		(687)	—	—	(687)
At 31 December 2009		681,988	807	(20,391)	662,404
Total comprehensive income/ (loss) for the year		—	(69,563)	250,820	181,257
Capitalisation issue	35	(197,956)	—	—	(197,956)
Issue of shares	35	1,317,900	—	—	1,317,900
Share issue expenses	35	(52,233)	—	—	(52,233)
Interim 2010 dividend		—	—	(99,814)	(99,814)
At 31 December 2010		**1,749,699**	**(68,756)**	**130,615**	**1,811,558**

37. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

Year ended 31 December 2010

In June 2010, the Group entered into a share transfer agreement with Beijing Dupeng Real Estate Development Co. Ltd., a state-owned enterprise, for the acquisition of the entire equity interest in Beijing Dushishengjing Real Estate Development Co. Ltd. ("BJ Shengjing") and its shareholder's loan at a cash consideration of RMB126,680,000. The acquisition was completed in July 2010 and BJ Shengjing became a wholly-owned subsidiary of the Group.

Up to the date of the acquisition, BJ Shengjing has not carried out any significant business activities except for holding one parcel of land in Beijing, the PRC, and no property development and pre-sale activities have been carried out by BJ Shengjing. Therefore, this acquisition has been accounted for by the Group as an acquisition of assets as the operation BJ Shengjing does not constitute a business.

37. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2010 *(Continued)*

The net assets acquired by the Group in the above transaction, are as follows:

	RMB'000
Net assets acquired:	
Prepaid land lease payments	**126,636**
Cash and bank balances	**44**
	126,680
Total consideration satisfied by:	
Cash	**126,680**
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	**44**
Cash consideration paid	**(126,680)**
	(126,636)

Year ended 31 December 2009

On 15 September 2009, the Group entered into a share transfer agreement with the then existing shareholders of Fujian Straits West-Coast Investment Co., Ltd. ("Haixi Investment"), who were independent third parties, for the acquisition of a 58% equity interest in Haixi Investment at a total consideration of RMB859,400,000. This acquisition has been accounted for as an acquisition of assets as the major assets of Haixi Investment and its subsidiary (collectively the "Haixi Group") are five parcels of land in Quanzhou, the PRC, and no property development and pre-sale activities were being carried out by the Haixi Group at the date of acquisition. The acquisition was completed on 22 September 2009.

37. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 December 2009 *(Continued)*

This acquisition has been accounted for by the Group as an acquisition of assets as the entities acquired by the Group do not constitute a business. The aggregate net assets acquired by the Group in the above transaction, are as follows:

	RMB'000
Net assets acquired:	
Property and equipment (note 15)	8,729
Prepaid land lease payments (note 17)	1,153,107
Properties under development	299,784
Intangible asset (note 18)	4,861
Deferred tax assets (note 33)	35,062
Prepayments, deposits and other receivables	487,789
Restricted cash	172,159
Cash and bank balances	2,293
Trade and other payables	(246,274)
Tax payable	(2,922)
Interest-bearing bank loans	(430,000)
Provision for major overhauls (note 34)	(2,888)
Net assets	1,481,700
Non-controlling interests	(622,300)
	859,400
Total consideration satisfied by:	
Cash	859,400
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	2,293
Cash consideration paid	(859,400)
	(857,107)

38. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, the Group had financial guarantees which were not provided for in the financial statements were as follows:

	2010 RMB'000	2009 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	**1,305,421**	879,213

Notes:

(a) As at 31 December 2010, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as collaterals for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

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

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

In addition, the Group's share of the jointly-controlled entities' and associates' own financial guarantees which are not included in the above, is as follows:

	2010 RMB'000	2009 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**334,531**	339,245
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	**24,635**	27,867

39. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to certain banks for securing the loans granted to the Group:

	Group	
	2010	2009
	RMB'000	RMB'000
		restated
Property and equipment (note 15)	**60,446**	60,767
Investment properties (note 16)	**1,396,000**	1,296,000
Prepaid land lease payments (note 17)	**996,980**	1,124,086
Properties under development (note 19)	**2,574,109**	1,928,086
Completed properties held for sale (note 24)	**127,623**	3,488
	5,155,158	4,412,427

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	**12,512**	8,980
In the second to fifth years, inclusive	**486**	134
After five years	**237**	101
	13,235	9,215

40. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

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

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	**2009**
	RMB'000	RMB'000
Within one year	**1,246**	1,115
In the second to fifth years, inclusive	**3,038**	3,119
After five years	**–**	1,430
	4,284	5,664

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	**2009**
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, completed properties held for sale and construction of investment and owner-occupied properties in Mainland China	**1,812,174**	1,332,476

In addition, the Group's share of the jointly-controlled entities' own capital commitments which are not included in the above, is as follows:

	Group	
	2010	**2009**
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development	**75,508**	9,564

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

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in notes 27 and 32 to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2010 RMB'000	2009 RMB'000
Sales of properties to:			
Directors	(i)	**3,586**	1,171
Family members of the directors	(i)	**10,381**	3,910
Rental income from companies controlled by Mr. Wong	(ii)	**1,683**	1,633
Property management fee income from companies controlled by Mr. Wong	(ii)	**253**	246
Interest expenses on loans from companies controlled by Mr. Wong	(iii)	**–**	25,021
Sales agency fees paid to an associate	(iv)	**5,790**	13,267

Notes:

(i) The properties were sold at prices mutually agreed by both parties.

(ii) Terms on the rental and management fee income of office premises were mutually agreed between both parties.

(iii) The interest expenses were charged at rates ranging from 2.68% to 5.40% per annum.

(iv) The sales agency fees were charged at rates ranging from 1.1% to 1.3% of the selling price of the relevant properties sold.

(b) At 31 December 2009, the Group provided financial guarantees with an aggregate amount of RMB75,000,000 to certain banks for securing the loan facilities granted to certain companies controlled by Mr. Wong. During the year, all guarantees were released.

(c) In the opinion of the directors, the directors of the Company represent the key management personnel of the Group. Further details of the compensation of key management personnel of the Group are set out in note 9 to the financial statements.

Except for items (a)(iv) and (c), the above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

43. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Company and the Group as at 31 December 2010 and 2009 are loans and receivables and financial liabilities stated at amortised cost, respectively.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

Market risk

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

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same saving rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

	Group	
	Increase/ (decrease) in basis points	**Effect on profit before tax RMB'000**
2010		
RMB	**150**	**(33,727)**
HK$	**150**	**(754)**
RMB	**(150)**	**33,727**
HK$	**(150)**	**754**
2009		
RMB	150	(23,263)
HK$	150	(126)
RMB	(150)	23,263
HK$	(150)	126

Foreign currency risk

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

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

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

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

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

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

	Group	
	Increase/ (decrease) in exchange rate	**Effect on profit before tax RMB'000**
2010		
If US$ weakens against RMB	**10%**	**(107)**
If US$ strengthens against RMB	**(10%)**	**107**
2009		
If US$ weakens against RMB	10%	(7,790)
If US$ strengthens against RMB	(10%)	7,790

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. Customers are required to pay for any remaining balance within a three-month-period after the effective date of the sales and purchase agreement. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 38.

The credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In the opinion of the directors of the Company, most of the borrowings that mature within one year are able to renew and the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

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

			2010		
	Within one year or on demand RMB'000	**In the second year RMB'000**	**In the third to fifth years, inclusive RMB'000**	**Beyond five years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**664,954**	**1,128,386**	**1,077,411**	**2,781**	**2,873,532**
Trade payables	**443,456**	**—**	**—**	**—**	**443,456**
Financial liabilities included in other payables and accruals	**275,807**	**2,280**	**15,000**	**—**	**293,087**
Due to related parties	**76,798**	**—**	**—**	**—**	**76,798**
	1,461,015	**1,130,666**	**1,092,411**	**2,781**	**3,686,873**
Financial guarantees issued: Maximum amount guaranteed	**1,305,421**	**—**	**—**	**—**	**1,305,421**

Group

			2009		
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	673,533	439,638	1,230,863	12,936	2,356,970
Trade payables	307,319	215	—	—	307,534
Financial liabilities included in other payables and accruals	342,807	2,240	—	—	345,047
Due to related parties	231,266	—	—	—	231,266
	1,554,925	442,093	1,230,863	12,936	3,240,817
Financial guarantees issued: Maximum amount guaranteed	879,213	—	—	—	879,213

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Company

All of the Company's financial liabilities at the end of the reporting period are repayable on demand.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a net gearing ratio, which is net debt divided by the total equity. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the consolidated statement of financial position) less cash and cash equivalents (including restricted cash). Capital comprises all components of equity (i.e., share capital, non-controlling interests and reserves). The Group aims to maintain a healthy and stable net gearing ratio.

The net gearing ratios as at 31 December 2010 and 2009 were as follows:

Group

	2010 **RMB'000**	2009 RMB'000
Interest-bearing bank and other borrowings (note 32)	**2,714,245**	2,106,065
Less: Cash and bank balances (note 28)	**(1,522,129)**	(604,805)
Net debt	**1,192,116**	1,501,260
Total equity	**4,684,950**	2,312,226
Net gearing ratio	**25.4%**	64.9%

45. EVENTS AFTER THE REPORTING PERIOD

On 7 January 2011, the Group entered into a purchase agreement (the "Purchase Agreement") with Deutsche Bank AG, Singapore Branch and The Hongkong and Shanghai Banking Corporation Limited in connection with the issue of RMB2,000 million USD settled 10.5% senior notes (the "Notes") due 2016. The Purchase Agreement was completed on 14 January 2011 and the Notes are listed on the Official List of the Singapore Exchange Securities Trading Limited. The Group raise a net proceeds of approximately RMB1,942 million (after deduction of underwriting commissions and other expenses).

46. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2009 has been presented.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2011.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and accountants' report dated 25 January 2010 and restated/reclassified as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**4,131,295**	586,463	331,179	371,694	327,396
Cost of sales	**(2,537,800)**	(292,804)	(203,335)	(242,727)	(261,244)
Gross profit	**1,593,495**	293,659	127,844	128,967	66,152
Other income and gains	**22,219**	16,039	6,962	43,476	8,231
Changes in fair value of investment properties	**64,228**	371,613	211,366	168,247	38,145
Selling and marketing expenses	**(101,066)**	(38,955)	(27,143)	(46,268)	(21,751)
Administrative expenses	**(171,583)**	(91,197)	(64,883)	(57,650)	(23,801)
Other expenses	**(832)**	(137)	(247)	(589)	(3)
Finance costs	**(6,891)**	(5,642)	(3,324)	(1,376)	(240)
Share of profits and losses of:					
Jointly-controlled entities	**92,283**	(1,598)	(4,697)	(3,261)	(1,416)
Associates	**35,565**	(3,095)	(4,413)	(888)	(112)
PROFIT BEFORE TAX	**1,527,418**	540,687	241,465	230,658	65,205
Income tax expense	**(591,107)**	(178,996)	(75,606)	(70,581)	(13,418)
PROFIT FOR THE YEAR	**936,311**	361,691	165,859	160,077	51,787
Attributable to:					
Owners of the parent	**946,125**	373,434	168,458	159,206	50,607
Non-controlling interests	**(9,814)**	(11,743)	(2,599)	871	1,180
	936,311	361,691	165,859	160,077	51,787

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**10,577,689**	8,705,494	5,366,768	4,175,555	2,028,077
TOTAL LIABILITIES	**(5,892,739)**	(6,393,268)	(4,792,841)	(3,799,447)	(1,954,488)
NON-CONTROLLING INTERESTS	**(1,017,891)**	(802,851)	(116,424)	(117,740)	(6,112)
	3,667,059	1,509,375	457,503	258,368	67,477

Overview of Major Properties

MAJOR INVESTMENT PROPERTIES

Name of project	Location	Use	Tenure	Attributable interest of the Group
World City	No. 8 Jinhui Road, Chaoyang District, Beijing	Commercial	Medium lease term	100%

MAJOR PROPERTIES UNDER DEVELOPMENT

Name of project	Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Expected completion date	Attributable interest of the Group
Sapphire Peninsula	Southern zone of Quanzhou Bridge, Quanzhou Fujian Province	Residential	80,904	267,676	2012 or after	100%
Fortune Plaza • Parkview Bay	Core area of Quanzhou new town (next to the Quanzhou Haixia Sports Center), Fujian Province	Residential	75,947	300,398	2011	58%