众安房产
ZHONG AN REAL ESTATE

(Stock code: 00672.HK)

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2010 Annual Report

眾安房產有限公司
ZHONG AN REAL ESTATE LIMITED
(incorporated in the Cayman Islands with limited liability)

CONTENTS

CORPORATE INFORMATION

Board of Directors

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

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

Company Secretary

Mr Lam Yau Yiu

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Principal Place of Business in Hong Kong

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26 Harbour Road
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Company's Website

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Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
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Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
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Principal Bankers

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

Auditors

Ernst & Young

CHAIRMAN'S STATEMENT


Chairman
Shi Kancheng

On behalf of the Board of Directors (the "Board") of Zhong An Real Estate Limited ("Zhong An" or the "Company" together with its subsidiaries, the "Group"), I am pleased to present the annual report for the year ended 31 December 2010 of the Group.

2010 was a year full of challenges. Under the trend of rapid economic development in China, both the price and demand in the real estate market rose and this led to policy fine tuning of the real estate market by the central government including the introduction of new administrative measures and monetary policies. The Company adjusted sales and operating strategies in time amid the austerity policy and actively fostered sales. Therefore, contract sales grew up 46% as compared to the same period last year, which strengthened the foundation of our future development.

During the year under review, turnover of the Group reduced by approximately 23% to RMB1,243,871,000. There was a decrease in the fair value of investment properties in 2010 as compared to 2009. Putting such factor aside, core profit showed an income of RMB205,750,000, representing a decrease of approximately 7%. Profit for the year attributable to owners of the parent amounted to RMB379,759,000. To maintain the Group's financial strength for its future development, the Board proposed not to distribute final dividend for the year (2009: nil).

During the year, the residential development projects were carried out smoothly, sales were satisfactory. Among them, the residential project – Landscape Bay in Xiaoshan District, Hangzhou, Zhejiang Province, recorded good sales thanks to its excellent geographical position and river scenery of River Qiantang, which have development potential in Hangzhou due to its proximity to Hangzhou CBD (錢江新城) and Qianjiang Century CBD (錢江世紀城), and it was one of the top 10 properties in Hangzhou in 2010 in terms of sales volume and amount. Besides, the presale of Yuelong Bay of the Group in Yuyao, Zhejiang Province was satisfactory. In Anhui Province, the presale by the Group also met our expectation. The sales of Vancouver City in Huibei were particularly remarkable with a sales rate of 97% for the year.

On top of devoting to the development of residential projects, the Group continued to follow our diversified development direction, increased the percentage share of investment properties within the Group's property portfolio and created a stable source of income. After the completion of a commercial complex project, Highlong Plaza in Hangzhou, the presale of a sizeable commercial property, International Office Center, will start in mid-2011. The construction of Zhong An Times Square in Yuyao, Zhejiang Province will be commenced soon. This marks the beginning of a new chapter in our development of commercial complex.

Under the current policies and situation, the Group will continue to follow our prudent land purchase strategy and seize opportunity to further augment our land bank through tenders or acquisitions to optimize the land reserve structure. During the year, through a joint venture with an independent third party, the Group won the tender of a plot of land with estimated gross floor area (GFA) of 370,000 sq. m. The land is located in Yuhang District, Hangzhou, Zhejiang Province, next to Xinzhou Road Station of the spur line of subway No. 1 of Hangzhou. The Group also won

CHAIRMAN'S STATEMENT

the tender of a plot of land with about 344,340 sq. m. for commercial and residential purposes in Yuyao, Zhejiang Province. It will form part of the land currently under development and will be developed into a commercial complex project of about 600,000 sq. m. in Yuyao. This will strengthen the Group's business presence in, and is favourable to, our development into the Pan Yangtze Delta real estate market.

As at 31 December 2010, total GFA of the land reserve of the Group in Zhejiang Province and Anhui Province were about 4,411,682 sq. m. and 1,918,263 sq. m. respectively, aggregating to about 6,329,945 sq. m.. It is expected that the land reserve will be sufficient to meet the requirement of the development of our Group in the coming five years. The Group will continue to evaluate and adjust our corporate strategy in a prudent manner. We will maintain steady development of residential projects and put into practice our commercial development and property management concepts and models in the commercial properties developed by the Group, which concepts and models contributed to the Group's success in the development, transformation and/or management of its commercial projects in Southern Song Imperial Street (南宋御街) and Highlong Complex. The purpose is to construct a high-end urban complex, create low density residential properties with high-rise apartments with good scenery on the upper floors, boutique commercial street, high-end hotel and supplemented with office building, thus creating our business model, and set up urban complex in Yangtze Delta Region and enhance the investment value of our commercial properties. The Company will continue to widen the scope of real estate services and maintain the development pace, as well as to expand into downstream service of the real estate sector. We will emphasize on quality services, and explore the business potential in the service sector so as to broaden and secure a more steady and stable cash flow.

At the end of 2009, the central government promulgated a series of real estate regulatory policies. It announced the Ten Measures of the State Council and Eight New Measures of the State Council (國十條及新國八條), and increased the deposit and lending interest rates of banks and reserve ratio of banks. It adopted different administrative measures and political accountability system to address the issues that have been affecting the livelihood of people. It can be expected that there will be no material change in the real estate regulatory policies of the central government in the short run, and the focus of the policies will be to increase the supply of public housing, impose more stringent control over the purchase of houses for investment purposes and the suppression of excessive increase in rental. In the Tenth session of the fifth national congress of the National Party (五中全會) held in October 2010, the Twelfth Five-year Plan (十二五規劃) was approved which pointed out a new development mindset for the economic and social development of the state. The focus was the expansion of domestic demand, steady enhancement of the urbanization level and acceleration of economic structural adjustment, which offer good opportunities to the Group's business development in light of our strategies in focusing on the development of the second and third tier cities in Yangtze Delta.

The Group firmly believes that the strong demand of home buyers still exists, business opportunities will continue to arise consequent to the policy fine tuning. The Group will strengthen its brand name recognition with high quality products, maintain equilibrium in cash flow and ensure a healthy growth of the Company with our development in commercial properties and the service sector. We will through acquisition or cooperation acquire commercial projects and high-end residential projects with adequate cash flow, healthy financial conditions and competitive advantage of low costs, explore the real estate related industry chain and technological sector with development potential in an appropriate way, and enhance our overall strength and minimize business risks to the Group.

At last, on behalf of the members of the Board, I would like to express our thanks to the clients, investors, suppliers and employees of the Group for their support in the past year. The management will join the employees hand in hand to proactively identify and grasp suitable opportunities available, tactically face the challenges ahead, and will continue to solidify our leading position in the real estate market in the Pan Yangtze Delta through our competitive advantages and strong business foundation.

Chairman
Shi Kancheng

Hangzhou, the People's Republic of China, 31 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The audited consolidated revenue of the Group for 2010 was RMB1,243,871,000, a decrease of about 23% from that in 2009. The gross profit for 2010 was RMB642,959,000, an increase of about 17% from that in 2009. The profit attributable to owners of the parent for 2010 was approximately RMB379,759,000, a decrease of about 7% from that in 2009. Core profits, which was adjusted for net fair value gains in investment properties, was RMB205,750,000, a decrease of about 7% from that in 2009. The basic earnings per share was RMB0.16. The Board did not recommend the distribution of a final dividend for the year ended 31 December 2010 (2009: nil).

INDUSTRY REVIEW

In 2010, the real estate market in China was affected by the regulatory measures imposed by the central government to trim inflation and curb an overheated real estate market. The floor area of residential properties sold recorded at 1.04 billion sq. m. representing an increase of about 11% compared to that of 2009, which is significantly lower than the 44% increase in the level of sale recorded in 2009.

The floor area of residential properties sold in Hangzhou of Zhejiang Province was 4.04 million sq. m., representing a decrease of about 56% as compared to that of 2009. Whereas the average selling price per sq. m. was RMB21,307, representing an increase of about 48% as compared to that of 2009. The floor area of residential properties sold in Hefei of Anhui Province was about 7.84 million sq. m.. It was a decrease of about 31% as compared with that of 2009. The average selling price per sq. m. was RMB6,037, representing an increase of about 40% as compared to that of 2009. The floor area of residential properties sold in Huaibei of Anhui Province was about 1.03 million sq. m.. It was a decrease of about 5% as compared to that of 2009. The average selling price per sq. m. was RMB3,638, representing an increase of about 23% as compared to that of 2009.

BUSINESS REVIEW

Sales and earnings

The area of property sold or presold and delivered by the Group in 2010 was 152,030 sq. m. (2009: 174,950 sq. m.), a decrease of approximately 13% compared with that of 2009. During the year, most of the units of Vancouver City Phase 3A in Huaibei were presold and recognised as revenue with a total area of 96,107 sq. m. in 2010, which accounted for approximately 63% of the total area of property sold and delivered throughout 2010. In addition, Landscape Bay contributed to 20% of total area of property sold and delivered and the corresponding revenue recognised was 53% of the total revenue recognised for the year under review.

The average sales price per sq. m. achieved by the Group in 2010 was approximately RMB7,915, representing a decrease of approximately 15% from the average sales price per sq. m. of RMB9,254 in the previous year. It is because the majority of the sales recognized during the year were derived from Vancouver City which were of lower selling price due to lower average cost as compared to other property projects of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Booked sales area 2010 sq.m.	Revenue 2010 RMB million
Projects		
Hangzhou, Zhejiang Province		
Landscape Bay	30,376	640
White Horse Noble Mansion	7,616	119
Others*	1,619	30
Hefei, Anhui Province		
Green Harbour	16,312	128
Huaibei, Anhui Province		
Vancouver City, Phase 3A	96,107	286
Total	152,030	1,203

* Including: Landscape Garden, Guotai Garden and New White Horse Apartments

The average cost of property sold per sq. m. of the Group was RMB3,695 in 2010, representing a decrease of about 38% from RMB6,000 in the previous year. The main reason was that a relatively higher proportion of properties sold by the Group was derived from Vancouver City which were of lower average cost.

Progress of development on major projects

Hangzhou, Zhejiang Province

Landscape Bay

This project is located on the south bank of Qiantang River, Xiaoshan District, Hangzhou, Zhejiang Province with a total gross floor area ("GFA") of 320,957 sq. m.. The project includes island-style townhouses, high-rise apartments with river view, shopping center, car park spaces and clubhouse. As at 31 December 2010, the construction of Phase 2 of the project, consisting of townhouses, had been completed. The construction of apartment units for Phase 1 will be completed by the end of 2011. The presale of apartment units was launched in 2010 and the volume of sale is within expectation.

MANAGEMENT DISCUSSION AND ANALYSIS

Yinlong Bay (formerly known as Yinlong Chateau)

This is a luxurious residential project in Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang Province with a total GFA of 239,743 sq.m. The project includes low-rise club-houses and high-rise apartments. As at 31 December 2010, the construction is in progress. The project will be completed by the end of 2012. The presale of the high-rise apartments was launched in the fourth quarter of 2010 and the volume of sale is within expectation.

International Office Centre

This is a large-scale integrated commercial project at Qianjiang Century CBD (錢江世紀城) in Xiaoshan district, Hangzhou, with a total planned GFA of 2,268,873 sq. m. of which the construction of 959,152 sq.m. has been approved. The project includes hotel of five-star standards, office buildings, a shopping center, serviced apartments, and underground car parking spaces. The serviced apartments of Phase A3 with a total GFA of 328,378 is now under construction. It will be completed by the end of 2013. The presale will be launched in the second half of 2011.

Yuyao, Zhejiang Province

Yuelong Bay

This is a low density residential project in Yuyao, Zhejiang Province with a total GFA of 192,105 sq. m.. The project consists of French, European and Spanish style villas. The construction of the villa is in progress and the project will be completed by the end of 2011. The presale was launched in the fourth quarter of 2010 and a good presale result has been recorded.

Huaibei, Anhui Province

Vancouver City

Vancouver City is a low density residential project in Huaibei, Anhui Province. Phase 3A with a GFA available for sale of 133,116 sq. m. was completed during the year under review. Phase 4 North with apartment units and Phase 5 North with low density residential units are under construction. They will be completed by the end of 2011. Presale of Phase 5 North was commenced in the fourth quarter of 2010 and sales results are within expectation.

MANAGEMENT DISCUSSION AND ANALYSIS

Contract sale in 2010

As at 31 December 2010, the contract GFA sold by the Group was approximately 275,246 sq. m.. Set out below are the details on the contract sale from the major projects:

	GFA available for sale (sq. m.)	Percentage of interest in the project attributable to the Group
Hangzhou, Zhejiang Province		
Landscape Bay – Phases 1 and 2	115,086	92.6%
Yinlong Bay	27,025	94.5%
Others*	5,176	–
	147,287	
Yuyao, Zhejiang Province		
Yuelong Bay	35,219	90.0%
Hefei, Anhui Province		
Green Harbour – Phases 1A and 1B	12,330	84.2%
Huaibei, Anhui Province		
Vancouver City – Phase 3A	80,410	100.0%
Total	275,246	

* Including: Landscape Garden, Guotai Garden, New White Horse Apartments and White Horse Noble Mansion.

MANAGEMENT DISCUSSION AND ANALYSIS

It is expected that the GFA available for sale from the projects to be completed in 2011 was approximately 627,552 sq. m. details of which are as follows:

	Expected completion date	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group	Usage
Hangzhou, Zhejiang Province				
Landscape Bay – Phase 1	December 2011	178,674	92.6%	For sale
Yuyao, Zhejiang Province				
Yuelong Bay	December 2011	129,077	90.0%	For sale
Huaibei, Anhui Province				
Vancouver City – Phase 4 North	October 2011	257,359	100.0%	For sale
– Phase 5 North	November 2011	62,442	100.0%	For sale
Total		627,552		

Land reserve

The land reserve policy of the Group is to maintain a land bank which is sufficient for development by the Group for approximately four to five years. As at 31 December 2010, the total GFA for the Group's land bank in Zhejiang Province and Anhui Province was approximately 4,411,682 sq. m. and 1,918,263 sq. m. respectively, aggregating to approximately 6,329,945 sq. m. in total.

During the year under review, there were additions of 2 plots of land to the land bank. They are located in, Yuhang District, Hangzhou, Zhejiang Province and Yuyao, Zhejiang Province. Such additions will enrich the Group's land bank and are expected to bring forth development and opportunity for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of land bank of the Group as at 31 December 2010:

Location of land	Type of property	Total GFA (sq. m.)	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group
Hangzhou, Zhejiang Province				
Landscape Bay Phase 1, Ning Wei Town	Residential/retail spaces	233,978	178,674	92.6%
Huifeng Plaza	Residential	47,306	40,311	90.0%
Yinlong Bay, Wenyan Town	Residential/retail spaces	239,743	185,749	94.5%
International Office Center, Phase A	Residential/office/hotel	843,320	539,850	100.0%
International Office Center, Phases B and C	Residential/office/ retail spaces/hotel	1,425,553	1,108,000	100.0%
Chunan County, Qiandaohu Town	Hotel	34,416	–	100.0%
Xiaoheshan, Yuhang District	Residential	231,645	164,909	90.0%
Yuhang Economic Development Zone	Residential/retail spaces	507,841	377,030	45.9%
Yuyao, Zhejiang Province				
A piece of land at: north to Shenggui Hill, west to Xinjian North Road and south to Beihuan West Road				
Phase 1-Yuelong Bay	Residential	192,105	129,077	90.0%
Phase 2	Residential	200,975	190,975	100.0%
Zhong An Times Square*	Residential/office/ retail spaces/hotel	454,800	363,800	90.0%/100.0%
Sub-total for land bank in Zhejiang Province		4,411,682	3,278,375	

* The project will be jointly developed by two subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Location of land	Type of property	Total GFA (sq. m.)	GFA available for sale/leasing (sq. m.)	Percentage of interest in the project attributable to the Group
Huaibei, Anhui Province				
Vancouver City, Phases 3B to 3D	Residential/retail spaces	309,712	280,712	100.0%
Vancouver City, Phases 4 to 6	Residential/retail spaces/ hotel	850,256	677,340	100.0%
Hefei, Anhui Province				
Green Harbour, Phase 1C	Residential	77,745	51,593	84.2%
Green Harbour, Phase 2	Residential/retail spaces	127,450	84,200	84.2%
Green Harbour, Phases 3 to 6	Residential/retail spaces/ hotel	553,100	492,500	84.2%
Sub-total for land bank in Anhui Province		1,918,263	1,586,345	
Total land bank		6,329,945	4,864,720	

Other business development

The Group strives to build up a portfolio of diversified business so as to provide stable income in the future, and to contain operation risk. The Group will increase the investment in the investment properties and commercial operation. The scope and the development pace of the management services will be speeded up in order to extend the down-stream services of the property development business and to maintain a steady operation.

Hotel

Holiday Inn Xiaoshan Hangzhou, a hotel under the Group which is managed by the internationally renowned InterContinental Hotels Group, has a revenue of RMB62,009,000 for 2010, representing an increase of 24% compared to RMB50,024,000 in 2009. This increase was primarily due to an increase in occupancy rate to about 56% (2009: 47%).

The Group is planning to build a 5 star high-end hotel with large scale commercial complex at Zhong An Times Square in Yuyao. This will increase another source of stable income to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Leasing

Highlong Plaza located in Xiaoshan District, Hangzhou, provides the main source of leasing income. This consists of office building, shopping centre, serviced apartments and underground car parking spaces. The leasing rate for shopping centre is 99% (2009: 97%) and that of office building is 67% (2009: 57%). A general increase was recorded as compared to those of 2009. The serviced apartments were sublet to and managed by independent operators during the year under review. The operation was satisfactory. Other investment properties also contributed to the leasing income of the Group. The Group had organised various promotion activities so as to attract more inflow of people for the benefit of all tenants and thereby, enhance the rentability and the value of the Group's properties held for lease.

Property management

The Group cooperated with the Shangcheng District Government of Hangzhou（杭州市上城區政府）in transforming and modifying the business format of Hefang Street（河坊街）and the operation and management of Southern Song Imperial Street of Middle Zhongshan Road（中山中路南宋御街）in Hangzhou. The modification works had been completed during the year under review and has proved to be successful. Higher inflow of people were recorded and greater economic benefits were attained. This has established a stable foundation to and reputation for the Group in property development and management of investment properties in the future.

Other services

The Group also provides quality management services to communes including properties developed by the Group and other developers. The Group is also developing nursery stock plantation for agricultural purposes and other value-added down-stream services as an integral part of the Group's property development and management businesses. These services help enhance corporate branding of, and widen the scope of services to be provided by, the Group accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Recognitions obtained by the Group

The Group was awarded by the government and recognized authorities for the year under review as follows:

	Granted by	Awards
February 2010	Hangzhou Xiaoshan Trade Bureau（杭州市蕭山區貿易局）	Hangzhou Highlong Commercial Building Co., Ltd. "Best 10 business enterprises in the commerce and trade system of Xiaoshan District 2009"
April 2010	Office of the Steering Committee on City Brand Work of Hangzhou（杭州市城市品牌工作指導委員會辦公室）	Highlong Plaza of Hangzhou Highlong Commercial Building Co., Ltd. "Site of the year for quality experience at the Hangzhou Life Quality Display for Appraisal Conference"
April 2010	TOP 10 China Real Estate Research Group（中國房地產TOP10研究組）	Zhong An Real Estate Limited "Top 100 enterprises in real estate industry of China 2010 – star of top 100"
May 2010	Office of Organisation Committee for the Second Xiaoshan Shopping Festival（第二届蕭山購物節組委會辦公室）and Hangzhou Xiaoshan Trade Bureau	Highlong Plaza of Hangzhou Highlong Commercial Building Co., Ltd. "Most popular award of the Second Xiaoshan Shopping Festival"
July 2010	Zheshang Magazine Record Committee of the Top 500 Zhejiang Businessmen Forum 2010（浙商雜志社 • 2010浙商500强論壇紀委會）	Zhejiang Zhong'an Property Development Co., Ltd. "Most popular leading enterprise on the network in the Hangzhou real estate industry"
August 2010	Hangzhou Xiaoshan Trade Bureau, Xiaoshan Daily（蕭山日報社）and Hangzhou Xiaoshan Radio and Television（杭州市蕭山廣播電視台）	Highlong Plaza of Hangzhou Highlong Commercial Building Co., Ltd. "Second session of Xiaoshan business quality award top 10 quality plaza (supermarket)"
August 2010	Huaibei Real Estate Administration Bureau（淮北市房地產管理局）, Huaibei Daily (淮北日報社), Huaibei Real Estate Association（淮北市房地產業協會）	"溫哥華城 • 星月湖畔" of Anhui Zhong'an Real Estate Development Co., Ltd. "Top 10 brand properties of Huaibei real estate"
September 2010	Forbes	Zhong An Real Estate Limited Asia's 200 Best Under A Billion

MANAGEMENT DISCUSSION AND ANALYSIS

	Granted by	Awards
September 2010	Enterprise Research Institute of the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Research Institute	Zhong An Real Estate Limited "Real estate companies in Eastern China with top 10 brand value 2010"
December 2010	soufun.com	Zhong An Real Estate Limited "The seventh billboard of most popular real estate on the network 2010 – most influential Hangzhou real estate enterprise"
December 2010	soufun.com	"啓航社" project of Hangzhou Zhengjiang Real Estate Development Co., Ltd. "Most popular new property of Hangzhou real estate 2010"
December 2010	Xiaoshan Bureau of Construction （蕭山區建設局）	"雍景灣花園" of Hangzhou Xiaoshan Property Management Co., Ltd. "Residential estate with outstanding property management in Xiaoshan District 2010"
January 2011	Qianjiang Evening News（錢江晚報） and China Real Estate Mainstream Media Alliance（國主流媒體房地產聯盟）	Most influential real estate brand of China (Hangzhou) 2010
January 2011	Communist Party Committee of Xiaoshan District, Hangzhou and People's Government of Xiaoshan District, Hangzhou	Hangzhou Danube Real estate Co., Ltd. "Top 100 enterprises of 2010"
January 2011	Qianjiang Century CBD Communist Party Working Committee of Xiaoshan, Hangzhou; Ning Wai Town Communist Party Committee of Xiaoshan District, Hangzhou; Management Committee of Qianjiang Century CBD, Xiaoshan; Hangzhou People's Government of Ningwai Town, Xiaoshan District, Hangzhou	Hangzhou Danube Real estate Co., Ltd. "Premium enterprise of 2010"

MANAGEMENT DISCUSSION AND ANALYSIS

	Granted by	Awards
January 2011	www.ahhouse.com • the Fifth Anhui Real Estate Brand Billboard（安房網 • 第五屆安徽品牌地產風雲榜）(organised by: Anhui Construction Department, Xing Kong Chuan Mei Group（星空傳媒控股）, www.ahhouse.com, www.hfhouse.com, "大安徽地產" magazine and Xinanwanbao（新安晚報）	"溫哥華城四期金水河畔" of Anhui Zhong'an Real Estate Development Co., Ltd. "Model harmony and livable community of Anhui 2010"
February 2011	Communist Party Yangming Street Committee（中共陽明街道委員會）and Yangming Street Office（陽明街道辦事處）	Yuyao Zhong An Real Estate Development Co., Ltd. "Model enterprise for major investment project 2010"

Human resources

As at 31 December 2010, the Group employed 1,275 staff (2009: 995 staff). In 2010, the staff cost of the Group was approximately RMB92,708,000 (2009: approximately RMB65,260,000), representing an increase of approximately 42%. The increase was mainly due to the increase of staff for future development, share-based payments under the share option scheme adopted by the Company amortised for full year and the adoption of better remuneration policy to recruit staff with higher calibre.

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

Dividend policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Gross profit

For the year ended 31 December 2010, the Group recorded audited gross profit of RMB642,959,000, an increase of approximately 17% from RMB548,726,000 in the previous year. The increase was attributable to the sales of Landscape Bay which had a higher average selling price and gross profit margin.

Other income

Other income decreased by 79% to approximately RMB3,871,000 in 2010 from approximately RMB18,710,000 in 2009. The decrease was primarily due to the decrease in interest income regarding time deposits as a result of demand from operation during the year under review.

Selling and distribution costs

The selling and distribution expenses increased by 68% to approximately RMB69,147,000 in 2010 from approximately RMB41,228,000 in 2009. This increase was primarily due to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2010 as compared to that in 2009.

Administrative expenses

The administrative expenses increased by 50% to approximately RMB160,512,000 in 2010 from approximately RMB106,830,000 in 2009. This increase was primarily due to the increase in staff cost from the recruitment of staff with higher calibre and remuneration packages and the increase in the cost of operation and the full year amortization of the cost of the share option since the grant made in July 2009.

Other expenses

The other expenses increased by 18% to approximately RMB49,905,000 in 2010 from approximately RMB42,444,000 in 2009. This increase was primarily due to the increase in impairment of other receivables.

Increase in fair value of investment properties

The increase in fair value of investment properties decreased by 6% to approximately RMB276,680,000 in 2010 from approximately RMB293,743,000 in 2009. This decrease was primarily due to the effect of the regulatory measures imposed by the central government of China which reduced the increment in fair value of investment properties in 2010.

Finance costs

The finance costs increased by 692% to approximately RMB3,463,000 in 2010 from approximately RMB437,000 in 2009. This increase was primarily due to an increase in bank loans to finance the business operation and development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

The income tax expense in 2010 was roughly the same in 2009. This was due to the fact that the profit subject to taxation in 2010 was not significantly different from that in 2009.

Capital structure

As at 31 December 2010, the Group had aggregate cash and cash equivalents (including pledged deposits) of RMB 1,436,537,000 (2009: RMB921,135,000) and the current ratio was 1.4 (2009: 1.5). The increase of cash and cash equivalents was mainly due to the increase in the proceeds from pre-sold of properties during the year under review.

As at 31 December 2010, the bank loans and other borrowings of the Group repayable within one year and after one year were RMB950,500,000 and RMB1,823,500,000 respectively (2009: RMB173,753,000 and RMB891,036,000 respectively). The increase was mainly due to the increase in loans for operation and future development purposes of the Group.

The consolidated interest expenses in 2010 amounted to RMB3,463,000 (2009: RMB437,000) in total. Interests in the amount of RMB103,818,000 (2009: RMB43,400,000) were capitalized during the year. Interest cover (including amount of interests capitalized) was 3.6 times (2009: 9.0 times).

As at 31 December 2010, the ratio of total liabilities to total assets of the Group was 0.57 (2009: 0.39).

As at 31 December 2010, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 0.60 (2009: 0.25). The ratio of bank loans and other borrowings to total assets was 0.25 (2009: 0.15).

The gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 0.38 (2009: 0.21).

Capital commitments

As at 31 December 2010, the capital commitments of the Group were RMB2,185,729,000 (2009: RMB1,954,409,000), which were mainly the capital commitments for land acquisition costs and construction costs. It is expected that the Group will finance such commitments from its own funds and external financing (such as bank loans).

Guarantees and contingent liabilities

As at 31 December 2010, the contingent liabilities of the Group was approximately RMB659,460,000 (2009: RMB872,285,000), which were mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of assets

As at 31 December 2010, investment properties of the Group with net book value of approximately RMB1,645,300,000 (2009: RMB1,596,400,000), properties under development of approximately RMB2,684,405,000 (2009: RMB145,367,000), property and equipment approximately RMB150,542,000 (2009: RMB158,392,000), and time deposits approximately RMB412,000,000 (2009: nil) were pledged to secure the banking facilities of the Group.

As at 31 December 2010, deposits of approximately RMB16,558,000 (2009: RMB29,348,000) and RMB412,000,000 (2009: nil) were pledged to banks as security for the mortgage facilities granted to purchasers of the Group's properties and to secure interest-bearing bank loans granted to the Group respectively.

Foreign Exchange Risk

As the sales, purchase and bank borrowings of the Group in 2010 and 2009 were made mainly in Renminbi, the foreign exchange risk exposed by the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2010 and 2009.

Interest rate risks

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

Subsequent events

(a) On 22 January 2011, share options to subscribe for an aggregate of 80,000,000 ordinary shares of HK$0.10 each in the Company at the exercise price of HK$1.85 per share were granted to eligible participants under the share option scheme of the Company adopted on 15 May 2009.

(b) On 10 March 2011, the Company entered into a placing and subscription agreement (the "Placing and Subscription Agreement") with Whole Good Development Limited ("Whole Good") as vendor and a placing agent pursuant to which an aggregate of 50,000,000 existing ordinary shares (the "Placing Shares") of HK$0.10 each in the Company held by Whole Good were successfully placed in full by the placing agent to independent placees at HK$1.40 per Placing Share and, as part of the arrangement under the Placing and Subscription Agreement, an aggregate of 50,000,000 new ordinary shares (the "Top-up Subscription Shares") of HK$0.10 each in the Company (equivalent to the number of the Placing Shares) were subscribed for by Whole Good at HK$1.40 per Top-up Subscription Share. Net proceeds of approximately HK$68.7 million (which were not yet utilized as at the date of this annual report) were raised from the transaction and were intended to be used by the Group for investment in or development of property management and services related venture business if suitable opportunities arise.

Save as disclosed above, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

The central and local governments of China had promulgated various measures so as to regulate the real estate industry. The property market has been adjusted accordingly. However, in view of the continuation of urbanization and the gradual increase in national income, the demand for quality housing from home buyers in China will be increased. In long run, it is expected that the real estate industry of China will have a stable development.

The Group has developed projects and acquired land for projects with a prudent attitude since the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited in 2007. To meet the needs for market development, the Group will continue to evaluate and adjust its development strategies. In addition to continuing the development of residential projects and following the successful completion of the development of a commercial complex in 2009, the Group plans to gradually expand the scale of its investment in business investment, property service and retail business, so as to develop and stabilize its source of income.

The Group will continue to maintain sufficient cash flow, adopt prudent and proactive business strategies. We will endeavour to acquire land at relatively low cost, seek acquisition and cooperative projects with focus on commercial projects and high-end residential projects, develop property related industry chain, enhance corporate integration capacity and improve product combination, so as to strive for better return.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company is committed to maintaining good corporate governance in safeguarding the interests of its shareholders and enhancing shareholders' value.

(A) CORPORATE GOVERNANCE PRACTICES

The Company has adopted, in so far as they are applicable, the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year ended 31 December 2010 (the "Year"), the Board had applied the principles of the Code and complied with the code provisions (the "Code Provisions") and certain recommended best practices set out in the Code with the exception of the deviation from the Code Provision A.2.1 (as the roles of the Chairman and the Chief Executive Officer of the Company were not separate and were both performed by Mr Shi Kancheng).

The Board believes that the roles of the chairman and the chief executive officer performed by the same person provides the Company with consistent leadership and enables the Company to formulate its business strategies and implement its business plans and decisions efficiently.

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

(B) DIRECTORS' SECURITIES TRANSACTIONS

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

Following specific enquiries by the Company, all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Year.

(C) BOARD OF DIRECTORS

The Directors during the Year were as follows:

Executive Directors
Mr Shi Kancheng (alias Shi Zhongan)
(Chairman and Chief Executive Officer)
(Re-elected on 30 June 2010)
Mr Lou Yifei
Ms Shen Tiaojuan
Mr Zhang Jiangang

Independent non-executive Directors
Professor Pei Ker Wei
(Re-elected on 30 June 2010)
Professor Wang Shu Guang
Dr Loke Yu (alias Loke Hoi Lam,
re-elected on 30 June 2010;
with professional qualification required under
Rule 3.10(2) of the Listing Rules)

The Board meets regularly throughout the Year to discuss the overall strategy, the operational and financial performance of the Group. The Directors can attend meetings in person or through other electronic means of communication in accordance with the Articles of Association of the Company.

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

	Number of Attendance
Mr Shi Kancheng	8
Mr Lou Yifei	8
Ms Shen Tiaojuan	8
Mr Zhang Jiangang	8
Professor Pei Ker Wei	8
Professor Wang Shu Guang	8
Dr Loke Yu	7

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

CORPORATE GOVERNANCE REPORT

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

(E) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

(F) REMUNERATION OF DIRECTORS

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

The Company has adopted written terms of reference for the Remuneration Committee. The role and function of the Remuneration Committee of the Company include the following:

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

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

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

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

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

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

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

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

A total of four meetings of the Remuneration Committee were held during the Year. The Remuneration Committee had reviewed the terms of remuneration packages and the renewal of service contracts of the executive Directors and made relevant recommendations on the proposed grant of share options under the share option scheme adopted in the annual general meeting of the Company held on 15 May 2009 (the "Scheme") to the Directors and employees of the Company and other eligible participants of the Scheme. The individual attendance of each member of Remuneration Committee was as follows:

	Number of Attendance
Professor Pei Ker Wei	4
Ms Shen Tiaojuan	4
Dr Loke Yu	4

(G) NOMINATION OF DIRECTORS

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

The Company has adopted written terms of reference for the Nomination Committee. The role and function of the Nomination Committee are as follows:

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

One meeting of the Nomination Committee was held during the Year. The Nomination Committee nominated, and the Board recommended, Mr Shi Kancheng, Professor Pei Ker Wei and Dr Loke Yu to be re-elected at the annual general meeting of the Company held on 30 June 2010.

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

	Number of Attendance
Mr Shi Kancheng	1
Mr Lou Yifei	1
Professor Wang Shu Guang	1

(H) AUDITORS' REMUNERATION

The audit fee of the Group in respect of audit services provided by the Independent Auditors, Ernst & Young, for the Year was RMB1,900,000 (2009: RMB1,600,000).

During the Year, the Independent Auditors was also engaged in providing non-audit service in relation to interim results review for a possible fund raising of the Company at a fee of RMB780,000.

(I) AUDIT COMMITTEE

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

The chairman of the Audit Committee is Dr Loke Yu. The remaining members are Professor Pei Ker Wei and Professor Wang Shu Guang. All members of the Audit Committee are independent non-executive Directors.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

A total of four meetings of the Audit Committee were held during the Year. The work performed by the Audit Committee during the Year included the followings:

– reviewed the annual report and results announcement of the Company for the year ended 31 December 2009;
– reviewed the interim report and interim results announcements of the Company for the six months ended 30 June 2010;
– reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
– reviewed the results of external audit and had discussion with external auditors on any significant findings and audit issues;
– discussed with the external auditors before the audit commenced, the nature and scope of the audit and the respective relevant issues; and
– considered and approved the service contract of the auditors for the Year.

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

	Number of Attendance
Dr Loke Yu	4
Professor Pei Ker Wei	3
Professor Wang Shu Guang	4

(J) DIRECTORS' RESPONSIBILITY IN PREPARING THE ACCOUNTS

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

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

(K) ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL OF THE GROUP

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

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

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

Shi Kancheng
Chairman

The People's Republic of China, 31 March 2011

SOCIAL RESPONSIBILITY

GIVING BACK TO THE SOCIETY 2010

Zhong An – Participation in Charity and Giving Back to the Society
Zhong An has continued in pursuing the mission of "giving back to the society".

Zhong An's development and operation are closely connected to our commitment to social responsibilities. Economic benefits are pursued for by the Company with the goal to benefit the society to the greatest extent in mind. Therefore, efforts have been devoted to the development of charitable affairs. We also proactively participated in the community welfare activities. We expressed concerns over the livelihoods of the disadvantaged groups. During the year under review, Zhong An participated in community works, charitable affairs and volunteer works of local communities.

Hangzhou of Zhejiang Province is the base of the Group. That is why we continue to contribute our efforts to the local community. In order to support the charitable affairs of Hangzhou, we donated a sum of approximately RMB470,000 to charitable groups and institutions for general charity and other uses, including "Warming Up Project" for grassroots in the community, laid-the-poor funds and benefits for the disabled.

Besides, Zhong An gave donations to support volunteer services of other communities so as to promote the harmonization of the society. In Huaibei of Anhui Province, Zhong An contributed RMB30,000 to finance the organization of a number of activities of local communities. The Group also donated RMB150,000 and USD150,000 to Shanghai Soong Ching Ling Foundation and The Prince's Charities Foundation overseas respectively for the charitable activities of these charitable groups.

Zhong An will continue to endeavour to fulfill its corporate philosophy of "giving back to the society".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Shi Kancheng (alias Shi Zhongan), aged 48, is the Chairman and the Chief Executive Officer of Zhong An Real Estate Limited (the "Company") and also holds directorships in certain of its subsidiaries. Mr Shi is primarily responsible for the strategic and development planning. He also supervises project planning and the overall business operation. Mr Shi joined the Group since the establishment of the first member of the Group, Zhong An Group Co., Ltd. (formerly known as Zhejiang Zhong'an Property Development Co., Ltd.)（眾安集團有限公司）("Zhong An Group"). Mr Shi served as a tax officer in the finance and revenue bureau of Xiaoshan District of Hangzhou (formerly known as Xiaoshan City) and the general manager of Hangzhou Xiaoshan Milkyway Real Estate Development Co., Ltd.（杭州蕭山銀河房地產開發有限公司）("Milkyway Real Estate"). Mr Shi graduated from an Executive Master of Business Administration program co-organized by the State University of Arizona and Shanghai National Accounting College（上海國家會計學院）in June 2007. From 2005 to 2006, Mr Shi completed a program for executive officers, focusing on globalization and real estates developers, co-organized by Harvard University, Tsinghua University, The University of Hong Kong and the United States Military Academy. In the same period, Mr Shi completed a program for presidents of real estates companies organized by Zhejiang University（浙江大學）. Mr Shi has over 17 years of experience in property development and property investment. Mr Shi is the sole director and the sole shareholder of Whole Good Management Limited, which is the controlling shareholder of the Company.

Lou Yifei, aged 61, is an executive Director and the Vice President of the Company. He joined the Group in March 2006. He is primarily responsible for project operations, which includes project planning, research and development, cost management, sales management and customer relations. Prior to joining the Group, Mr Lou was the vice president and manager of the engineering department of Laiyinda Real Estate Co., Ltd.（萊茵達房地產有限公司）, a supervisor of Laiyin Property（萊茵置業）and had served various positions in the same group of companies from 2000 to 2006. Mr Lou was a deputy general manager of Milkyway Real Estate from 1994 to 2000. From 1984 to 1994, Mr Lou worked for the government bureau of Xiaoshan District of Hangzhou, where he was primarily responsible for infrastructure construction management. From 1978 to 1983, he served as construction and engineering manager of Linpu Construction Company（臨浦建築公司）. He received an associate degree in architectural engineering from Wuhan University of Technology（武漢工業大學）in 1992 and completed a graduate degree in structural engineering at Zhejiang University of Technology（浙江工業大學）in 2002. Mr Lou obtained his engineering qualification in 1999. Mr Lou has 32 years of experience in the construction operations, and management of property development.

Shen Tiaojuan, aged 48, is an executive Director and the Vice President of the Company and also holds directorships in certain of its subsidiaries. She is primarily responsible for the financial operation and financial management of the Group. She joined the Group in December 1997. Prior to joining the Group, Ms Shen was the chief accountant of White Swan Industry Co., Ltd.（白天鵝實業有限公司）from 1995 to 1997, the chief accountant of Hangzhou Hualing Electrics Co., Ltd.（杭州華凌電器有限公司）in 1994, and the chief accountant and finance manager of Hangzhou Guanghua Chemical Fibres Factory（杭州光華化纖廠）from 1980 to 1993. Ms Shen has 29 years of experience in the financial operation of property development.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Zhang Jiangang, aged 41, is an executive Director and the Vice President of the Company and also holds directorship in a subsidiary of the Company. He is primarily in charge of strategy implementation and investment management. Mr Zhang joined the Group in March 2003. He served as the general manager and vice president of Zhong An Group and the general manager and assistant to the Chairman of Anhui Zhong'an Real Estate Co., Ltd.（安徽眾安實業有限公司）("Anhui Zhong'an Real Estate"). From 1995 to 2003, Mr Zhang served as the office manager, assistant to general manager and vice general manager of Milkyway Real Estate. Mr Zhang has 16 years of experience in construction and property development.

Independent non-executive Directors

Pei Ker Wei (PhD), aged 54, was appointed an independent non-executive Director in October 2007. Dr Pei worked as associate professor, deputy professor and professor at Arizona State University, chairman of North America Chinese Accounting Professors Academy and chairman of global commission of American Accounting Academy. He is currently Associate Dean of the W.P. Carey School of Business of Arizona State University and a member of the American Accounting Academy. Dr Pei is also serving as an independent non-executive director of Want Want China Holdings Limited, a company whose shares are listed on the Stock Exchange, and Baoshan Iron & Steel Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange. Dr Pei received his MBA degree from the South Illinois University in 1981 and PhD from the University of North Texas in 1986.

Wang Shu Guang, aged 57, was appointed an independent non-executive Director in October 2007. Professor Wang is Executive Chairman of Zhejiang Provincial Merchant Research Society（浙江省浙商研究會執行會長）and a co-researcher at the Institute of Public Management Science of Zhejiang University. Professor Wang is also currently a consultant to various organizations, including the Economic Professional Committee of Zhejiang Province Senior Professors Association（浙江省老教授協會經濟專業委員會）, Zhejiang Knowledge and Economics Club（浙江知識經濟俱樂部）and Hangzhou Young Entrepreneurs Association（杭州青年企業家協會）.

Dr Loke Yu (alias Loke Hoi Lam), aged 61, was appointed an independent non-executive Director and the chairman of the audit committee of the Company on 30 June 2009. Dr Loke is currently the company secretary of Minth Group Limited, and serves as an independent non-executive director of Bio-Dynamic Group Limited, Chiho-Tiande Group Limited, China Fire Safety Enterprise Group Holdings Limited, Matrix Holdings Limited, SCUD Group Limited, VODone Limited and Winfair Investment Company Limited, the shares of which companies are all listed on the Stock Exchange. He is a fellow of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He is also an Associate member of The Hong Kong Institute of Chartered Secretaries. He holds a Master Degree in Business Administration from University Teknologi Malaysia and a Doctor Degree in Business Administration from the University of South Australia. He has over 35 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ming Chenghai, aged 56, is Executive Vice President of the Company. He is responsible for the construction and cost management of the Group. He joined the Company on 9 June 2009. Prior to joining the Company, he was senior management staff of a number of sizeable groups of companies including the Business Development Director of Wharf (Beijing) Limited（九龍倉(北京)有限公司）and the managing director of Northeast Division of China Vanke Co., Ltd.（中國萬科有限公司）. Mr Ming is a graduate in business administration of Economics Department of the Liaoning University and a postgraduate student of School of Business Administration of Dongbei University of Finance and Economics. Mr Ming has more than 31 years of experience in the government, hotel, real estate development and investment industries.

Xu Dan, aged 46, is the Vice President and Officer of President Office of the Company. She mainly assists the Chief Executive on corporate governance and information management of the Group. She joined the Group in January 2003. She served as the Director of Office, Director of Operating Center, Director of Administration and Management Center of Zhong An Group . Prior to joining the Group, she was the director of communications of Kvaerner Power Equipment (Hangzhou) Co., Ltd.（克瓦納杭州發電設備有限公司）from May 1996 to December 2002 and the technician, electronic computing programmer, deputy director and director of Hangzhou Power Generation Equipment Factory（杭州發電設備廠）from 1981 to 1994. Ms Xu holds college degrees in economics and administration and management as well as certificate of engineer qualification. She has 28 years of experiences in corporate and information management including 8 years of professional experiences in business management of real estate industry.

Lu Jianguo, aged 49, is the executive general manager of Hangzhou Zhong An Service Holding Group Co., Ltd.（杭州眾安服務控股有限公司）("Zhong An Service"). He is primarily in charge of administration of Zhong An Service. He joined the Group in May 2001. He served as general manager of Anhui Zhong'an Real Estate, and executive general manager of the Group. From 1993 to 2000, Mr Lu was a manager of Xiaoshan Zhongguan Acoustic Engineering Co., Ltd.（蕭山中冠聲學工程有限公司）, a manager of Xiaoshan Erqing Industrial General Corporation（蕭山二輕實業總公司）, the head of Xiaoshan Erqing Tower Preparatory Office（蕭山二輕大廈籌建辦公室）, and the office manager and a designer at Hangzhou Power Generation Equipment Factory from 1978 to 1993. Mr Lu received an associate bachelor degree in electronics from the Zhejiang Radio & Television University（浙江廣播電視大學）in 1982. Mr Lu has 9 years of experience in operation and management of property companies.

Jin Jianrong, aged 42, is the general manager of Zhong An Group and Hangzhou White Horse Property Development Co., Ltd.（杭州白馬房地產開發有限公司）. He is in charge of on-site technical supervision, construction, and cost control of the Group's projects in Zhejiang Province. Mr Jin joined the Group in September 2004. Prior to joining the Group, he was the deputy general manager in charge of construction matters of Zhejiang Lvdu Real Estate Development Company（浙江綠都房地產開發公司）from 2003 to 2004, and a construction manager of Zhejiang Wanxiang Real Estate Company（浙江萬向房地產開發公司）from 1997 to 2002. He was responsible for project management of Milkyway Real Estate from 1995 to 1997, and was a project manager and worker of Xuxian Construction Co., Ltd.（許賢建築公司）from 1987 to 1994. Mr Jin received a bachelor degree in civil engineering and management from the Sichuan University（四川大學）in 2006. He has 23 years of experience in operation and management of property companies.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Jin Ni, aged 35, is the general manager of Hangzhou Zhong An Highlong Commercial Building Co., Ltd.（杭州眾安恒隆商廈有限公司）(“Highlong Commercial Building”). She is in charge of customer solicitation for Highlong Commercial Building and customer solicitation and management for leasing properties. She joined the Group in May 1997. She served as a sales lady initially and was promoted to become the vice manager of the Sales Department, an office manager, and the vice general manager of Zhong An Group from 1997 to 2006. She received her bachelor’s degree in management from Zhejiang University of Technology in 2003 and an associate bachelor degree in accounting from the East College of Zhejiang University（浙江大學東方學院）in 1996. She has 14 years of experience in sales, and operation and management of property companies.

Chen Bo, aged 34, is the assistant to Chairman and spokesman of the Group. He is in charge of marketing of the Group. He joined the Group in May 2005. Mr Chen served as sales director of Hangzhou White Horse Property Development Co. Ltd., Zhejiang Huijun Real Estate Co. Ltd.,（浙江滙駿置業有限公司）and Marketing Center of Zhong An Group. Prior to joining the Group, Mr Chen served as the sales manager of Shanghai Aimin Company（上海市愛民公司）and Yangmin Real Estate Company（陽明房地產公司）. Mr Chen obtained MBA from Beijing Modern Management College（北京現代管理學院）. He has over 10 years of experience in marketing operation of real estate companies.

Li Mouxing, aged 38, is the assistant to Chairman of the Group. He is responsible for engineering and research and development. Mr Li joined the Group in July 2010. Prior to joining the Group, Mr Li served as engineer in charge of Greentown China Holdings Limited（綠城中國控股有限公司）from October 2003 to July 2010, and structural engineer of Zhejiang Industry Design & Research Institute（浙江省工業設計研究院）from 1997 to 2003. Mr Li obtained a bachelor degree in engineering mechanics from the Hehai University（河海大學）. He holds constructor and structure engineer qualification. He has over 10 years of experience in product design and engineering management.

Zhang Fengquan, aged 40, is the deputy executive general manager of Yuyao Zhong An Property Development Co. Ltd.（余姚眾安房地產開發有限公司）. He is responsible for the daily operation of property management of property development in Yuyao, Zhejiang Province. He joined the Group in December 1997. He served as property manager and sales manager at Zhong An Group, project manager for construction at Guotai Garden, and the deputy general manager of Yuyao Henglong Property Co., Ltd.（余姚恒隆置業有限公司）. From 1993 to 1997, Mr Zhang was a officer of Milkway Real Estate. Mr Zhang received an associate bachelor degree in industrial and civil construction from the Sichuan Agricultural University（四川農業大學）in 2006 and a bachelor degree in project management from the Wuhan University（武漢大學）in 2010. Mr Zhang has 17 years of experience in operation and management of property companies.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Gu yingying, aged 45, is the general manager of Anhui Zhong'an Real Estate. She is in charge of operation and management of Anhui Zhong'an Real Estate. She joined the Group in 2000. She served as sales manager of Zhong An Group, and vice general in marketing of Anhui Zhong'an Real Estate. Prior to joining the Group, Ms Gu was the sales manager of Milkyway Real Estate from 1994 to 2000 and as Factory Office Administrative Officer of Hangzhou Second Cotton Knitting Factory（杭州第二棉紡織廠）from 1981 to 1994. Ms Gu received an associate bachelor degree in economics and management from the Shichuan Agricultural University. She has about 15 years of experience in sales and management of property companies.

Dong Shuixiao, aged 46, is the general manager of Anhui Zhong'an Real Estate Development Co., Ltd. （安徽眾安房地產開發有限公司）. He is in charge of its operation and management. He joined the Group since 1997. He served as the deputy general manager (in charge of finance) in Anhui Zhong'an Real Estate Development Co., Ltd. in January 2003. He was responsible for the on-site technology supervision, construction and cost control of the project in Yisheng in February 2004. In March 2006, he was promoted to be the deputy manager of Zhong An Group, and in charge of financial operation. Prior to joining the Group, he was the accountant and deputy finance manager of Xiaoshan Material Bureau from 1985 to 1993 and the manager of Hangzhou Xiaoshan Hongsen Material Co., Ltd（杭州蕭山宏森物資有限公司）from 1994 to 1996. Mr Dong received his college diploma in industrial and civil construction from the China University of Geosciences（中國地質大學）. He has over 14 years of experiences in property operation and management.

COMPANY SECRETARY

Lam Yau Yiu, aged 47, is the Financial Controller and the Company Secretary of the Company. He joined the Group in October 2008. Prior to joining the Group, he worked for a company with property development business in China for more than 2 years. He also acted as the finance manager, financial controller and company secretary for three listed companies in the United States of America and Hong Kong for a total of about 7 years. Mr Lam graduated from the City University of Hong Kong with a Bachelor Degree in Accounting. He also holds a degree of Master of Business Administration from the Hong Kong University of Science and Technology. He is a fellow member of Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountants. He has about 22 years of experience in external auditing, finance and accounting.

DIRECTORS' REPORT

The directors (the "Directors") of Zhong An Real Estate Limited (the "Company") have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2010 to shareholders of the Company.

PRINCIPAL ACTIVITIES

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

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 47 to 54.

The board of Directors (the "Board") does not recommend the payment of final dividend for the year ended 31 December 2010 (2009 : nil).

SUMMARY OF 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 audited financial statements and restated/reclassified as appropriate, is set out on page 142. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, and investment properties of the Group and the Company during the year under review are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Pursuant to the annual general meeting held on 30 June 2010, bonus issue (the "Bonus Issue") of new shares of HK$0.10 each in the Company (the "Bonus Share") on the basis of one share for every five ordinary shares held was approved. 388,534,400 Bonus Shares were issued under the Bonus Issue on 19 July 2010 and the amount of HK$38,853,440 was capitalized from the Company's share premium account. The Bonus Shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

Details of the movements in the ordinary shares of HK$0.10 each in the Company ("Shares") issued and share options during the year under review are set out in notes 29 and 30 to the financial statements.

DIRECTORS' REPORT

RESERVES

Details of the movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and note 31 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's accumulated losses amounted to RMB34,342,000 and the Company's share premium amounted to RMB2,942,944,000. By passing an ordinary resolution of the Company, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands.

SHARE OPTION SCHEME

The details of the share option scheme approved by the shareholders of the Company (the "Shareholders") on 15 May 2009 (the "Scheme") are disclosed below pursuant to the requirements under Chapter 17 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

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

2. Participants of the Scheme :

   (a) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries or any entity (the "Invested Entity") in which any members of the Group holds an equity interest;

   (b) any non-executive Directors (including independent non-executive Directors) of the Company or any of its subsidiaries or any Invested Entity;

   (c) any supplier of goods or services to any member of the Group or any Invested Entity;

   (d) any customer of any member of the Group or any Invested Entity;

   (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

DIRECTORS' REPORT

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

3.	Maximum number of Shares available for subscription	:	The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed 30 per cent. of the share capital of the Company in issue from time to time. The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of this Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10 per cent. of the Shares in issue as at the date of passing the relevant resolution adopting the Scheme.
4.	Total number of Shares available for issue under the Scheme	:	194,267,200 Shares (representing 10% of total issued share capital of the Company as at 15 May 2009, date of passing the relevant resolution for adopting the Scheme) are available for issue under the Scheme.

DIRECTORS' REPORT

5.	Maximum entitlement of each participant under the Scheme :	The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Scheme and other share option schemes of the Group (if any) (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options, which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) under the Scheme and other share option schemes of the Group (if any), in any 12-month period up to and including the date of such further grant in excess of the Individual Limit shall be subject to Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting.
6.	Minimum period for which an option must be held before it can be exercised and the exercise period of the option :	Unless otherwise determined by the Directors and stated in the offer to a grantee, there is no minimum period under the Scheme for the holding of an option before it can be exercised. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions of early termination thereof.
7.	Amount payable on acceptance of the option and the period within which payment must be made :	Nominal amount of HK$1 upon acceptance of the grant of option and options may be accepted by a participant within 21 days from the date of the offer for grant of the option.
8.	Basis of determining the exercise price :	The exercise price is the highest of the nominal value of the Shares; the closing price of the Shares on the Stock Exchange on the date of grant; and the average closing price of the Shares on the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant.
9.	Remaining life of the Scheme :	The Scheme will expire on 14 May 2019.

OUTSTANDING OPTIONS

Details of options (the "Options") granted under the Scheme and outstanding at the beginning and at the end of the year under review are as follows:

Name of participants	Outstanding at 1 January 2010	Number of Options adjusted (Note)	Number of Options exercised	Number of Options cancelled	Number of Options lapsed	Outstanding at 31 December 2010
Category 1: Directors						
Shi Kancheng	2,400,000	483,720				2,883,720
Shen Tiaojuan	1,200,000	241,860				1,441,860
Lou Yifei	1,100,000	221,705				1,321,705
Zhang Jiangang	1,100,000	221,705				1,321,705
Professor Pei Ker Wei	300,000	60,465				360,465
Professor Wang Shu Guang	300,000	60,465				360,465
Dr Loke Yu	300,000	60,465				360,465
Total Directors	6,700,000	1,350,385				8,050,385
Category 2: Employees	16,900,000	3,406,203				20,306,203
Category 3: Suppliers of goods or services	2,000,000	403,101				2,403,101
Category 4: Others	14,400,000	2,902,327				17,302,327
Total	40,000,000	8,062,016				48,062,016

Note:

The Options were granted on 9 July 2009 ("Date of Grant") with an exercise price HK$3.10 per Share and the closing price of the Share immediately before the date of grant was HK$3.02. As a result of the Bonus Issues, in accordance with the terms of the Scheme and the supplementary guidance dated 5 September 2005 issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") regarding adjustment of Options under Rule 17.03(13) of the Listing Rules, the exercise price of and the number of shares falling to be allotted and issued upon full exercise of the outstanding Options of the Scheme have been adjusted from HK$3.10 per share to HK$2.58 per share and 40,000,000 shares to 48,062,016 shares, respectively.

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

(a) 20 per cent. of the total number of Options during the period from the expiry of the first anniversary of the Date of Grant to the date immediately before the second anniversary of the Date of Grant;

(b) 20 per cent. of the total number of Options during the period from the second anniversary of the Date of Grant to the date immediately before the third anniversary of the Date of Grant;

(c) 20 per cent. of the total number of Options during the period from the third anniversary of the Date of Grant to the date immediately before the fourth anniversary of the Date of Grant;

(d) 20 per cent. of the total number of Options during the period from the fourth anniversary of the Date of Grant to the date immediately before the fifth anniversary of the Date of Grant; and

(e) 20 per cent. of the total number of Options during the period from the fifth anniversary of the Date of Grant to the date immediately before the sixth anniversary of the Date of Grant.

DIRECTORS' REPORT

Other details of the Scheme are set out in the section "Directors' and Chief Executive's interests and short positions in securities of the Company" and note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The sales attributable to the five largest customers of the Group accounted for 3.4% of the Group's consolidated revenue for the year under review.

The largest customer of the Group accounted for 0.7% of the Group's consolidated revenue for the year under review.

The purchases attributable to the five largest suppliers of the Group accounted for 13.8% of the Group's consolidated purchases for the year under review.

The largest supplier of the Group accounted for 6.7% of the Group's consolidated purchases for the year under review.

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

DIRECTORS

The Directors during the year were as follows:

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

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

In accordance with articles 108(A) of the Company's articles of association, Mr Lou Yifei, Mr Zhang Jiangang and Ms Shen Tiaojuan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 30 to 34 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr Shi Kancheng, Mr Zhang Jiangang, Mr Lou Yifei and Ms Shen Tiaojuan has entered into a service contract with the Company pursuant to which he/she agreed to act as the executive Director for a term of three years with effect from 1 November 2010.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES OF THE COMPANY

As at 31 December 2010, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

DIRECTORS' REPORT

(1) Long positions in Shares of the Company

Number of Shares held, capacity and nature of interest in the Company:

Name of Director	Capacity	Number and class of securities held	Approximate percentage of interest	Long/Short Position
Shi Kancheng	Interest of controlled corporation (Note)	1,628,760,000 shares of HK$0.1 each in the capital of the Company	69.87%	Long

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

(2) Long positions in underlying Shares

Name of Director	Capacity	Number of underlying Shares held	Approximate percentage of the Company's issued share capital
Shi Kancheng	Beneficial owner	2,883,720	0.12
Shen Tiaojuan	Beneficial owner	1,441,860	0.06
Zhang Jiangang	Beneficial owner	1,321,705	0.06
Lou Yifei	Beneficial owner	1,321,705	0.06
Pei Ker Wei	Beneficial owner	360,465	0.02
Wang Shu Guang	Beneficial owner	360,465	0.02
Loke Yu	Beneficial owner	360,465	0.02

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executives of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries, fellow subsidiaries or its parent company 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.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SECURITIES OF THE COMPANY

As at 31 December 2010, so far as are known to any Directors or chief executives of the Company, the following parties (other than Directors or chief executives of the Company) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of shares held	Percentage of the Company's issued share capital	Long/Short Position
Whole Good Management Limited (Note)	Beneficial Owner	1,628,760,000	69.87%	Long
Atlantis Investment Management Limited	Investment Manager	187,200,000	8.03%	Long

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

Save as disclosed above, as at 31 December 2010, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 22 to the financial statements.

There were no transactions required to be disclosed as non-exempt connected transactions or non-exempt continuing connected transactions in accordance with the Listing Rules during the year ended 31 December 2010. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

CHARITABLE DONATIONS

During the year under review, the Group made charitable donations amounting to approximately RMB 1,669,000 (2009: RMB374,000).

SUBSEQUENT EVENTS

(a) On 22 January 2011, share options to subscribe for an aggregate of 80,000,000 ordinary shares of HK$0.10 each in the Company at the exercise price of HK$1.85 per share were granted to eligible participants under the share option scheme of the Company adopted on 15 May 2009.

(b) On 10 March 2011, the Company entered into a placing and subscription agreement (the "Placing and Subscription Agreement") with Whole Good Development Limited ("Whole Good") as vendor and a placing agent pursuant to which an aggregate of 50,000,000 existing ordinary shares (the "Placing Shares") of HK$0.10 each in the Company held by Whole Good were successfully placed in full by the placing agent to independent placees at HK$1.40 per Placing Share and, as part of the arrangement under the Placing and Subscription Agreement, an aggregate of 50,000,000 new ordinary shares (the "Top-up Subscription Shares") of HK$0.10 each in the Company (equivalent to the number of the Placing Shares) were subscribed for by Whole Good at HK$1.40 per Top-up Subscription Share. Net proceeds of approximately HK$68.7 million (which were not yet utilized as at the date of this annual report) were raised from the transaction and were intended to be used by the Group for investment in or development of property management and services related venture business if suitable opportunities arise.

Save as disclosed above, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this annual report.

AUDITORS

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

On behalf of the Board
Zhong An Real Estate Limited

Shi Kancheng
Chairman

The People's Republic of China, 31 March 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Zhong An Real Estate Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board 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 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.

INDEPENDENT AUDITORS' REPORT

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 of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Center
8 Finance Street, Central
Hong Kong
31 March 2011

CONSOLIDATED INCOME STATEMENT

	Notes	2010 RMB'000	2009 RMB'000
Revenue	*5*	**1,243,871**	1,624,476
Cost of sales		**(600,912)**	(1,075,750)
Gross profit		**642,959**	548,726
Other income	*5*	**3,871**	18,710
Selling and distribution costs		**(69,147)**	(41,228)
Administrative expenses		**(160,512)**	(106,830)
Other expenses		**(49,905)**	(42,444)
Increase in fair value of investment properties	*15*	**276,680**	293,743
Finance costs	*6*	**(3,463)**	(437)
Profit before tax	*7*	**640,483**	670,240
Income tax expense	*10*	**(227,223)**	(227,975)
Profit for the year		**413,260**	442,265
Attributable to:			
Owners of the parent	*11*	**379,759**	408,917
Non-controlling interests		**33,501**	33,348
		413,260	442,265
Earnings per share attributable to ordinary equity holders of the parent (RMB)	*13*		
Basic and diluted		**16 cents**	18 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2010 RMB'000	2009 RMB'000
Profit for the year		**413,260**	442,265
Other comprehensive income			
Exchange differences on translation of foreign operations		**4,807**	1,420
Total comprehensive income for the year		**418,067**	443,685
Attributable to:			
Owners of the parent	*11*	**384,566**	410,337
Non-controlling interests		**33,501**	33,348
		418,067	443,685

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property and equipment	*14*	**195,710**	190,812
Investment properties	*15*	**1,931,000**	1,608,800
Properties under development	*16*	**1,130,603**	1,275,367
Goodwill	*17*	**–**	–
Available-for-sale investments	*18*	**3,300**	3,300
Long term prepayments	*23*	**1,860,027**	1,692,205
Deferred tax assets	*19*	**71,737**	34,404
Total non-current assets		**5,192,377**	4,804,888
CURRENT ASSETS			
Completed properties held for sale		**1,139,350**	391,516
Properties under development	*16*	**2,981,185**	675,555
Inventories		**14,191**	7,193
Trade receivables	*21*	**16,139**	14,318
Prepayments, deposits and other receivables	*22*	**359,520**	451,621
Pledged deposits	*24*	**428,558**	29,348
Cash and cash equivalents	*24*	**1,007,979**	891,787
Total current assets		**5,946,922**	2,461,338
CURRENT LIABILITIES			
Trade payables	*25*	**508,998**	628,570
Other payables and accruals	*26*	**587,741**	335,950
Advances from customers	*27*	**1,725,582**	175,194
Interest-bearing bank and other borrowings	*28*	**950,500**	173,753
Tax payable	*10*	**341,618**	337,209
Total current liabilities		**4,114,439**	1,650,676
NET CURRENT ASSETS		**1,832,483**	810,662
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,024,860**	5,615,550

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2010 RMB'000	2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,024,860**	5,615,550
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*28*	**1,823,500**	891,036
Deferred tax liabilities	*19*	**387,017**	300,074
Total non-current liabilities		**2,210,517**	1,191,110
Net assets		**4,814,343**	4,424,440
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*29*	**219,216**	185,339
Reserves	*31*	**4,416,903**	4,094,690
		4,636,119	4,280,029
Non-controlling interests		**178,224**	144,411
Total equity		**4,814,343**	4,424,440

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Owners of the parent												
	Notes	Issued capital RMB'000 Note 29	Share premium account RMB'000 Note 31(a)	Contributed surplus RMB'000 Note 31(b)	Capital reserve RMB'000 Note 31(c)	Share option reserve RMB'000 Note 30	Statutory surplus reserve RMB'000 Note 31(d)	Statutory reserve fund RMB'000 Note 31(d)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009		185,339	2,976,821	39,318	9,451	–	107,936	7,841	(80,125)	646,445	38,853	3,931,879	110,573	4,042,452
Profit for the year		–	–	–	–	–	–	–	–	408,917	–	408,917	33,348	442,265
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	1,420	–	–	1,420	–	1,420
Total comprehensive income for the year		–	–	–	–	–	–	–	1,420	408,917	–	410,337	33,348	443,685
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	490	490
Equity-settled share option arrangements	30	–	–	–	–	15,519	–	–	–	–	–	15,519	–	15,519
Final 2008 dividend declared		–	–	–	–	–	–	–	–	–	(38,853)	(38,853)	–	(38,853)
Interim 2009 dividend	12	–	–	–	–	–	–	–	–	(38,853)	–	(38,853)	–	(38,853)
Transfer from retained profits		–	–	–	–	–	7,493	393	–	(7,886)	–	–	–	–
At 31 December 2009		185,339	2,976,821	39,318	9,451	15,519	115,429	8,234	(78,705)	1,008,623	–	4,280,029	144,411	4,424,440
At 1 January 2010		185,339	2,976,821	39,318	9,451	15,519	115,429	8,234	(78,705)	1,008,623	–	4,280,029	144,411	4,424,440
Profit for the year		–	–	–	–	–	–	–	–	379,759	–	379,759	33,501	413,260
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	4,807	–	–	4,807	–	4,807
Total comprehensive income for the year		–	–	–	–	–	–	–	4,807	379,759	–	384,566	33,501	418,067
Acquisition of a non-controlling interest #		–	–	–	(53,353)	–	–	–	–	–	–	(53,353)	(4,588)	(57,941)
Capital contribution by a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	–	4,900	4,900
Equity-settled share option arrangement	30	–	–	–	–	24,877	–	–	–	–	–	24,877	–	24,877
Bonus issue	29	33,877	(33,877)	–	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	–	–	–	27,187	5	–	(27,192)	–	–	–	–
At 31 December 2010		219,216	2,942,944*	39,318*	(43,902)*	40,396*	142,616*	8,239*	(73,898)*	1,361,190*	–	4,636,119	178,224	4,814,343

* These reserve accounts comprise the consolidated reserves of RMB4,416,903,000 (2009: RMB4,094,690,000) in the consolidated statement of financial position.

In February 2010, the Group acquired the remaining 5% non-controlling interest in a subsidiary of the Group in Mainland China from the non-controlling shareholder at a total consideration of RMB57,941,000. The difference between the consideration and the book value of the share of the net assets acquired of RMB53,353,000 was recognised as an equity transaction.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Profit before tax		**640,483**	670,240
Adjustments for:			
Depreciation	*7, 14*	**18,035**	16,425
Write-off of other receivables	*7*	**–**	6,247
Impairment of other receivables	*7, 22*	**44,966**	18,000
Gain on disposal of property and equipment		**–**	(548)
Increase in fair value of investment properties	*7, 15*	**(276,680)**	(293,743)
Goodwill impairment	*7, 17*	**–**	15,292
Equity-settled share option expense	*7, 30*	**24,877**	15,519
Finance costs	*6*	**3,463**	437
Interest income	*5*	**(2,000)**	(18,327)
		453,144	429,542
Increase in properties under development		**(3,422,839)**	(738,000)
Decrease in completed properties held for sale		**561,787**	1,049,671
Increase in trade receivables		**(1,821)**	(3,461)
Decrease in prepayments, deposits and other receivables		**47,135**	202,043
Increase in long term prepayments		**(167,822)**	(1,692,205)
Increase in inventories		**(6,998)**	(3,644)
(Decrease)/increase in trade payables		**(119,572)**	143,348
(Decrease)/increase in other payables and accruals		**(6,597)**	21,284
Increase/(decrease) in advances from customers		**1,550,388**	(193,792)
Cash used in operations		**(1,113,195)**	(785,214)
Interest received		**2,000**	18,327
Interest paid		**(104,581)**	(43,256)
Income tax and land appreciation tax paid		**(173,204)**	(83,120)
Net cash flows used in operating activities		**(1,388,980)**	(893,263)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2010 RMB'000	2009 RMB'000
Net cash flows used in operating activities		**(1,388,980)**	(893,263)
Cash flows from investing activities			
Acquisition of subsidiaries		**(9,941)**	(173,603)
Acquisition of non-controlling interest		**(57,941)**	–
Purchases of investment properties		**–**	(1,947)
Purchases of items of property and equipment		**(13,135)**	(5,207)
Proceeds from disposal of items of property and equipment		**852**	1,627
Increase in pledged deposits		**(399,210)**	(13,005)
Net cash flows used in investing activities		**(479,375)**	(192,135)
Cash flows from financing activities			
Capital contributions by a non-controlling shareholder		**4,900**	490
Dividends paid		**–**	(77,706)
New interest-bearing bank and other borrowings		**2,616,500**	643,000
Repayment of interest-bearing bank and other borrowings		**(907,289)**	(242,117)
Increase in an amount due to a non-controlling shareholder		**265,629**	–
Net cash flows from financing activities		**1,979,740**	323,667
Net increase/(decrease) in cash and cash equivalents		**111,385**	(761,731)
Cash and cash equivalents at beginning of year		**891,787**	1,652,098
Effect of foreign exchange rate changes, net		**4,807**	1,420
Cash and cash equivalents at end of year		**1,007,979**	891,787
Analysis of balances of cash and cash equivalents			
Cash and bank balances and time deposits	*24*	**1,007,979**	891,787

STATEMENT OF FINANCIAL POSITION

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*20*	**979,287**	996,598
Property and equipment	*14*	**560**	518
Total non-current assets		**979,847**	997,116
CURRENT ASSETS			
Amounts due from subsidiaries	*20*	**1,966,248**	2,027,699
Prepayments, deposits and other receivables	*22*	**280**	771
Cash and cash equivalents	*24*	**3,046**	23,424
Total current assets		**1,969,574**	2,051,894
CURRENT LIABILITIES			
Amounts due to subsidiaries	*20*	**116,802**	116,653
Other payables and accruals	*26*	**5,173**	1,676
Total current liabilities		**121,975**	118,329
NET CURRENT ASSETS		**1,847,599**	1,933,565
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,827,446**	2,930,681
Net assets		**2,827,446**	2,930,681
EQUITY			
Issued capital	*29*	**219,216**	185,339
Reserves	*31*	**2,608,230**	2,745,342
Total equity		**2,827,446**	2,930,681

Shi Kancheng
Chairman and Director

Shen Tiaojuan
Director

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (together, the "Group") is principally engaged in property development, leasing and hotel operation. The Group's property development projects during the year were all located in Zhejiang and Anhui Provinces, the People's Republic of China (the "PRC"). There were no significant changes in the nature of the Group's principal activities during the year.

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

2.1 BASIS OF PREPARATION

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

NOTES TO FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

Basis of consolidation from 1 January 2010

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.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

NOTES TO FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included in *Improvements to IFRSs* issued *in May 2008*	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	*Amendments to a number of IFRSs issued in April 2009*

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), amendments to IAS 7 and IAS 17 included in Improvements to IFRSs 2009, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

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

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 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.

NOTES TO FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

IAS 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 IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 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 IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. 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:

- IAS 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.

- IAS 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 IAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

Apart from the above, *Improvements to IFRSs 2010* has been issued which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34, and IFRIC 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

NOTES TO FINANCIAL STATEMENTS

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 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 IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 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.

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

IAS 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 IAS 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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. 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. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations:* Clarifies that the amendments to IFRS 7, IAS 32 and IAS 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 IFRS 3 (as revised in 2008).

In addition, the amendments limit the scope of 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 IFRS.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is recognised in accordance with IAS 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

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

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 acquire 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.

Impairment of non-financial assets

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

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 value, 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 the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

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

Properties under development

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

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

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the end of the reporting period are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the end of the reporting period are classified as non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Completed properties held for sale

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial 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 cash equivalents, pledged deposits, trade and other receivables, and available-for-sale investments.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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 by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

Derecognition of financial assets

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Fair value of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Employee retirement benefits

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF 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 goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Recognition of revenue

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

- the significant risks and rewards of ownership of the properties are transferred to the purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of revenue (continued)

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

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model, further details of which are given in note 30 to the financial statements.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions (continued)

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5% and 7% has been applied to the expenditure on the individual assets.

Dividends

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of non-PRC established companies are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements

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

(i) Operating lease commitments – the Group as lessor

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

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

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

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

(iii) Acquisition of assets

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

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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 disclosed below:

(i) Fair value of investment properties

Investment properties were revalued as at 31 December 2010 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

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

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

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

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

The principal assumptions for the Group’s estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2010 was RMB1,931,000,000 (2009: RMB1,608,800,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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

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

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

(iii) PRC corporate income tax

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(v) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised deductible temporary differences and tax losses at 31 December 2010 was RMB71,737,000 (2009: RMB34,404,000). The amount of unrecognised tax losses at 31 December 2010 was RMB29,752,000 (2009: RMB9,523,000). Further details are contained in note 19 to the financial statements.

(vi) Impairment of trade and other receivables

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

(vii) 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 calculation of which involves the use of estimates.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2010	Property development RMB'000	Property rental RMB'000	Hotel Operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,128,055	42,545	58,477	14,794	1,243,871
Intersegment sales	20,270	–	–	–	20,270
	1,148,325	42,545	58,477	14,794	1,264,141
Reconciliation:					
Elimination of intersegment sales					(20,270)
Revenue					1,243,871
Segment results	414,499	290,462	(298)	(37,840)	666,823
Reconciliation:					
Interest income					2,000
Share option expenses					(24,877)
Finance costs					(3,463)
Profit before tax					640,483
Segment assets	8,170,098	1,966,343	399,746	1,212,362	11,748,549
Reconciliation:					
Elimination of intersegment receivables					(1,700,971)
Corporate and other unallocated assets					1,091,721
Total assets					11,139,299
Segment liabilities	4,142,356	81,976	11,363	287,599	4,523,294
Reconciliation:					
Elimination of intersegment payables					(1,700,971)
Corporate and other unallocated liabilities					3,502,633
Total liabilities					6,324,956
Other segment information:					
Depreciation	5,967	299	11,355	414	18,035
Impairment losses recognised in the income statement	44,966	–	–	–	44,966
Capital expenditure	10,360	2,775	–	–	13,135

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2009	Property development RMB'000	Property rental RMB'000	Hotel Operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,530,263	41,601	47,173	5,439	1,624,476
Intersegment sales	–	–	–	6,958	6,958
	1,530,263	41,601	47,173	12,397	1,631,434
Reconciliation:					
Elimination of intersegment sales					(6,958)
Revenue					1,624,476
Segment results	399,458	286,853	2,522	(20,964)	667,869
Reconciliation:					
Interest income					18,327
Share option expenses					(15,519)
Finance costs					(437)
Profit before tax					670,240
Segment assets	4,636,889	1,668,086	392,864	826,186	7,524,025
Reconciliation:					
Elimination of intersegment receivables					(1,218,972)
Corporate and other unallocated assets					961,173
Total assets					7,266,226
Segment liabilities	1,811,506	50,431	9,717	487,032	2,358,686
Reconciliation:					
Elimination of intersegment payables					(1,218,972)
Corporate and other unallocated liabilities					1,702,072
Total liabilities					2,841,786
Other segment information:					
Depreciation	4,717	193	11,308	207	16,425
Impairment losses recognised in the income statement	33,292	–	–	–	33,292
Capital expenditure	5,207	1,947	–	–	7,154

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about a major customer

No sales to a single customer or a group of customers under the common control derived 10% or more of the Group's revenue for the years ended 31 December 2010 and 2009.

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2010 RMB'000	2009 RMB'000
Revenue		
Sale of properties	**1,203,293**	1,619,024
Property leasing income	**54,237**	43,821
Property management fee income	**15,635**	5,462
Hotel operating income	**62,009**	50,024
Less: Business tax and surcharges	**(91,303)**	(93,855)
	1,243,871	1,624,476
Other income		
Interest income	**2,000**	18,327
Others	**1,871**	383
	3,871	18,710

NOTES TO FINANCIAL STATEMENTS

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2010 RMB'000	2009 RMB'000
Interest on bank loans and other loans wholly repayable within five years	**56,547**	8,583
Interest on bank loans and other loans wholly repayable over five years	**50,734**	35,254
Total interest	**107,281**	43,837
Less: Interest capitalised in properties under development	**(103,818)**	(43,400)
	3,463	437

7. PROFIT BEFORE TAX

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

	Notes	2010 RMB'000	2009 RMB'000
Cost of properties sold		**561,787**	1,049,671
Depreciation	*14*	**18,035**	16,425
Goodwill impairment	*17*	**–**	15,292
Minimum lease payments under operating leases:			
– Office premises		**7,461**	3,596
Auditors' remuneration		**3,089**	2,496
Staff costs including directors' remuneration (note 8):			
– Salaries and other staff costs		**63,390**	45,701
– Equity-settled share option expense	*30*	**24,877**	15,519
– Pension scheme contributions*		**4,441**	4,040
Foreign exchange differences, net		**189**	180
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**2,822**	1,527
Write-off of other receivables		**–**	6,247
Impairment of other receivables		**44,966**	18,000
Changes in fair value of investment properties	*15*	**(276,680)**	(293,743)
Gain on disposal of items of property and equipment		**–**	(548)

NOTES TO FINANCIAL STATEMENTS

7. PROFIT BEFORE TAX (CONTINUED)

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

8. DIRECTORS' REMUNERATION

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

	2010 RMB'000	2009 RMB'000
Fees	**300**	300
Other emoluments:		
Salaries, bonuses and allowances	**3,900**	2,776
Pension scheme contributions	**36**	16
Equity-settled share option expense	**4,168**	2,599
	8,104	5,391
	8,404	5,691

In 2009, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2010			
Independent non-executive directors			
Mr Pei Ker Wei	**100**	**187**	**287**
Mr Wang Shuguang	**50**	**187**	**237**
Mr Loke Yu	**150**	**187**	**337**
Total independent non-executive directors	**300**	**561**	**861**
2009			
Independent non-executive directors			
Mr Pei Ker Wei	100	116	216
Mr Wang Shuguang	50	116	166
Mr Heng Kwoo Seng[(i)]	75	–	75
Mr Loke Yu[(i)]	75	116	191
Total independent non-executive directors	300	348	648

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(i) Mr Heng Kwoo Seng resigned as an independent non-executive director on 30 June 2009. Mr Loke Yu was appointed as an independent non-executive director on 30 June 2009.

NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Fees RMB'000	Salaries and allowance RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2010						
Executive directors						
Mr Shi Zhongan	**–**	**1,520**	**380**	**9**	**1,493**	**3,402**
Mr Zhang Jiangang	**–**	**520**	**130**	**9**	**684**	**1,343**
Mr Lou Yifei	**–**	**520**	**130**	**9**	**684**	**1,343**
Ms Shen Tiaojuan	**–**	**560**	**140**	**9**	**746**	**1,455**
Total executive directors	**–**	**3,120**	**780**	**36**	**3,607**	**7,543**
2009						
Executive directors						
Mr Shi Zhongan	–	922	227	4	931	2,084
Mr Zhang Jiangang	–	421	104	4	427	956
Mr Lou Yifei	–	425	104	4	427	960
Ms Shen Tiaojuan	–	458	115	4	466	1,043
Total executive directors	–	2,226	550	16	2,251	5,043

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

NOTES TO FINANCIAL STATEMENTS

9. 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 8 above. Details of the remuneration of the remaining one (2009: one) non-director, highest paid employee for the year are as follows:

	2010	2009
	RMB'000	RMB'000
Salaries, bonuses and allowances	**721**	744
Equity-settled share option expense	**498**	310
Pension scheme contributions	**10**	11
	1,229	1,065

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

	Number of employee	
	2010	2009
RMB1,000,001 to RMB1,500,000	**1**	1

In 2009, share options were granted to the non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

10. INCOME TAX

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

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2009: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

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

NOTES TO FINANCIAL STATEMENTS

10. INCOME TAX (CONTINUED)

	2010 RMB'000	2009 RMB'000
Current – PRC corporate income tax for the year	127,632	119,880
Current – PRC land appreciation tax for the year	49,981	49,310
Deferred (note 19)	49,610	58,785
Total tax charge for the year	227,223	227,975

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country 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 RMB'000	2009 RMB'000
Profit before tax	640,483	670,240
Tax at the statutory tax rate of 25% (2009: 25%)	160,121	167,560
Effect of lower enacted tax rate used for the recognition of deferred tax	–	(53)
Expenses not deductible for tax	15,454	11,120
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	9,105	9,985
Tax losses not recognised	5,057	2,381
Provision for land appreciation tax	49,981	49,310
Tax effect on land appreciation tax	(12,495)	(12,328)
Tax charge at the Group's effective rate	227,223	227,975
Tax payable in the consolidated statement of financial position represents:		
PRC corporate income tax	80,168	85,460
PRC land appreciation tax	261,450	251,749
	341,618	337,209

11. 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 loss of RMB39,888,000 (2009: a profit of RMB74,091,000) which has been dealt with in the financial statements of the Company (note 31(e)).

12. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Interim – nil (2009: RMB0.02) per ordinary share	**–**	38,853

13. 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 of RMB379,759,000 (2009: RMB408,917,000) and the weighted average number of ordinary shares of 2,331,206,400 (2009 (as adjusted to reflect the bonus issue): 2,331,206,400) in issue during the year.

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

NOTES TO FINANCIAL STATEMENTS

14. PROPERTY AND EQUIPMENT

Group

	Note	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010							
At 31 December 2009 and at 1 January 2010:							
Cost		188,385	1,422	23,365	23,032	–	236,204
Accumulated depreciation		(21,581)	(744)	(10,397)	(12,670)	–	(45,392)
Net carrying amount		166,804	678	12,968	10,362	–	190,812
At 1 January 2010, net of accumulated depreciation		166,804	678	12,968	10,362	–	190,812
Additions		1,371	3	4,773	6,988	–	13,135
Disposals		–	(116)	(728)	(8)	–	(852)
Depreciation provided during the year		(9,563)	(117)	(4,671)	(3,684)	–	(18,035)
Transferred from properties under development	*16*	10,648	2	–	–	–	10,650
At 31 December 2010, net of accumulated depreciation		169,260	450	12,342	13,658	–	195,710
At 31 December 2010:							
Cost		200,404	969	26,884	29,865	–	258,122
Accumulated depreciation		(31,144)	(519)	(14,542)	(16,207)	–	(62,412)
Net carrying amount		169,260	450	12,342	13,658	–	195,710

NOTES TO FINANCIAL STATEMENTS

14. PROPERTY AND EQUIPMENT (CONTINUED)

	Note	Properties RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009:							
Cost		186,014	1,417	21,187	20,908	503	230,029
Accumulated depreciation		(12,378)	(719)	(6,540)	(9,653)	–	(29,290)
Net carrying amount		173,636	698	14,647	11,255	503	200,739
At 1 January 2009, net of accumulated depreciation		173,636	698	14,647	11,255	503	200,739
Additions		1	5	2,775	2,426	–	5,207
Disposals		–	–	(576)	–	(503)	(1,079)
Depreciation provided during the year		(9,203)	(25)	(3,878)	(3,319)	–	(16,425)
Transferred from properties under development	*16*	2,370	–	–	–	–	2,370
At 31 December 2009, net of accumulated depreciation		166,804	678	12,968	10,362	–	190,812
At 31 December 2009:							
Cost		188,385	1,422	23,365	23,334	–	236,506
Accumulated depreciation		(21,581)	(744)	(10,397)	(12,972)	–	(45,694)
Net carrying amount		166,804	678	12,968	10,362	–	190,812

NOTES TO FINANCIAL STATEMENTS

14. PROPERTY AND EQUIPMENT (CONTINUED)

Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2010			
At 31 December 2009 and at 1 January 2010:			
Cost	289	442	731
Accumulated depreciation	(36)	(177)	(213)
Net carrying amount	253	265	518
At 1 January 2010, net of accumulated depreciation	253	265	518
Additions	190	–	190
Depreciation provided during the year	(99)	(49)	(148)
At 31 December 2010, net of accumulated depreciation	344	216	560
At 31 December 2010:			
Cost	479	442	921
Accumulated depreciation	(135)	(226)	(361)
Net carrying amount	344	216	560

14. PROPERTY AND EQUIPMENT (CONTINUED)

Company

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

At 31 December 2010, certain of the Group's property and equipment with a net carrying amount of approximately RMB150,542,000 (2009: RMB158,392,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group as disclosed in note 28(iii).

NOTES TO FINANCIAL STATEMENTS

15. INVESTMENT PROPERTIES

	2010	2009
	RMB'000	RMB'000
Carrying amount at 1 January	**1,608,800**	1,146,500
Additions	**–**	1,947
Transfer from properties under development (note 16)	**–**	166,610
Transfer from completed properties held for sale	**45,520**	–
Gain from fair value adjustments	**276,680**	293,743
Carrying amount at 31 December	**1,931,000**	1,608,800

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

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

	2010	2009
	RMB'000	RMB'000
Leases of between 10 and 50 years	**1,931,000**	1,608,800

(c) Investment properties leased out under operating leases

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

	2010	2009
	RMB'000	RMB'000
Within one year	**53,486**	42,710
In the second to fifth years, inclusive	**133,418**	142,700
After five years	**29,569**	49,237
	216,473	234,647

15. INVESTMENT PROPERTIES (CONTINUED)

(d) At 31 December 2010, certain of the Group's investment properties with a carrying amount of RMB1,645,300,000 (2009: RMB1,596,400,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group as disclosed in note 28(i).

16. PROPERTIES UNDER DEVELOPMENT

	2010 **RMB'000**	2009 RMB'000
Carrying amount at 1 January	**1,950,922**	2,360,518
Additions	**3,526,657**	781,400
Acquisition of a subsidiary	**–**	200,000
Transfer to property and equipment (note 14)	**(10,650)**	(2,370)
Transfer to investment properties (note 15)	**–**	(166,610)
Transfer to completed properties held for sale	**(1,355,141)**	(1,222,016)
Carrying amount at 31 December	**4,111,788**	1,950,922
Current assets	**2,981,185**	675,555
Non-current assets	**1,130,603**	1,275,367
	4,111,788	1,950,922

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

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

	2010 **RMB'000**	2009 RMB'000
Leases of over 50 years	**2,711,428**	851,352
Leases of between 20 and 50 years	**1,400,360**	1,099,570
	4,111,788	1,950,922

At 31 December 2010, certain of the Group's properties under development with a carrying amount of RMB2,684,405,000 (2009: RMB145,367,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group as disclosed in note 28(ii).

NOTES TO FINANCIAL STATEMENTS

17. GOODWILL

	RMB'000
Group	
At 31 December 2009 and 2010:	
Cost	**63,928**
Accumulated impairment	**(63,928)**
Net carrying amount	–
Cost at 1 January 2010, net of accumulated impairment	–
Impairment during the year	–
At 31 December 2010	–

Impairment testing of goodwill

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

Key assumptions used in the value in use calculation

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

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

NOTES TO FINANCIAL STATEMENTS

18. AVAILABLE-FOR-SALE INVESTMENTS

	2010 RMB'000	2009 RMB'000
Unlisted equity investments, at cost	3,300	3,300

At 31 December 2010, unlisted equity investments with a carrying amount of RMB3,300,000 (2009: RMB3,300,000) were stated at cost less impairment. The Directors are of the opinion that the fair value cannot be measured reliably and the underlying fair values of investments were not less than the carrying values of the investments as at 31 December 2010.

19. DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax assets

	Impairment of other receivables RMB'000	Unrealised intragroup profit and loss RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2009	–	–	20,188	20,188
Deferred tax credited to the income statement during the year	4,500	4,004	5,712	14,216
At 31 December 2009 and 1 January 2010	4,500	4,004	25,900	34,404
Deferred tax credited to the income statement during the year	11,242	5,271	20,820	37,333
At 31 December 2010	15,742	9,275	46,720	71,737

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

The Group has tax losses arising in Hong Kong of RMB1,947,000 (2009: loss of RMB14,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB27,805,000 (2009: RMB9,509,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

19. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax liabilities

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Fair value adjustment of investment properties RMB'000	Withholding tax RMB'000	Others* RMB'000	Total RMB'000
At 1 January 2009	(22,952)	(204,121)	–	–	(227,073)
Deferred tax credited/(charged) to the income statement during the year	19,387	(73,436)	(9,985)	(8,967)	(73,001)
At 31 December 2009 and 1 January 2010	(3,565)	(277,557)	(9,985)	(8,967)	(300,074)
Realised during the year	–	–	7,183	–	7,183
Deferred tax credited/(charged) to the income statement during the year	752	(69,170)	(9,105)	(16,603)	(94,126)
At 31 December 2010	(2,813)	(346,727)	(11,907)	(25,570)	(387,017)

* Others mainly include temporary differences regarding capitalised finance costs.

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

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

20. INVESTMENT IN SUBSIDIARIES

Company

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	100	100
Loan to subsidiaries	979,187	996,498
	979,287	996,598

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB1,966,248,000 (2009: RMB2,027,699,000) and RMB116,802,000 (2009: RMB116,653,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

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

Particulars of the subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2010	2009	Principal activities
Ideal World Investments Limited [4]	British Virgin Islands 6 November 2003	US$1	100%	100%	Investment holding
祺瑞企業管理(杭州)有限公司 Qirui Enterprise Management (Hangzhou) Co., Ltd. [1]	PRC/Mainland China 21 November 2005	US$29,800,000	100%	100%	Investment holding
眾安集團有限公司 Zhong An Group Co., Ltd. [3]	PRC/Mainland China 26 December 1997	RMB100,000,000	90%	90%	Property development and leasing
安徽眾安房地產開發有限公司 Anhui Zhong An Real Estate Development Co., Ltd. [2]	PRC/Mainland China 9 August 2001	US$5,000,000	100%	95%	Property development

NOTES TO FINANCIAL STATEMENTS

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2010	2009	Principal activities
安徽眾安實業有限公司 Anhui Zhong An Real Estate Co., Ltd. (4)	PRC/Mainland China 17 January 2003	RMB57,000,000	**84.2%**	84.2%	Property development
杭州白馬房地產開發有限公司 Hangzhou White Horse Property Development Co., Ltd. (3)	PRC/Mainland China 27 June 2002	RMB50,000,000	**90%**	90%	Property development
杭州多瑙河置業有限公司 Hangzhou Danube Real Estate Co., Ltd. (3)	PRC/Mainland China 7 March 2003	RMB50,000,000	**92.6%**	92.6%	Property development
上海眾安房地產開發有限公司 Shanghai Zhong An Property Development Co., Ltd. (4)	PRC/Mainland China 19 January 2004	RMB10,000,000	**87.1%**	87.1%	Property leasing
浙江眾安房地產蕭山開發有限公司 Zhejiang Zhong An Property Development Xiaoshan Co., Ltd. (4)	PRC/Mainland China 3 April 1997	RMB2,000,000	**81%**	81%	Property leasing
杭州眾安恒隆商厦有限公司 Hangzhou Zhong An Highlong Commercial Buildings Co., Ltd. (4)	PRC/Mainland China 20 September 2005	RMB2,000,000	**89.4%**	89.4%	Property management
杭州蕭山眾安物業管理有限公司 Hangzhou Xiaoshan Property Management Co., Ltd. (4)	PRC/Mainland China 18 November 1998	RMB10,000,000	**90%**	81.1%	Property management
恒利企業管理(杭州)有限公司 Henlly Enterprise Management (Hangzhou) Co., Ltd. (1)	PRC/Mainland China 4 December 2006	US$79,800,000	**100%**	100%	Property development
Huijun (International) Holdings Limited (4)	Hong Kong 4 March 2005	HK$100,000	**100%**	100%	Investment holding

NOTES TO FINANCIAL STATEMENTS

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2010	2009	Principal activities
浙江匯駿置業有限公司 Zhejiang Huijun Real Estate Co., Ltd. (2)	PRC/Mainland China 1 April 2005	US$77,600,000	99.7%	99.7%	Property development
杭州匯駿信息技術有限公司 Hangzhou Huijun Information Technology Co., Ltd. (1)	PRC/Mainland China 5 December 2007	US$59,700,000	100%	100%	Consultation management
杭州駿杰投資管理有限公司 Hangzhou Junjie Investment Co., Ltd. (1)	PRC/Mainland China 4 December 2007	US$29,990,000	100%	100%	Investment management
杭州白馬物業管理服務有限公司 Hangzhou White Horse Property Management Co., Ltd. (3)	PRC/Mainland China 17 December 2007	RMB1,000,000	99.7%	99.7%	Property management
杭州蕭山眾安假日酒店有限公司 Hangzhou Xiaoshan Zhong'an Holiday Inn Co., Ltd. (4)	PRC/Mainland China 28 May 2007	RMB10,000,000	90%	90%	Hotel management
China Bright Management Limited (4)	British Virgin Islands 13 November 2007	US$1	100%	100%	Investment holding
Esteem High Enterprises Limited (4)	British Virgin Islands 13 November 2007	US$1	100%	100%	Investment holding
Everplus Management Limited (4)	British Virgin Islands 13 November 2007	US$1	100%	100%	Investment holding
Gain Large Enterprises Limited (4)	British Virgin Islands 13 November 2007	US$1	100%	100%	Investment holding
Plenty Management Limited (4)	British Virgin Islands 13 November 2007	US$1	100%	100%	Investment holding
香港博凱建築設計有限公司 Hong Kong Bo Kai Construction Design Limited (4)	Hong Kong 26 February 2008	HK$1	100%	100%	Construction design

NOTES TO FINANCIAL STATEMENTS

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2010	2009	Principal activities
香港匯源地產有限公司 Hong Kong Huiyuan Real Estate Limited (4)	Hong Kong 26 February 2008	HK$1	**100%**	100%	Property development
杭州正江房地產開發有限公司 Hangzhou Zheng Jiang Real Estate Development Co., Ltd. (4)	PRC/Mainland China 16 March 2006	RMB20,000,000	**94.5%**	94.5%	Property development
合肥眾安假日酒店有限公司 Hefei Zhong'an Holiday Inn Co., Ltd. (3)	PRC/Mainland China 18 March 2008	RMB350,000,000	**100%**	100%	Hotel management
匯駿建材物資貿易(杭州)有限公司 Huijun Construction Materials Trading (Hangzhou) Co., Ltd. (1)	PRC/Mainland China 16 July 2008	US$12,000,000	**100%**	100%	Material trading
杭州滙宏投資管理有限公司 Hangzhou Huihong Investment Management Co., Ltd. (1)	PRC/Mainland China 19 February 2008	US$49,990,000	**100%**	100%	Investment management
杭州德宏新型建材有限公司 Hangzhou Dehong New Constructions Materials Management Co., Ltd. (1)	PRC/Mainland China 1 February 2008	US$29,900,000	**100%**	100%	Material of construction materials
杭州眾安印象建築工程設計有限公司 Hangzhou Zhong'an Image Construction Design Co., Ltd. (4)	PRC/Mainland China 10 December 2009	RMB1,000,000	**51%**	51%	Construction design
余姚恒隆置業有限公司 Yuyao Henglong Property Co., Ltd. (a) (1)	PRC/Mainland China 7 September 2009	US$24,000,000	**100%**	100%	Property development
合肥綠色港灣物業管理有限公司 Hefei Green Lounge Property Management Co., Ltd. (4)	PRC/Mainland China 1 August 2007	RMB500,000	**81%**	81%	Property management

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2010	2009	Principal activities
安徽眾安物業管理有限公司 Anhui Zhong'an Property Management Co., Ltd. (4)	PRC/Mainland China 24 November 2003	RMB1,000,000	90%	90%	Property management
杭州眾安服務控股有限公司 Hangzhou Zhong'an Service Holding Co., Ltd. (4)	PRC/Mainland China 13 August 2009	RMB50,000,000	90%	90%	Investment holding
杭州德宏能源開發有限公司 Hangzhou Dehong Energy Development Co., Ltd. (3)	PRC/Mainland China 3 September 2009	USD45,000,000	100%	100%	Energy development
浙江安源不動產經紀有限公司 Zhejiang Anyuan Real Estate Agent Co., Ltd. (4)	PRC/Mainland China 30 October 2009	RMB10,000,000	90%	90%	Real estate agency
浙江安源農業開發有限公司 Zhejiang Anyuan Agriculture Development Co., Ltd. (4)	PRC/Mainland China 11 June 2009	RMB10,000,000	90%	90%	Agriculture development
浙江安源家政服務有限公司 Zhejiang Anyuan Housekeeping Service Co., Ltd. (4)	PRC/Mainland China 30 October 2009	RMB10,000,000	90%	90%	Housekeeping Service
淳安民福旅遊置業有限公司 Chunan Minfu Property Co., Ltd. (3)	PRC/Mainland China 24 October 2003	RMB6,000,000	100%	100%	Property development
杭州眾安置業有限公司 Hangzhou Zhong'an Property Co., Ltd. (b) (4)	PRC/Mainland China 1 February 2010	RMB20,000,000	90%	N/A	Property development
余姚眾安置業有限公司 Yuyao Zhong'an Property Co., Ltd. (b) (3)	PRC/Mainland China 10 December 2010	USD15,000,000	100%	N/A	Property development
余姚眾安房地產開發有限公司 Yuyao Zhong An Property Development Co., Ltd. (b) (4)	PRC/Mainland China 5 March 2010	RMB200,000,000	90%	N/A	Property development

NOTES TO FINANCIAL STATEMENTS

20. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment and operation	Nominal value of registered capital as at 31 December 2009	Percentage of equity interest attributable to the Group as at 31 December 2010	2009	Principal activities
杭州安源房地產有限公司 Hangzhou Anyuan Property Development Co., Ltd. (b) (4)	PRC/Mainland China 14 September 2010	RMB10,000,000	**45.9%**	N/A	Property development
浙江安源旅行社有限公司 Zhejiang Anyuan Travel Agency Co., Ltd. (b) (4)	PRC/Mainland China 17 August 2010	RMB10,000,000	**90%**	N/A	Travel agency

Notes:

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

(a) On 16 November 2009, the company's name was changed from Yuyao Zhong'an Enterprise Management Co., Ltd. (余姚眾安企業管理有限公司) to Yuyao Henglong Property Co., Ltd. (余姚恒隆置業有限公司).

(b) These subsidiaries were set up by the Group in 2010.

(c) Types of legal entities:

(1) Wholly-foreign-owned enterprise

(2) Sino-foreign equity joint venture

(3) Limited liability company invested by foreign invested enterprise

(4) Limited liability company

21. TRADE RECEIVABLES

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

Trade receivables are non-interesting-bearing and unsecured.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2010	2009	**2010**	2009
		RMB'000	RMB'000	**RMB'000**	RMB'000
Due from other related parties		**8,292**	8,292	**–**	–
Advance to suppliers		**58,245**	116,534	**9**	–
Deposits					
– for acquisition of a subsidiary	*(a)*	**210,000**	210,000	**–**	–
– others		**17,212**	19,162	**1**	–
Tax recoverable		**12,005**	5,634	**–**	–
Other receivables		**116,732**	109,999	**270**	771
		422,486	469,621	**280**	771
Impairment		**(62,966)**	(18,000)	**–**	–
		359,520	451,621	**280**	771

(a) Pursuant to a share transfer agreement entered into in 2007 between a subsidiary of the Company, Ideal World Investments Limited, and Huijun Architectural Design Limited ("Huijun Design"), an independent third party, regarding the transfer of 100% equity interest of Huijun (International) Holdings Limited ("Huijun International"), a wholly-owned subsidiary of Huijun Design, from Huijun Design to the Group, Huijun Design assigned to the Group loan of approximately HK$218,000,000 owed by Huijun International to Huijun Design (the "Huijun shareholder's loan") for a consideration of US$28,800,000. In 2007, the Group was requested by Huijun Design to make a deposit of RMB210,000,000 as a guarantee for the payment obligation of the Huijun shareholder's loan. In addition, the Group is obligated to pay the consideration to Huijun Design after completion of the development and sale of properties of Zhejiang Huijun Real Estate Co., Ltd. ("Huijun Real Estate"), a subsidiary of Huijun International established in the PRC, and the completion of liquidation of Huijun Real Estate or on an earlier date the Group may choose. Regardless of when the Group elects or is due to pay the consideration, the Group's payment obligation is subject to the return of RMB210,000,000 deposits paid by the Group. The Directors are of the view that the deposit will be fully settled in 2011.

Included in the above provision for impairment of other receivables is a full provision for individually impaired other receivables of RMB62,966,000 with a carrying amount before provision of RMB62,966,000 as at 31 December 2010.

23. LONG TERM PREPAYMENTS

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

NOTES TO FINANCIAL STATEMENTS

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**987,955**	792,787	**3,046**	23,424
Time deposits	**448,582**	128,348	**–**	–
	1,436,537	921,135	**3,046**	23,424
Less: Pledged deposits	**(428,558)**	(29,348)	**–**	–
Cash and cash equivalents	**1,007,979**	891,787	**3,046**	23,424

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

As at 31 December 2010, certain of the Group's time deposits of RMB16,558,000 (2009: 29,348,000) were pledged to banks as guarantees to mortgage facilities granted to purchasers of the Group's properties.

As at 31 December 2010, certain of the Group's time deposits of RMB412,000,000 (2009: nil) were pledged to secure interest-bearing bank loans granted to the Group as disclosed in note 28(iv).

25. TRADE PAYABLES

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

	2010	2009
	RMB'000	RMB'000
Within six months	**475,635**	613,647
Over six months but within one year	**8,903**	6,495
Over one year	**24,460**	8,428
	508,998	628,570

The above balances are unsecured and interest-free and are normally settled based on progress of construction.

26. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2010	2009	**2010**	2009
		RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits related to construction		**47,037**	34,414	**–**	–
Payables for acquisition of subsidiaries	*(a)*	**212,876**	227,924	**–**	–
Interest expenses accrued		**9,361**	6,661	**–**	–
Due to a non-controlling shareholder	*(b)*	**265,629**	–	**–**	–
Other payables		**52,838**	66,951	**5,173**	1,676
		587,741	335,950	**5,173**	1,676

(a) The Huijun shareholder's loan of US$28,800,000 as disclosed in note 22(a), equivalent to RMB190,734,000 and RMB196,652,000 as at 31 December 2010 and 2009, respectively, were included in the balances. The Directors are of the view that the balance will be settled in 2011.

(b) On 11 June 2010, the Group acquired land use right of a lot of land in Hangzhou (the "Land") through open tender auction at a total consideration of RMB834 million. On 5 August 2010, the Group entered into a framework agreement (the "Agreement") with Li Xiang International Holding Group Co., Ltd. ("Li Xiang Group"), an independent third party, in order to develop the Land by a joint venture to be established by the Group and Li Xiang Group with equity interest of 51% and 49%, respectively.

Pursuant to the Agreement, the Group newly established a wholly owned company, Hangzhou Anyuan Property Development Co., Ltd. ("Anyuan Property") in September 2010 with registered capital of RMB10 million and will transfer 49% equity interest of Anyuan Property to Li Xiang Group with a total consideration of RMB4.9 million when the Land development archives to 25% of total project investment. Prior to the share transfer, Li Xiang Group is required to contribute 49% of the Land acquisition cost of RMB408.66 million to the Group by installment prior to 21 December 2011.

As at 31 December 2010, Li Xiang Group had made its 1st installment payment of RMB265.63 million and share transfer consideration of RMB4.9 million to the Group according to the Agreement. Although the share transfer has not been completed, it is agreed that Li Xiang Group is deemed as a non-controlling interest shareholder of Anyuan Property with 49% equity interest, that has related rights, including voting rights and assume related obligations, when Li Xiang Group makes the 1st installment payment. Therefore, the Group regarded Li Xiang Group as a non-controlling interest shareholder of the Group as at 31 December 2010. The share transfer consideration of RMB4.9 million was recorded as non-controlling interest and the 1st installment payment of RMB265.63 million was recorded in other payable as at 31 December 2010.

27. ADVANCES FROM CUSTOMERS

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

NOTES TO FINANCIAL STATEMENTS

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010 RMB'000	2009 RMB'000
Group		
Current:		
Bank loans – secured	**650,500**	173,753
Other loans – secured	**300,000**	–
	950,500	173,753
Non-current:		
Bank loans – secured	**1,823,500**	891,036
	2,774,000	1,064,789
Repayable:		
Within one year or on demand	**950,500**	173,753
Over one year but within two years	**658,000**	164,027
Over two years but within five years	**878,000**	432,321
Over five years	**287,500**	294,688
	2,774,000	1,064,789
Current liabilities	**950,500**	173,753
Non-current liabilities	**1,823,500**	891,036

Except for certain short term bank and other borrowings amounting to RMB728,500,000 (2009: RMB5,000,000) that bear interest at fixed rates, all bank loans bear interest at floating rates.

The Group's bank and other borrowings bear interest at rates ranging from 5.31% to 6.91% per annum (2009: 4.86% to 8.32% per annum).

As at 31 December 2010, all bank and other borrowings of the Group were in Renminbi.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

At 31 December 2010, the Group's bank and other borrowings are secured by:

(i) the Group's investment properties with a carrying amount of approximately RMB1,645,300,000 (2009: RMB1,596,400,000) (note 15);

(ii) the Group's properties under development with a carrying amount of approximately RMB2,684,405,000 (2009: RMB145,367,000) (note 16); and

(iii) the Group's property and equipment with a net carrying amount of approximately RMB150,542,000 (2009: RMB158,392,000) (note 14); and

(iv) the Group's time deposits of RMB412,000,000 (2009: nil) (note 24).

29. SHARE CAPITAL

Shares

	2010 '000	2009 '000
Authorised: 4,000,000,000 (2009: 4,000,000,000) ordinary shares of HK$0.10 each	**HK$400,000**	HK$400,000
Issued and fully paid: 2,331,206,400 (2009: 1,942,672,000) ordinary shares of HK$0.10 each	**RMB219,216**	RMB185,339

During the year, the movements in share capital was as follows:

Pursuant to the annual general meeting held on 30 June 2010, bonus issue of shares on the basis of one share for every five ordinary shares held was approved. 388,534,400 bonus shares were issued under the bonus issue on 19 July 2010 and the amount of HK$38,853,440 was capitalised from the Company's share premium account. The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

NOTES TO FINANCIAL STATEMENTS

30. SHARE OPTION SCHEME

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

30. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

The following share options were outstanding under the Scheme during the year:

		2010		2009	
		Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January		**3.10**	**40,000**	–	–
Granted during the year		**–**	**–**	3.10	40,000
Bonus issue adjustment	*(a)*	**2.58**	**8,062**	–	–
		2.58	**48,062**	3.10	40,000

(a) As a result of the bonus issue of shares mentioned in note 29 to the financial statement, in accordance with the terms of the share option scheme and the supplementary guidance dated 5 September 2005 issued by the Stock Exchange regarding adjustment of share options under rule 17.03(13) of the Listing Rules, the exercise price of and the number of shares falling to be allotted and issued upon full exercise of the outstanding share options of the Scheme have been adjusted from HK$3.10 per share to HK$2.58 per share and 40,000,000 shares to 48,062,016 shares, respectively.

NOTES TO FINANCIAL STATEMENTS

30. SHARE OPTION SCHEME (CONTINUED)

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

2010

Number of options '000	Exercise price* per share	Exercise period
48,062	HK$2.58	9 July 2010 to 8 July 2019

2009

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

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of options granted in 2009 was approximately RMB70,133,000, of which the Group recognised a share option expense of RMB24,877,000 (2009: RMB15,519,000) during the year ended 31 December 2010.

The fair value of equity-settled share options granted in 2009 was estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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

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

30. SHARE OPTION SCHEME (CONTINUED)

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

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

At the end of the reporting period, the Company had 48,062,016 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 48,062,016 additional ordinary shares of the Company and additional share capital of RMB4,090,000 and share premium of RMB101,425,000 (before issue expenses).

Subsequent to the end of the reporting period, on 22 January 2011, a total of 80,000,000 share options were granted to eligible participants of the Scheme in respect of their services to the Group in the forthcoming year. These share options vest on 22 January 2014 and have an exercise price of HK$1.85 per share and an exercise period ranging from 22 January 2014 to 21 January 2021. The price of the Company's shares at the date of grant was HK$1.85 per share.

At the date of approval of these financial statements, the Company had 128,062,016 share options outstanding under the Scheme, which represented approximately 5.4% of the Company's shares in issue as at that date.

31. RESERVES

Group

(a) Share premium

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

(b) Contributed surplus

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

(c) Capital reserve

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

NOTES TO FINANCIAL STATEMENTS

31. RESERVES (CONTINUED)

Group (continued)

(d) Statutory surplus reserve and statutory reserve fund

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

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

(e) Company

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2009	2,976,821	(248,632)	(29,692)	–	2,698,497
Total comprehensive income for the year	–	(3,912)	74,091	–	70,179
Interim 2009 dividend declared	–	–	(38,853)	–	(38,853)
Entity–settled share option arrangements	–	–	–	15,519	15,519
At 31 December 2009 and 1 January 2010	2,976,821	(252,544)	5,546	15,519	2,745,342
Total comprehensive loss for the year	–	(88,224)	(39,888)	–	(128,112)
Entity–settled share option arrangements	–	–	–	24,877	24,877
Bonus issue	(33,877)	–	–	–	(33,877)
At 31 December 2010	**2,942,944**	**(340,768)**	**(34,342)**	**40,396**	**2,608,230**

32. RELATED PARTY TRANSACTIONS

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

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

(b) as disclosed in note 22, the Group had balances due from other related parties at the ends of 31 December 2009 and 2010. All the balances due from other related parties were arising from non-trade activities, unsecured, interest-free and repayable on demand.

33. COMMITMENTS

The Group had the following commitments for property development expenditure at the end of the reporting period:

	2010 **RMB'000**	2009 RMB'000
Contracted, but not provided for:		
Properties under development	**2,185,729**	1,954,409

34. OPERATING LEASE COMMITMENTS

As lessor

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

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

	2010 **RMB'000**	2009 RMB'000
Within one year	**53,486**	44,038
In the second to fifth years, inclusive	**133,418**	144,978
After five years	**29,569**	49,237
	216,473	238,253

NOTES TO FINANCIAL STATEMENTS

34. OPERATING LEASE COMMITMENTS (CONTINUED)

As lessee

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

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

	2010 RMB'000	2009 RMB'000
Within one year	7,901	6,527
In the second to fifth years, inclusive	17,253	15,191
After five years	33,333	31,820
	58,487	53,538

35. CONTINGENT LIABILITIES

	2010 RMB'000	2009 RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	659,460	872,285

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

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2010 **Group**

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	3,300	3,300
Trade receivables	16,139	–	16,139
Financial assets included in prepayments, deposits and other receivables	289,270	–	289,270
Pledged deposits	428,558	–	428,558
Cash and cash equivalents	1,007,979	–	1,007,979
	1,741,946	3,300	1,745,246

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	508,998
Financial liabilities included in other payables and accruals	554,490
Interest-bearing bank and other borrowings	2,774,000
	3,837,488

NOTES TO FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2009 Group

Financial assets

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

Financial liabilities

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

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

Financial assets

	2010 Loans and receivables RMB'000	2009 Loans and receivables RMB'000
Interests in subsidiaries	**979,287**	996,498
Financial assets included in prepayments, deposits and other receivables	**280**	771
Amounts due from subsidiaries	**1,966,248**	2,027,699
Cash and cash equivalents	**3,046**	23,424
	2,948,861	3,048,392

Financial Liabilities

	2010 Financial liabilities at amortised cost RMB'000	2009 Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	**5,173**	1,676
Amounts due to subsidiaries	**116,802**	116,653
	121,975	118,329

NOTES TO FINANCIAL STATEMENTS

37. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**1,007,979**	891,787	**1,007,979**	891,787
Pledged deposits	**428,558**	29,348	**428,558**	29,348
Trade receivables	**16,139**	14,318	**16,139**	14,318
Financial assets included in prepayments, deposits and other receivables	**289,270**	329,453	**289,270**	329,453
Available-for-sale investments	**3,300**	3,300	**3,300**	3,300
	1,745,246	1,268,206	**1,745,246**	1,268,206
Financial liabilities				
Trade payables	**508,998**	628,570	**508,998**	628,570
Financial liabilities included in other payables and accruals	**554,490**	289,684	**554,490**	289,684
Interest-bearing bank and other borrowings	**2,774,000**	1,064,789	**2,774,000**	1,064,789
	3,837,488	1,983,043	**3,837,488**	1,983,043

NOTES TO FINANCIAL STATEMENTS

37. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**3,046**	23,424	**3,046**	23,424
Financial assets included in prepayments, deposits and other receivables	**280**	771	**280**	771
Interests in subsidiaries	**979,287**	996,498	**979,287**	996,498
Amounts due from subsidiaries	**1,966,248**	2,027,699	**1,966,248**	2,027,699
	2,948,861	3,048,392	**2,948,861**	3,048,392
Financial liabilities				
Financial liabilities included in other payables and accruals	**5,173**	1,676	**5,173**	1,676
Amounts due to subsidiaries	**116,802**	116,653	**116,802**	116,653
	121,975	118,329	**121,975**	118,329

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries and interests in subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group and the Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2010 and 2009.

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2010			
RMB	**50**	**(10,957)**	**(8,218)**
RMB	**(50)**	**10,957**	**8,218**
2009			
RMB	50	(4,948)	(3,711)
RMB	(50)	4,948	3,711

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

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

A reasonably possible change of 5% in the exchange rates between the US$ and RMB and between the HK$ and RMB would have no material impact on the Group's profit during the year and there would have no impact on the Group's equity as the Group did not have material foreign currency transactions during the year.

(c) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposited with overseas banks and state-owned banks in Mainland China. The carrying amounts of the other receivables, pledged deposits and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk. The Group has arranged bank financing for certain purchasers of its property units and has provided guarantees to secure the obligations of such purchasers for repayments. Detailed disclosures of these guarantees are made in note 35.

(d) Liquidity risk

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

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

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

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

Group

	2010					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	30,000	920,500	1,536,000	287,500	2,774,000
Trade payables	508,998	–	–	–	–	508,998
Guarantees given to banks in connection with mortgage facilities granted to purchasers of the Group's properties	–	659,460	–	–	–	659,460
Other payables and accruals	554,490	–	–	–	–	554,490
	1,063,488	689,460	920,500	1,536,000	287,500	4,496,948

Group

	2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	2,500	171,253	596,348	294,688	1,064,789
Trade payables	628,570	–	–	–	–	628,570
Guarantees given to banks in connection with mortgage facilities granted to purchasers of the Group's properties	–	872,285	–	–	–	872,285
Other payables and accruals	289,684	–	–	–	–	289,684
	918,254	874,785	171,253	596,348	294,688	2,855,328

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

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

Company

	2010					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Due to subsidiaries	**116,802**	**–**	**–**	**–**	**–**	**116,802**
Other payables and accruals	**5,173**	**–**	**–**	**–**	**–**	**5,173**
	121,975	**–**	**–**	**–**	**–**	**121,975**

Company

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

(e) Capital management

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

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

NOTES TO FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management (continued)

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

Group

	2010 RMB'000	2009 RMB'000
Interest-bearing bank and other borrowings (note 28)	**2,774,000**	1,064,789
Trade payables	**508,998**	628,570
Other payables and accruals	**587,741**	335,950
Less: Cash and cash equivalents	**(1,007,979)**	(891,787)
Net debt	**2,862,760**	1,137,522
Equity attributable to owners of the parent	**4,636,119**	4,280,029
Capital and net debt	**7,498,879**	5,417,551
Gearing ratio	**38%**	21%

39. EVENTS AFTER THE REPORTING PERIOD

(a) On 22 January 2011, 80,000,000 share options were granted to eligible participants of the Scheme, as further detailed in note 30 to the financial statement.

(b) On 10 March 2011, Whole Good Management Limited ("Whole Good") agreed to (i) place, through the placing agent, on a best effort basis, a maximum of 50,000,000 ordinary shares of HK$0.10 each of the Company ("Placing Shares") held by the Whole Good to not less than six placees, who and (if applicable) whose ultimate beneficial owners are independent of, and not connected with, the Company and its connected persons, at a price of HK$1.40 per Placing Share; and (ii) subscribe for such number of new shares of HK$0.10 each of the Company ("Top-Up Subscription Share) equivalent to the number of Placing Shares sold by the Whole Good under the placing at a price of HK$1.40 per Top-Up Subscription Share.

On 15 March 2011, an aggregate of 50,000,000 Placing Shares had been successfully placed by a placing agent to the placees at the placing price of HK$1.40 per Placing Share. On 18 March 2011, Whole Good had subscribed for an aggregate of 50,000,000 Top-Up Subscription Shares at a price of HK$1.40 per Top-Up Subscription Share. None of the Placees has become a substantial shareholder (as defined in the Listing Rules) as a result of the Placing and the Top-Up Subscription.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2011.

PROPERTIES HELD FOR INVESTMENT

31 December 2010

	Address	Existing use at 31 December 2010	Lease term of land
1.	Basement 1 to Level 15, Guomao Building, No. 93 Shixin Road, Chengxiang Town, Xiaohan District, Hangzhou, Zhejiang Province, the PRC	Shops and serviced apartments	Medium (Note)
2.	A retail shop unit on L1, Shanghai La Vie, No. 433 Chang Le Road, Xuhui District, Shanghai, the PRC	Shop	Medium
3.	Portion of Level 1, the whole of Level 2 to Level 4, Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Shops and portion of it is vacant	Medium
4.	Retail shop units of Level 1 to Level 5 in Block 2 to Block 5 of Highlong Plaza, Shanyin Road and Gongren Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Shops	Medium
5.	Office units in Block 2 of Highlong Plaza, Shanyin Road and Gongren Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Office	Medium
6.	Serviced apartment units in Block 3 and 4 of Highlong Plaza, Shanyin Road and Gongren Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Serviced apartments	Medium

PROPERTIES HELD FOR INVESTMENT

31 December 2010

	Address	Existing use at 31 December 2010	Lease term of land
7.	Retail shop units of Level 1 to Level 2 (Phase I) and the whole No.43 commercial building (Phase II), Shanshui Yuan Road and Panshui Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Shops and portion of it is vacant	Medium
8.	Retail shop units of Level 1 to Level 2 in Phase I of Vancouver City, Jinhua Yuan, Renmin Road, Huaibei, Anhui Province, the PRC	Shops and portion of it is vacant	Medium

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

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE

31 December 2010

	Address	Status of completion as at 31 December 2010 (if the property is still under construction)	Expected completion date	Use as at 31 December 2010	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
A.	**Completed properties**							
1.	Guotai Garden, Jinji Road and Jinhui Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		86,091	178,812		90%
	– Apartment units			Properties held for sale			252	
	– Retail shop units			Properties held for sale			598	
2.	Landscape Garden, Panshui Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		87,333	155,942		90%
	– Townhouse units			Properties held for sale			662	
	– Retail shop units			Properties held for sale			4,495	
3.	Integrated Service Center, East Xiaoran Road and Jinjiaqiao Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		2,979	11,131		90%
	– Retail shop units			Properties held for sale			6,297	
4.	Zhong'an Garden, East Xiaoran Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC		Completed		17,788	46,404		90%
	– Apartment units			Properties held for sale			394	
	– Retail shop units			Properties held for sale			1,732	
5.	Phase 1 and South Section of Phase 2, Vancouver City, Renmin Road and Gongren Road, Huaibei, Anhui Province, the PRC		Completed		348,248	268,859		100%
	– Apartment units			Properties held for sale			1,683	
	– Townhouse units			Properties held for sale			391	
	– Retail shop units			Properties held for sale			23,792	

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE

31 December 2010

	Address	Status of completion as at 31 December 2010 (if the property is still under construction)	Expected completion date	Use as at 31 December 2010	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
6.	Vancouver City, Phase 2 – North Section, Renmin Road and Gongren Road, Huaibei, Anhui Province, the PRC		Completed	Properties held for sale	84,330	73,600		100%
	– Low-rise apartment units						144	
	– Villas						2,678	
	– Retail shop units						10,378	
7.	Green Harbour, Phase 1A, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC		Completed	Properties held for sale	110,000	57,600		84.2%
	– Townhouse units						1,496	
8.	White Horse Noble Mansion, Sandun Town, Xihu District, Hangzhou, Zhejiang Province, the PRC				73,514	168,657		99.7%
	– Townhouse units in Phase A		Completed	Properties held for sale			1,000	
	– Apartment units in Phase B		Completed	Properties held for sale			596	
	– Retail shop units		Completed	Properties held for sale			11,205	
9.	Landscape Bay, Phase 2, Ning Wei Town, Hangzhou, Zhejiang Province, the PRC – townhouse units		Completed	Properties held for sale	163,334	86,979	39,917	92.6%
10.	Vancouver City, Phase 3A, Gongren Road and Renmin Road, Huaibei, Anhui Province, the PRC				139,383	145,332		100%
	– Low-rise apartment units		Completed	Properties held for sale			22,295	
	– Townhouse units		Completed	Properties held for sale			6,953	
	– Retail shop units		Completed	Properties held for sale			7,760	
11.	Green Harbour, Phase 1B, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC – Townhouse units		Completed	Properties held for sale	64,376	50,784	42,857	84.2%

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE

31 December 2010

	Address	Status of completion as at 31 December 2010 (if the property is still under construction)	Expected completion date	Use as at 31 December 2010	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
B	**Properties held for development**							
12.	Landscape Bay, Ning Wei Town, Hangzhou, Zhejiang Province, the PRC – Phase 1, high-rise apartment units	Main structure under construction	December 2011	Under construction	52,000	233,978	178,674	92.6%
13.	Yinglong Bay, Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Main structure under construction	December 2012	Under construction	89,173	239,743	185,749	94.5%
14.	Huifeng Plaza, Yucai Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC				25,250	47,306		
	Phase A	Expected to commence construction in November 2011	November 2013	Vacant pending development			28,991	90.0%
	Phase B	Expected to commence construction in November 2011	December 2012	Vacant pending development			11,320	90.0%
15.	Green Harbour, Phase 1C, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC	Expected to commence construction in February 2011	December 2012	Vacant pending development	58,723	77,745	51,593	84.2%
16.	Green Harbour, Phase 2, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC	Expected to commence construction in November 2011	Expected November 2013	Vacant pending development	269,000	127,450	84,200	84.2%

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE

31 December 2010

	Address	Status of completion as at 31 December 2010 (if the property is still under construction)	Expected completion date	Use as at 31 December 2010	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
17.	Green Harbour, Yixing Town, Baohe District, Hefei, Anhui Province, the PRC				1,395,000	553,100		
	- Phase 3	Expected to commence construction in November 2012	November 2014	Vacant pending development			140,600	84.2%
	- Phase 4	Expected to commence construction in November 2013	November 2015	Vacant pending development			170,000	84.2%
	- Phase 5	Expected to commence construction in November 2014	November 2016	Vacant pending development			98,000	84.2%
	- Phase 6	Expected to commence construction in November 2015	November 2017	Vacant pending development			83,900	84.2%
18.	Vancouver City, Gongren Road and Renmin Road, Huaibei, Anhui Province, the PRC				274,217	309,712		
	- Phase 3B	Expected to commence construction in November 2011	December 2013	Vacant pending development			50,087	100.0%
	- Phase 3C	Expected to commence construction in October 2012	December 2014	Vacant pending development			121,925	100.0%
	- Phase 3D	Expected to commence construction in October 2012	June 2015	Vacant pending development			108,700	100.0%
19.	Vancouver City, Gongren Road and Renmin Road, Huaibei, Anhui Province, the PRC							
	- Phase 4 North	Main structure under construction	October 2011	Under construction	296,704	301,844	257,359	100.0%
	- Phase 4 South	Expected to commence construction in March 2012	October 2014	Vacant pending development	82,540	111,787	96,177	100.0%

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE

31 December 2010

	Address	Status of completion as at 31 December 2010 (if the property is still under construction)	Expected completion date	Use as at 31 December 2010	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
20.	Vancouver City, Gongren Road and Renmin Road, Huaibei, Anhui Province, the PRC							
	- Phase 5 North	Main structure under construction	November 2011	Under construction	265,310	65,024	62,442	100.0%
	- Phase 5 South	Expected to commence construction in March 2012	October 2014	Vacant pending development	81,511	35,521	29,300	100.0%
21.	Vancouver City, Phase 6, Gongren Road and Renmin Road, Huaibei, Anhui Province, the PRC	Expected to commence construction in October 2011	December 2014	Vacant pending development	263,517	336,080	232,062	100.0%
22.	International Office Center, Phase A, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC							
	- Phase A1	Expected to commence construction in June 2012	June 2016	Vacant pending development	25,533	358,962	301,904	100.0%
	- Phase A2	Expected to commence construction in November 2012	November 2015	Vacant pending development	28,017	155,980	104,870	100.0%
	- Phase A3	Main structure under construction	December 2013	Under construction	39,060	328,378	237,946	100.0%
23.	International Office Center, Phase B, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in November 2012	November 2015	Vacant pending development	89,200	672,053	474,500	100.0%
24.	International Office Center, Phase C, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in November 2013	November 2016	Vacant pending development	122,000	753,500	633,500	100.0%
25.	A piece of land at Qiandaohu Town, Chunan County, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in January 2011	December 2012	Vacant pending development	108,208	34,416	–	100.0%

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE

31 December 2010

	Address	Status of completion as at 31 December 2010 (if the property is still under construction)	Expected completion date	Use as at 31 December 2010	Site area (sq. m.)	Total GFA (sq. m.)	GFA available for sale/ leasing (sq. m.)	Percentage of interest in the project attributable to the Group
26.	A piece of land at Xiaohe Shan, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in May 2011	November 2013	Vacant pending development	145,265	231,645	164,909	90.0%
27.	A piece of land at Yuhang Economic Development Zone, Hangzhou, Zhejiang Province, the PRC	Expected to commence construction in June 2011	November 2013	Vacant pending development	158,743	507,841	377,030	45.9%
28.	A piece of land at north to Shenggui Hill, west to Xinjian North Road, south to Beihuan West Road, Yuyao, Zhejiang Province, the PRC							
	– Phase 1 – Yuelong Bay	Main structure under construction	December 2011	Under construction	330,135	192,105	129,077	90.0%
	– Phase 2 (residential)	Expected to commence construction in March 2012	December 2014	Vacant pending development	272,821	200,975	190,975	100.0%
	– Zhong An Times Square*	Expected to commence construction in October 2011	November 2014	Vacant pending development	136,678	454,800	363,800	90.0%/ 100.0%

* The project will be developed jointly by two subsidiaries of the Group.

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,243,871**	1,624,476	1,437,841	330,043	672,733
Profit before tax	**640,483**	670,240	442,175	485,068	203,076
Income Tax	**(227,223)**	(227,975)	(159,860)	(51,596)	(112,501)
Profit for the year	**413,260**	442,265	282,315	433,472	90,575
Attributable to:					
Equity holders of the Company	**379,759**	408,917	253,986	391,306	81,966
Minority interests	**33,501**	33,348	28,329	42,166	8,609
	413,260	442,265	282,315	433,472	90,575

Assets, Liabilities and Minority Interests

	31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**11,139,299**	7,266,226	6,326,363	7,685,374	2,179,323
Total Liabilities	**(6,324,956)**	(2,841,786)	(2,283,911)	(3,749,400)	(1,931,741)
Minority Interests	**(178,224)**	(144,411)	(110,573)	(81,681)	(46,155)
	4,636,119	4,280,029	3,931,879	3,854,293	201,427