POWERLONG
宝龙

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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1238

2010
ANNUAL REPORT

Contents

Group Introduction

Powerlong Real Estate Holdings Limited (HK.1238) (the "Company", and together with its subsidiaries, the "Group") is dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 14 October 2009. With its headquarters relocated to Shanghai in February 2010, Powerlong marked its very important footprint in the China real estate industry. Powerlong is committed to improving the living standard of the citizens and driving the urbanization progress in China. The Company has more than 25 projects across 20 cities by the end of December 2010. Powerlong City Plaza which comprises shopping malls, restaurants, leisure and other recreational facilities has created a unique business model drawing extensive attention and recognition from government and the public. Each project does not only promote the regional economic development, but also improves the functional ancillary facilities of the cities and creates job opportunities. The upgrade of people's living standard is a key driver for city quality improvement which Powerlong has been and will be actively engaged in.

The successful development of Powerlong is attributable to the innovative vision from our Chairman Mr. Hoi Kin Hong. He instilled his insights and vision at the beginning of the corporate development and promoted the evolvement of the Company. Powerlong is now under a rapid development stage. The Group is endeavored to work for best results, continue to uphold the belief of "Live with trustworthiness and humbleness, work with innovation and enthusiasm" and set up an efficient and excellent team to create values for the society, customers, shareholders and the staff.

Overview of Our Business

PROPERTY DEVELOPMENT

As at 31 December 2010, the Group had 25 projects at different phases of development, of which the Group currently has eight fully completed projects, three in Fujian Province, one in Henan Province, one in Anhui Province, one in Jiangsu Province and two in Shandong Province. Of the projects under development or held for future development, five are located in Jiangsu Province, three in Shandong Province, two in Henan Province, two in Fujian Province, one in Tianjin Municipality, one in Zhejiang Province, one in Jilin Province, one in Shanghai Municipality and one in Chongqing Municipality.

As at 31 December 2010, the Group had completed 8 property development projects and had 17 other property development projects at various stages of development in a total of 20 cities in China as follows:

- Completed properties: The Group had completed total GFA of 3,398,812 square meters, including 8 fully completed projects in Fujian Province, Henan Province, Anhui Province, Jiangsu Province and Shandong Province.

- Properties under development: The Group had total GFA under development of 3,561,512 square meters encompassing work at 11 projects, of which 4 are located in Jiangsu Province, 3 in Shandong Province, 2 in Henan Province, 1 in Fujian Province and 1 in Tianjin Municipality.

- Properties held for future development: The Group had total GFA of 4,071,928 square meters held for future development at 12 projects, some of which are also properties under development. Of the properties held for future development, the Group has 5 new projects in Xiamen City, Shanghai Municipality, Hangzhou City, Changchun City and Chongqing Municipality on which the Group has not yet started development.

PROPERTY INVESTMENT

As at 31 December 2010, the Group held completed commercial properties in 8 projects with a total GFA of 774,423 square meters for leasing. These properties allow the Group to generate stable rental income. These commercial properties are mainly located at Fuzhou in Fujian Province, Zhengzhou and Luoyang in Henan Province, Qingdao and Tai'an in Shandong Province, Bengbu in Anhui Province, and Wuxi in Jiangsu Province.

HOTEL DEVELOPMENT

As at 31 December 2010, the Group held hotel properties under construction in 11 projects with a total of 399,000 square meters. The Group has also completed the development of three hotels in Suzhou City, Qingdao City and Tai'an City. Four Points by Sheraton Taicang in Suzhou Taicang Powerlong City Plaza, which was opened in June 2010, Four Points by Sheraton Tai'an in Tai'an Powerlong City Plaza, which was opened in December 2010, and Four Points by Sheraton Qingdao Chengyang in Qingdao Chengyang Powerlong City Plaza, which was opened in January 2011, are all managed by an affiliate of Starwood Resorts Worldwide, Inc., with whom the Group has entered into operating agreements to manage and operate these hotels.

PROPERTY MANAGEMENT

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

Overview of Our Business

As at 31 December 2010, the status of the Group's property development business was as follows:

PROPERTIES COMPLETED:

Project	Total GFA '000 square meters	Interest attributable to us	GFA attributable to us '000 square meters	Investment properties '000 square meters	Properties held for sale '000 square meters	Of which: car parking spaces '000 square meters	Of which: properties delivered '000 square meters	Hotel properties '000 square meters
Quanzhou (Golden Jiayuan, Anhai Haoyuan) (泉州晉江寶龍金色家園／泉州安海寶龍豪苑)	198	100%	198	–	198	–	198	–
Fuzhou Powerlong City Plaza (福州寶龍城市廣場)	215	100%	215	95	121	25	97	–
Zhengzhou Powerlong City Plaza (鄭州寶龍城市廣場)	252	100%	252	108	143	31	111	–
Suzhou Taicang Powerlong City Plaza (蘇州太倉寶龍城市廣場)	214	100%	214	–	160	15	133	54
Bengbu Powerlong City Plaza (蚌埠寶龍城市廣場)	491	100%	491	169	322	88	204	–
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	128	100%	128	6	122	20	95	–
Wuxi Powerlong City Plaza (無錫寶龍城市廣場)	284	80%	227	102	181	50	109	–
Qingdao Chengyang Powerlong City Plaza (青島城陽寶龍城市廣場)	708	100%	708	178	490	147	279	40
Tai'an Powerlong City Plaza (泰安寶龍城市廣場)	291	100%	291	53	191	15	166	47
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)	367	100%	367	63	304	26	242	–
Suqian Powerlong City Plaza (宿遷寶龍城市廣場)	100	100%	100	–	100	–	72	–
Yancheng Powerlong City Plaza (鹽城寶龍城市廣場)	99	100%	99	–	99	–	90	–
Yantai Haiyang Powerlong City Plaza (烟台海陽寶龍城市廣場)	22	100%	22	–	22	–	2	–
Qingdao Licang Powerlong City Plaza (青島李滄寶龍城市廣場)	30	100%	30	–	30	–	32	–
Sub-total	3,399		3,342	774	2,484	418	1,831	141

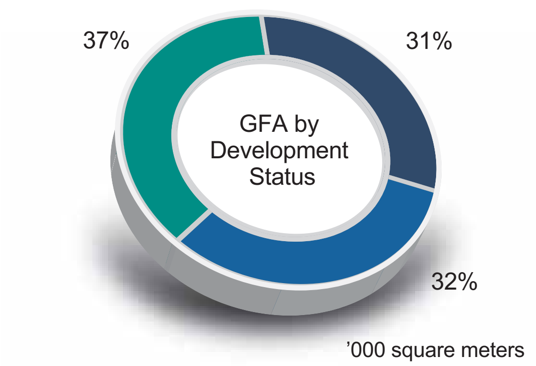
PROPERTIES UNDER CONSTRUCTION:

Project	Total GFA '000 square meters	Interest attributable to us	GFA attributable to us '000 square meters	Investment properties '000 square meters	Properties held for sale '000 square meters	Hotel properties '000 square meters
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	146	100%	146	–	146	–
Suqian Powerlong City Plaza (宿遷寶龍城市廣場)	393	100%	393	121	272	–
Yancheng Powerlong City Plaza (鹽城寶龍城市廣場)	397	100%	397	76	299	22
Changzhou Powerlong City Plaza (常州寶龍城市廣場)	167	100%	167	26	141	–
Yantai Haiyang Powerlong City Plaza (烟台海陽寶龍城市廣場)	118	100%	118	–	80	38
Qingdao Licang Powerlong City Plaza (青島李滄寶龍城市廣場)	347	100%	347	121	217	8
Qingdao Jimo Powerlong City Plaza (青島即墨寶龍城市廣場)	604	100%	604	119	485	–
Luoyang Powerlong City Plaza (洛陽寶龍城市廣場)	350	100%	350	64	287	–
Quanzhou Anxi Powerlong City Plaza (泉州安溪寶龍城市廣場)	307	85%	261	57	250	–
Xinxiang Powerlong City Plaza (新鄉寶龍城市廣場)	358	100%	358	–	358	–
Tianjin Powerlong International Center (天津寶龍國際中心)	374	65%	243	85	289	–
Sub-total	3,562		3,384	668	2,825	68

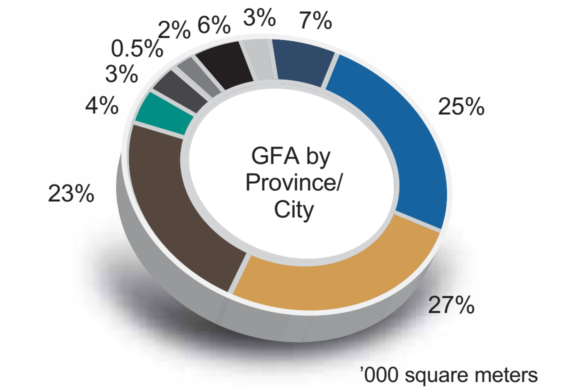
PROPERTIES HELD FOR FUTURE DEVELOPMENT:

Project	Total GFA '000 square meters	Interest attributable to us	GFA attributable to us '000 square meters	Investment properties '000 square meters	Properties held for sale '000 square meters	Hotel properties '000 square meters
Changchun Powerlong Center（長春寶龍中心）	312	100%	312	62	250	–
Suzhou Taicang Powerlong City Plaza（蘇州太倉寶龍城市廣場）	84	100%	84	–	84	–
Wuxi Yuqi Powerlong Riverside Garden（無錫玉祁寶龍湖畔花城）	69	100%	69	3	65	–
Changzhou Powerlong City Plaza（常州寶龍城市廣場）	707	100%	707	127	580	–
Yantai Haiyang Powerlong City Plaza（烟台海陽寶龍城市廣場）	714	100%	714	–	679	35
Hangzhou Powerlong City Plaza（杭州寶龍城市廣場）	271	100%	271	70	201	–
Luoyang Powerlong City Plaza（洛陽寶龍城市廣場）	261	100%	261	12	250	–
Quanzhou Anxi Powerlong City Plaza（泉州安溪寶龍城市廣場）	26	85%	22	–	–	26
Xiamen Project（廈門項目）	54	100%	54	–	54	–
Xinxiang Powerlong City Plaza（新鄉寶龍城市廣場）	907	100%	907	90	760	57
Chongqing Hechuan Powerlong City Plaza（重慶合川寶龍城市廣場）	615	100%	615	80	518	17
Shanghai Powerlong World（上海寶龍天地）	53	100%	53	9	44	–
Sub-total	4,072		4,068	453	3,485	135

Landbank as at 31 December 2010



Completed properties held for investment, operation and sale	3,399
Properties under development	3,562
Properties held for future development	4,072
Total	11,033



Fujian	800
Jiangsu	2,787
Shandong	2,834
Henan	2,496
Anhui	491
Tianjin	374
Shanghai	53
Zhejiang	271
Chongqing	615
Jilin	312
Total	**11,033**

Overview of Our Business

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Hoi Wa Fan

Independent non-executive Directors

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Au-yeung Po Fung

AUTHORIZED REPRESENTATIVES

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

REGISTERED OFFICE

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

PLACE OF BUSINESS IN HONG KONG

Room 5813, 58th Floor
The Center
99 Queen's Road Central
Hong Kong

WEBSITE

www.powerlong.com

AUDITOR

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

COMPLIANCE ADVISOR

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
Agricultural Bank of China Co., Ltd.
China Merchants Bank Co., Ltd.
China CITIC Bank Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland Group

LEGAL ADVISOR

Sidley Austin

Corporate Development Milestones

Completion of
Xiamen Powerlong Centre
Mr. Hoi Kin Hong established Powerlong Group, that is principally engaged in the development of residential properties, to tap into the real estate industry

1991-2000

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

2004

Completion of
Fuzhou Powerlong City Plaza

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

2006

1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

2003

Construction commenced at **Quanzhou Jinjiang Powerlong Golden Jiayuan**

2005

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

Construction commenced at
Suzhou Taicang Powerlong City Plaza Phase I

2007 2008 2009 2010

2007

Opening of
Fuzhou Powerlong City Plaza

Completion of
Suzhou Taicang Powerlong City Plaza Phase I

Construction commenced at
Wuxi Powerlong City Plaza Phase I,
Wuxi Yuqi Powerlong Riverside Garden Phase I,
Qingdao Chengyang Powerlong City Plaza,
Tai'an Powerlong City Plaza Phase II

2008

Opening of
Zhengzhou Powerlong City Plaza

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

Construction Commenced at
Wuxi Powerlong City Plaza Phase II

2009

Listing of
Powerlong Real Estate Holdings Limited on the Main Board of The Stock Exchange of Hong Kong Limited

Opening of
Qingdao Chengyang Powerlong City Plaza

Completion of
Bengbu Powerlong City Plaza Phase II,
Qingdao Chengyang Powerlong City Plaza Phase I,
Luoyang Powerlong City Plaza Phase I,
Tai'an Powerlong City Plaza Phase II,
Wuxi Yuqi Powerlong Riverside Garden Phase I

2010

Relocation of
headquarters to Shanghai

Opening of
Wuxi Powerlong City Plaza,
Bengbu Powerlong City Plaza,
Four Points by Sheraton Taicang,
Four Points by Sheraton Tai'an

Completion of
Qingdao Chengyang Powerlong City Plaza Phase II,
Wuxi Powerlong City Plaza

Issuance of
US$ 200 million senior notes in September

Acquisition of projects in
Anxi of Quanzhou, Yujiapu of Tianjin,
Guangfulin of Shanghai, Hechuan of Chongqing,
Lakeside Reservoir of Xiamen, Xiasha of Hangzhou,
South Xincheng of Changchun

Honors and Awards

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

1. 2010 China Top 100 Real Estate Developers
2. 2010 China Real Estate Developer Social Responsibility Award
3. 2010 Top 10 Hong Kong Listed PRC Real Estate Companies Financial Stability Award
4. 2010 Leading Brands of China Real Estate Companies – Retail and Leisure Real Estate
5. Certificate of Regional Headquarters of Multinational Corporation
6. Top 500 Listed Company in China

7 China Real Estate Golden Key Award – China Exemplifying Enterprise of Sustained Competitiveness

8 China Real Estate Golden Key Award – China Exemplifying Developers of Commercial Real Estate

9 Ranked No. 3 in 2010 Top 10 PRC Real Estate Commercial Projects (Brand Value)

10 Famous PRC Commercial Real Estate Developer

In addition, Mr. Hoi Kin Hong, the Chairman of the Board of Directors (the "Board"), was awarded Leader of the PRC Commercial Real Estate, Contributor to Commercial Real Estate of the Year, Outstanding Contribution Award for China Top 10 Wealthy and Intelligent Figures, Figure of Leading Brands in China for 2010 and 2010 PRC Entrepreneur of the Year.

Mr. Hoi Wa Fong, the Chief Executive Officer, was awarded Outstanding Contributor to the development of Socialism in China by Xiamen Municipal and Outstanding Brands Establishment Award for 2010.

The above honors and awards have proven the brilliant achievements and strong recognition of Powerlong.

Chairman's Statement

HOI Kin Hong
Chairman and President

Dear shareholders,

On behalf of the Board of Powerlong, I hereby present our operating results for the year of 2010. As such, I first wish to express my sincere gratitude to the support and trust from all shareholders.

Powerlong continued its rapid growth in 2010. Under various control policies implemented by the PRC government, the Company leveraged on new opportunities arising from the growth of economy, internally adjusted its management and externally expanded its business actively and aggressively. As a result, we made breakthroughs in our development. The revenue for the year ended 31 December 2010 amounted to approximately RMB4,432.7 million, representing an increase of 7.2% as compared to that of the corresponding period of last year and the gains from revaluation on investment properties for the year ended 31 December 2010 was approximately RMB2,562.7 million. Net profit for the year ended 31 December 2010 amounted to approximately RMB3,185.4 million.

In 2010, the Group continued to remain focused on the development of large-scale property projects. Despite all uncertainties arising from the PRC macro-economic controls, Powerlong succeeded in solidifying its core business through centralized resources planning and diversified development strategies. The Group has been actively pursuing investment opportunities and expanding the land bank in a rational manner. The Group insists on implementing prudent financial management ensuring healthy financial positions and sound operation during the second half of 2010. Being able to capture the opportunities brought by commercial properties boom and take full advantage of its stable cash flow, the Group managed to get on a safe ride through the storm bringing satisfactory returns to the shareholders.

ACCELERATING FOR WIDER NATIONAL PRESENCE

The year of 2010 was a challenging year for the PRC real estate market, but yet, an unprecedentedly booming year for commercial properties. As a developer specializing in commercial properties for eight years, Powerlong grasped the opportunity to briskly accelerate its nationwide expansion strategy. In 2010, Powerlong acquired seven quality project sites in Shanghai, Tianjin, Hangzhou, Hechuan, Changchun, Anxi and Xiamen, increasing its land bank by more than 2 million square meters in GFA. At present, our total land bank amounts to GFA of approximately 7.6 million square meters. For the year ended 31 December 2010, the Group successfully diversified into the hotel business. When our three hotels officially commence operation, the Group believes the new business would be another stream of recurring income and would bring additional value to our shareholders going forward. With regards to financial management, the Group has been actively pursuing various funding channels for its continuous expansion. In 2010, the Group raised USD 200 million through a bond issue and the net increase of bank loans is approximately RMB1,911.2 million. However, maintaining healthy cash flow and low debt ratio is still our consistent target.

INTRODUCTION OF THIRD-GENERATION PRODUCTS DRIVEN BY REPRODUCTION OF STANDARDIZATION

The Group is accelerating to catch up with the rapid urbanization in the PRC. Various measures are put in place for operation standardization including regular business review and formulated internal guidelines covering products, management, professionalism and technology.

Capitalizing on its improving internal controls, the Company launched its third-generation products and has successfully transformed into one of the most reputable developers for commercial properties in the PRC. The third-generation products are defined as a "1+N" model, i.e. a comprehensive urban complex project which comprises a shopping mall with a number of buildings including residential apartments, five-star hotels, serviced apartments, SOHO offices or commercial walking streets. During the year of 2010, five comprehensive urban complex projects have successfully commenced operation. In addition, the Group successfully invited approximately 800 companies to attend two business strategic partnership conferences and established strategic cooperation relationships with over 50 top-tier companies covering businesses like supermarkets, cinemas, food and beverages and entertainment. Cooperation with strategic partners who themselves are leading players in their own areas builds a solid foundation for the sale and lease of the Group's projects.

SETTING UP HEADQUARTERS IN SHANGHAI AND THE COMPLETION OF THE FIRST-PHASE OF TEAM BUILDING

In 2010, the Group successfully moved its headquarters to Shanghai and celebrated its 20th anniversary which attracted extensive attention in Shanghai, the Yangtze River Delta Region and nationwide. Having recruited talents from first-tier cities of China, the number of staff in our headquarters increased from 108 to 390 which significantly improved the overall business and management capacity of the Company. The Group has also established a more comprehensive management and human resource system and has preliminarily completed the team integration to be ready for the challenges ahead.

In the future, the Group will continue strengthening its talents through comprehensive staff training which in turn will further contribute to the rapid development of the Company.

DEVELOPMENT STRATEGIES AND FUTURE OUTLOOK

"Quality" is the Group's top priority in 2011. With the philosophy of more achievements, faster, better and more economical results, the Group is committed to attaining highest quality standards through precise and focused strategy control and implementation.

Subsequent to the listing in Hong Kong and the relocation of its headquarters to Shanghai, the Group is still at its stage of growth with projects steadily maturing and investments reaping rewards. There will be more challenges ahead and greater goals to strive for. Under the guidance of the "Five-Year Outline Plan of Powerlong (2011-2015)", the Group is endeavoring to become the premier urban complexes developer in the PRC in the next five years through pursuing innovation and expansion. The Group's success is built upon trust and support of all staff, with the same goal in mind, Powerlong is confident in writing a new chapter in the coming years with its staff and business partners.

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

Hoi Kin Hong
Chairman

24 March 2011

Management Discussion and Analysis

HOI Wa Fong
CEO

BUSINESS REVIEW

Results

During the year under review, the Group achieved a total revenue of RMB4,432.7 million (2009: RMB4,135.7 million), representing an increase of 7.2%. Net profit for the year ended 31 December 2010 increased by 4.7% to RMB3,185.4 million (2009: RMB3,041.1 million) and the portion attributable to equity holders of the Company was RMB2,955.6 million (2009: RMB3,042.7 million), representing a decrease of 2.9%. Basic and diluted earnings per share attributable to equity holders of the Company for the year ended 31 December 2010 amounted to RMB72.53 cents and RMB72.53 cents, respectively (2009: RMB93.93 cents and RMB93.92 cents, respectively).

For the year ended 31 December 2010, the Group conducted its business activities in the following major business segments, namely property development, property investment, property management and other property development related services. During the year under review, property development remains the core business and key revenue driver of the Group.

The increase in revenue was largely derived from overwhelming responses to the sales of the Group's 12 projects during the year under review.

Revenue generated from property sales for the year ended 31 December 2010 amounted to RMB4,162.4 million (2009: RMB4,008.3 million). The satisfactory revenue generated from property sales was due to the generally active market environment in 2010 when sales took place.

For the year ended 31 December 2010, the rental income and property management services income was RMB237.0 million (2009: RMB127.5 million). The growth in the rental income and property management services income was mainly due to the opening of new projects in 2010 and the increase in total GFA for leasing.

MARKET REVIEW

2010 was an austerity year for the property market in the PRC. The Central Government has launched a series of policies of tightening interest rate and lending to cool down the overheated property market, resulting in a volatile market sentiment. Overall, the property market of 2010 continued to maintain a rapid growth rate, particularly a more significant growth in the total sales area and amount. Although the Central Government exercised the control policies for the property market in full scale, which has cooled down the upsurge of property prices in the first tier cities to some extent, the pull-back of prices of real estate market of the first tier cities did not exist while those of the second and third tier cities recorded a significant growth. As a commercial property developer, the Group continued to achieve outstanding results, which were widely recognized, by leveraging on its experience and unique business mode of commercial property operation.

Property Development

During the year under review, the Group adhered closely to its schedules of completion and delivery as originally planned. The total GFA of completed and delivered projects were approximately 515,567 square meters (2009: 669,090 square meters) in aggregate, and represented a decline of 22.9% when compared with the corresponding period of last year, as highlighted in the following table:

Projects completed and delivered in 2010

Project name	Approximate GFA completed (square meters)	Approximate GFA sold & delivered (square meters)
Fuzhou		
Commercial	–	303
Suzhou Taicang		
Hotel	46,444	–
Zhengzhou		
Commercial	–	14,549
Residential	–	61
Tai'an		
Commercial	–	19,308
Residential	–	6,383
Hotel	47,382	–
Bengbu		
Commercial	211,051	34,600
Residential	–	677
Luoyang		
Commercial	–	46,169
Residential	–	513
Qingdao Chengyang		
Commercial	105,296	25,462
Residential	54,745	64,390
Hotel	39,711	–
Wuxi Wangzhuang		
Commercial	147,723	38,985
Residential	75,460	59,392

Project name	Approximate GFA completed (square meters)	Approximate GFA sold & delivered (square meters)
Wuxi Yuqi		
Commercial	–	1,312
Residential	–	7,147
Suqian		
Commercial	60,343	37,216
Residential	39,409	35,018
Qingdao Licang		
Commercial	2,775	2,402
Residential	26,874	29,649
Yantai Haiyang		
Residential	22,425	1,750
Yancheng		
Commercial	32,603	28,609
Residential	66,600	61,672
Total		
Commercial	559,791	248,915
Residential	285,513	266,652
Hotel	133,537	–
Total	978,841	515,567
Add: Car park spaces completed	168,750	
	1,147,591	

Property Sales Performance

The Group achieved remarkable property sales performance during the year under review through the provision of products at different tiers. Major sales growth of the Group during the year under review was attributable to Wuxi Powerlong City Plaza (Wuxi Wangzhuang), Yancheng Powerlong City Plaza, Suqian Powerlong City Plaza and Qingdao Chengyang Powerlong City Plaza as highlighted in the following table:

	Delivered GFA (square meters)	Revenue (RMB'000)	Average Selling Price (RMB/ square meters)
Fuzhou			
Commercial	303	6,111	20,168
Zhengzhou			
Commercial	14,549	204,174	14,034
Residential	61	1,604	26,295
Bengbu			
Commercial	34,600	358,909	10,373
Residential	677	6,122	9,043
Luoyang			
Commercial	46,169	293,754	6,363
Residential	513	1,736	3,384
Suqian			
Commercial	37,216	383,780	10,312
Residential	35,018	174,811	4,992
Qingdao Chengyang			
Commercial	25,462	224,088	8,801
Residential	64,390	299,684	4,654
Tai'an			
Commercial	19,308	125,869	6,519
Residential	6,383	48,667	7,624
Wuxi Wangzhuang			
Commercial	38,985	577,887	14,823
Residential	59,392	416,571	7,014
Wuxi Yuqi			
Commercial	1,312	9,327	7,109
Residential	7,147	32,048	4,484
Yantai Haiyang			
Residential	1,750	20,946	11,969
Qingdao Licang			
Commercial	2,402	78,732	32,778
Residential	29,649	233,676	7,881
Yancheng			
Commercial	28,609	320,341	11,197
Residential	61,672	343,513	5,570
Total			
Commercial	248,915	2,582,972	10,377
Residential	266,652	1,579,378	5,923
	515,567	4,162,350	8,073

During the year under review, the total contracted sales area of the Group reached approximately 874,560 square meters (2009: 395,358 square meters), while total contracted sales in 2010 amounted to RMB6,215.3 million (2009: RMB2,902.5 million). This represented a significant 114.1% increase when compared with 2009.

During the year under review, Wuxi Powerlong City Plaza and Phase II of Bengbu Powerlong City Plaza opened and commenced operations respectively. Powelong has acquired 7 various lots of land in Anxi of Quanzhou, Yujiapu of Tianjin, Guangfulin of Shanghai, Hechuan of Chongqing, Lakeside Reservoir of Xiamen, Xiasha of Hangzhou and South Xincheng of Changchun.

Hotel Development

The Group continues to develop its hotel business for the long-term recurring income stream in the future. The Group is now developing 3 hotels in Suzhou Taicang, Qingdao Chengyang and Tai'an, respectively, and has engaged a subsidiary of Sheraton Hotels and Resorts International Group for their management services as the hotel operator. During the year under review, Four Points by Sheraton Taicang and Four Points by Sheraton Tai'an have officially commenced operations, marking a key milestone of the Group.

Investment Properties and Ancillary Services

To generate a stable and recurrent income, the Group also holds some of its commercial properties for leasing. As at 31 December 2010, the Group had an aggregate GFA of approximately 774,423 square meters (2009: 544,964 square meters) held as investment properties, which was increased by 42.1% compared with the corresponding period of 2009.

During the year under review, the Group recorded a rental income from investment properties of approximately RMB180.6 million (2009: RMB94.0 million), which was increased by 92.1% when compared with the corresponding period of 2009. This was mainly attributable to the completion of construction works and delivery of properties at Wuxi Wangzhuang, Bengbu and Qingdao Chengyang, which resulted in an increase of GFA for leasing.

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's development pipeline for the next 3 to 4 years.

As at 31 December 2010, the Group had a quality land bank amounting to a total GFA of approximately 7,633,439 square meters, of which approximately 3,561,512 square meters were under development and construction, and approximately 4,071,927 square meters was held for future development. The land bank will be used for the development of large-scale commercial properties, quality residential properties, apartments and hotels with supermarkets, department stores, cinema complexes, food courts and other leisure facilities.

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

(1) Shanghai Powerlong World

The project is located at Guangfulin area, Fangsong Street, Songjiang District, Shanghai. The site is located east to Longyuan Road, south to Guangfulin Cultural Heritage Area, west to Guangfulin Lot Nos 2-7 and north to Yinze Road. It lies in the transition zone between Songjiang Xincheng (University Town) and Sheshan national tourism region and is 30 kilometers away from the CBD of Shanghai.

The project occupies a total site area of 30,096 square meters with a total GFA of 52,742 square meters.

This project is expected to consist of retail shops, restaurants and a hotel.

(2) Tianjin Powerlong International Center

The project is located at Yujiapu Financial Zone, Binhai New Area, Tianjin.

This project occupies a total site area of 30,141 square meters with a total GFA of 374,363 square meters.

This project is expected to consist of apartment units, an office building, a shopping mall and car parking spaces.

(3) Changchun Powerlong Center

The project is located in the vicinity of C45 Road, Nanguan District.

This project occupies a total site area of 26,919 square meters with a total GFA of 312,000 square meters.

The project is expected to consist of furnished apartment units, a shopping mall and an office building.

(4) Quanzhou Anxi Powerlong City Plaza

The project is located at Jian'an Block, the junction of Jian'an Road and the Second Ring Road of Anxi, Quanzhou, Fujian Province, and is the core block of extension from the old urban area to the new urban area of Anxi City.

This project occupies a total site area of 86,902 square meters with a total GFA of 332,769 square meters.

This project consists of a shopping mall, furnished apartment units, residential units, retail shops, a hotel and car parking spaces. It is expected to open in 2012.

(5) Hangzhou Powerlong City Plaza

The project includes three adjacent lots located at Xiasha Higher Education Zone, Hangzhou Economic and Technological Development Area.

This project occupies a total site area of 90,036 square meters with a total GFA of 270,800 square meters.

This project is expected to consist of residential units, villas, furnished apartment units, retail shops, a shopping mall.

(6) Chongqing Hechuan Powerlong City Plaza

The project is located at the junction of Heyangcheng Street, Chengbei Avenue and North Ring Road, Hechuan District, Chongqing.

This project occupies a total site area of 180,181 square meters with a total GFA of 614,861 square meters.

This project is expected to consist of residential units, furnished apartment units, retail shops, a shopping mall and a hotel.

(7) Xiamen Project

The project is located at Lakeside Reservoir Block in Huli District.

This project occupies a total site area of 29,767 square meters with a total GFA of 53,660 square meters.

This project is expected to consist of residential units, villas and retail shops.

Property Management and Related Services

During the year under review, the income from property management and related services generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB89.7 million (2009: RMB33.4 million), representing an increase of 168.6% as compared with the corresponding period of 2009.

Outlook

2010 was an austerity year for the property market in China. The central government launched a series of policies on tightening interest rate and lending to cool down the overheated property market, resulting in a volatile market sentiment. In the long-run, the Group remains optimistic towards the prospect of the commercial property market in China. The Central Economic Work Conference emphasizes that the commercial real estate industry remains one of the nation's economic pillars. Together with rapid urbanization and rising housing demand in China, the Group is well-positioned to capture business opportunities and to develop commercial and residential properties of high quality that are well-received by customers.

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

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

FINANCIAL ANALYSIS

Revenue

The total revenue for the Group for the year ended 31 December 2010 was RMB4,432.7 million. In terms of the overall unit selling price and volume of transactions, a table of analysis on the sales of properties is provided as follows:

Types of properties sold and delivered	GFA	Average selling price
	(square meters)	(RMB/ square meters)
Commercial	248,915	10,377
Residential	266,652	5,923
Total	515,567	8,073

In 2010, the Group successfully completed and delivered residential and commercial units in Wuxi Powerlong City Plaza, Suqian Powerlong City Plaza, Yancheng Powerlong City Plaza, Tai'an Powerlong City Plaza, Yantai Haiyang Powerlong City Plaza, Qingdao Licang Powerlong City Plaza, Qingdao Chengyang Powerlong City Plaza, Zhengzhou Powerlong City Plaza, Luoyang Powerlong City Plaza, Fuzhou Powerlong City Plaza, Wuxi Yuqi Riverside Garden and Bengbu Powerlong City Plaza. Therefore, the total GFA delivered reached 515,567 square meters (2009: 669,090 square meters).

Segment Information

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Sales of properties	**4,162,350**	4,008,255
Rental income of investment properties	**180,635**	94,047
Property management services	**56,409**	33,437
Other property development related services	**33,263**	–
	4,432,657	4,135,739

Sales of property remains the Group's core business activity, representing 93.9% of total revenue in 2010. Rental income and property management services income accounted for 4.1% and 1.3% of total revenue in 2010, respectively.

Cost of Sales

Cost of sales comprises land costs, construction costs, decoration costs, capitalised interest expenses and business taxes. Cost of sales in 2010 increased by 11.0% from approximately RMB1,829.5 million in 2009 to approximately RMB2,030.3 million being in line with the increase in revenue.

Gross Profit and Margin

Gross profit increased from RMB2,306.3 million in 2009 to RMB2,402.4 million in 2010. Gross profit margin slightly decreased from 55.8% in 2009 to 54.2% in 2010, due to the differences in product mix and locations of properties delivered.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2010 was approximately RMB514.3 million, which increased by 110.3% from approximately RMB244.5 million in 2009, of which selling and marketing cost increased from approximately RMB66.2 million in 2009 by 79.6% to approximately RMB118.9 million in 2010 and administrative expenses increased from approximately RMB178.3 million in 2009 by 121.8% to approximately RMB395.4 million in 2010, which was mainly attributable to the increase in staff costs due to Group's expansion.

Revaluation Gains on Investment Properties

The Group recorded a revaluation gain of approximately RMB2,562.7 million in 2010. The increase by about RMB136.9 million as compared with the corresponding period of last year was mainly due to the completion of the Wuxi Powerlong City Plaza in 2010.

Income Tax Expenses

Income tax expenses decreased by 9.5% from RMB1,442.2 million in 2009 to RMB1,304.5 million in 2010. The decrease was mainly attributable to the reduction of LAT.

Profit Attributable to Equity Holders of the Company

The Group achieved a profit attributable to equity holders of RMB2,955.6 million (2009: RMB3,042.7 million), decreased by RMB87.1 million or 2.9% as compared with the corresponding period of last year. Basic earnings per share dropped by 22.8% to RMB72.53 cents from RMB93.93 cents in 2009.

Net profit margin (excluding the profit attributable to fair value gains on investment properties) for the year under review decreased from 29.5% in 2009 to 28.5% in 2010.

Liquidity and Financial Resources

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from the 13.75% senior notes due 2015 on 16 September 2015, which were used to finance its business operations and investment in development projects. The Group's liquidity position was well-managed in 2010. The Group had net debt (total borrowings less cash and cash equivalents and restricted cash) of RMB2,219.4 million and its net gearing ratio (net debt over total equity) stood at a healthy level of 19.9% as at 31 December 2010. The Group's cash and cash equivalents and restricted cash amounted to RMB4,002.0 million in total as at 31 December 2010. Total borrowings as at 31 December 2010 was RMB6,221.4 million.

Of the total borrowings, RMB1,954.3 million was repayable within one year while RMB4,267.1 million was repayable after one year.

The effective interest rate of borrowings as at 31 December 2010 is as follows:

	31 December	
	2010	2009
	RMB'000	RMB'000
Senior notes	**15.0%**	–
Bank and other borrowings	**5.2%**	4.4%

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

The Group has established a fund raising policy with the objective of better controlling corporate finance functions and lowering cost of funds. In providing funds to all its operations, funding terms are reviewed and monitored collectively at Group level.

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

Credit Policy

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

Pledge of Assets

As at 31 December 2010, the Group pledged its properties, properties under construction and land use rights with carrying amount of RMB10,093.8 million to secure bank facilities granted to the Group. The total secured bank borrowings as at 31 December 2010 amounted to RMB4,032.6 million.

Financial Guarantees

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

	31 December 2010 RMB'000	2009 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,876,958**	1,065,978

Commitments

(1) Commitments for property development expenditures

	31 December 2010 RMB'000	2009 RMB'000
Contracted but not provided for		
– Property development activities	**2,766,366**	999,922
– Acquisition of land use rights	**1,809,186**	139,356
	4,575,552	1,139,278

(2) Operating leases commitments

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

	31 December 2010 RMB'000	2009 RMB'000
Not later than one year	**12,908**	4,838
Later than one year and not later than two years	**13,227**	7,016
Later than two years and not later than three years	**727**	6,681
	26,862	18,535

ISSUANCE OF SENIOR NOTES

On 16 September 2010, the Company issued senior notes due 2015 with an aggregate principal amount of US$200 million at a coupon rate of 13.75% per annum (the "2015 Notes") for financing its existing and new property projects and for its general working capital purpose. The Company, at its option, may redeem the 2015 Notes (i) in whole, but not in part, prior to 16 September 2013 at the redemption price equal to 100% of the principal amount of the 2015 Notes plus the applicable premium as of, and accrued and unpaid interest to the redemption date and (ii) in whole or in part, on or after 16 September 2013, at the redemption prices plus accrued and unpaid interest to the redemption date.

On 9 March 2011, the Company issued senior notes due 2014 with an aggregate principal amount of RMB750 million US$ settled at a coupon rate of 11.5% per annum (the "2014 Notes") for financing existing and new property projects and for its general working capital purposes. At any time, the Company may at its option redeem the 2014 Notes, in whole but not in part, at a redemption price equal to the U.S. Dollar Settlement Amount of 100% of the principal amount of the 2014 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. At any time, the Company may redeem up to 35% of the aggregate principal amount of the 2014 Notes at a redemption price of the U.S. Dollar Settlement Amount of 111.5% of the principal amount of the 2014 Notes, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2010, the Group employed a total of 2,330 full-time employees (2009: 1,936 employees). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the pay level in the industry. A share option scheme was adopted on 16 September 2009 to attract and retain eligible employees to contribute to the Group. As at 31 December 2010, no option had been exercised under the scheme. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise. A share award scheme was adopted on 2 December 2010 to recognize and motivate the contributions by employees and to give incentives in order to retain them for the continual operation and development of the Group. As at 31 December 2010, no share had been awarded under the scheme.

INVESTOR RELATIONS OVERVIEW

As a responsible listed company, Powerlong is committed to maintain dynamic communications with its shareholders and investors. The Group regularly updates the investors about its latest operations and financial performance through company website, corporate newsletters, site visits, one-on-one meetings, bank conferences and international roadshows.

Investor relations activities are not only helpful in promoting two-way communications between Powerlong and the public, but they also act as an effective channel for information exchange. In 2010, Powerlong conducted a large roadshow across Asia, Europe and US post result announcement and was being invited to participate in 15 forums and conferences held by various investment banks meeting approximately 200 investors. The Group's effort in achieving high standards of Investor Relations has received recognition from capital markets further enhancing Powerlong's transparency and credibility within the industry.

Powerlong participated in the following major investor relations activities in 2010:

April: Citi-Asian Property Forum
June: J.P Morgan Beijing Meeting
July: DBS Hong Kong Pulse of Asia Conference 2010
October: Citi-Greater China Investor Conference
November: Bank of America Merrill Lynch China Investment Summit
November: CLSA HK/China Property Summit
November: Goldman Sachs China Investment Frontier Conference 2010
November: Macquarie Global Property Series 2010 – Hong Kong
November: Samsung Securities China Consumer & Property Conference
December: Macquarie Global Property Series 2010 – Tokyo

Property Projects Portfolio

1. Fuzhou Powerlong City Plaza

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

Key Statistics	
Interest attributable to us	100%
Date of acquisition	September 2003
Date of completion	November 2006
Site area (square meters)	72,874
Total GFA (square meters)	**Completed**
Commercial	182,079
Residential	33,274
Hotel	—
Total	**215,353**

Major tenants		**Area (square meters)**
1	Xinhuadu Department Stores	29,891
2	Carrefour	20,665
3	Changle Country Benefits Hotels	7,313
4	Fuzhou Powerlong Amusement Management	6,880
5	Gome Electrics	6,052
6	Genesis Entertainment	5,171
7	Jinyi Cinema	5,131
8	Haosha Fitness Club	2,147
9	Yinling Department Store	2,028
10	Yinhe Billiard City	1,290
11	Heima Ice Skating Ring	1,229
Total		**87,797**

Note: The total GFA also includes car parking spaces of 25,170 square meters; 94,653 square meters of commercial area is held for investment purpose.

2. Zhengzhou Powerlong City Plaza

Project Overview:

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

Key Statistics	
Interest attributable to us	100%
Date of acquisition	March 2005
Date of completion	December 2008
Site area (square meters)	113,984
Total GFA (square meters)	**Completed**
Commercial	235,606
Residential	16,003
Hotel	—
Total	**251,609**

Major tenants		**Area (square meters)**
1	Da Shang Supermarket	23,203
2	Outlets	21,023
3	Suning Appliance	7,295
4	Heng Dian Cinema	6,300
5	Food Court	4,091
6	Guan Jun Ice Skating Rink	2,300
Total		**64,212**

Note: The total GFA also includes car parking spaces of 30,933 square meters; 108,209 square meters of commercial area is held for investment purpose.

3. Qingdao Powerlong City Plaza

Project Overview:

- The project is located in Chengyang central business district, Qingdao City
- It houses a large indoor amusement park, shops, with mixed uses in commercial and residential properties as well as luxurious hotels etc.
- This complex houses the largest indoor amusement park in China and Lotte, a major chain supermarket

Key Statistics	
Interest attributable to us	100%
Date of acquisition	July 2006
Date of completion	December 2010
Site area (square meters)	319,808
Total GFA (square meters)	**Completed**
Commercial	461,999
Residential	205,903
Hotel	39,711
Total	**707,613**

	Major tenants	**Area (square meters)**
1	Pinault Printemps Redoute	33,822
2	Powerlong Amusement	18,564
3	XinFuSeng Hotel	10,547
4	Arcade Town	9,870
5	Leather Hall	8,090
6	China Film	5,300
7	Clothing Shops	4,365
8	Suning Appliance	4,026
9	Lotte	2,674
	Total	**97,258**

Note: Total GFA for two phases. This also includes car parking spaces of 147,446 square meters. As to the area completed for commercial properties, 177,685 square meters will be held for investment purpose.

4. Bengbu Powerlong City Plaza

Project Overview:

- Bengbu Powerlong City Plaza is about five minute drive away from the CBD at Weihe Road
- The project is comprised of seven blocks of high-rise apartments, three blocks of high-rise duplex apartments, three blocks of high-rise serviced apartments and a large-scale multi-functional commercial complex

Key Statistics	
Interest attributable to us	100%
Date of acquisition	December 2005
Date of completion	June 2010
Site area (square meters)	192,313
Total GFA (square meters)	**Completed**
Commercial	347,715
Residential	143,494
Hotel	—
Total	**491,209**

	Major tenants	**Area (square meters)**
1	Laiya Department Store	21,844
2	Tesco	17,625
3	Digital Technology	14,225
4	Lixin Games	7,276
5	Heng Dian Cinema	6,500
6	Children's Park	4,726
7	Shui Diao Ge Tou KTV	3,779
	Total	**70,580**

Note: Total GFA for two phases. This also includes car parking spaces of 87,970 square meters. As to the area completed for commercial properties, 168,895 square meters will be held for investment purpose.

5. Wuxi Wangzhuang Powerlong City Plaza

Project Overview:

- Wuxi Powerlong City Plaza is located at the northwestern part of Wuxi New District, Wangzhuang
- The project consists of hotel style apartment suites, retail shops, a large scale commercial complex and car parking space
- The shopping centre is mainly comprised of a supermarket, a mall, a household appliances retailer and a cinema complex

Key Statistics	
Interest attributable to us	80%
Date of acquisition	August 2006
Expected date of completion	Phase I: August 2008
	Phase II: December 2010
Site area (square meters)	77,020
Total GFA (square meters)	**Completed**
Commercial	199,304
Residential	84,346
Hotel	—
Total	**283,650**

Major tenants		**Area (square meters)**
1	Carrefour	25,633
2	Parkson	19,044
3	Suning Appliance	5,456
4	Dongfang Cinema	4,000
5	KTV	3,296
6	Lixin Games	2,680
Total		**60,109**

Note: Total GFA for two phases. This also includes car parking spaces of 50,112 square meters. It is expected that an area of 102,166 square meters will be held for investment purpose.

Directors and Senior Management

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 59, is the Chairman of the Board and the president of the Group. He is primarily responsible for the overall strategy and investment decision. Hoi Kin Hong founded Powerlong Group Development Co., Ltd. in 1992 and has served as its chairman and president ever since. Since the establishment of Powerlong Group Development Co., Ltd., he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. For two consecutive years in 2006 and 2007, Hoi Kin Hong was recognized as a Contributor to Real Estate Brands in China by the China Index Academy. Hoi Kin Hong is a member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. In addition, Hoi Kin Hong has also made substantial contributions to charitable and social organizations in China and has been appointed as an Ambassador of China Charities by Charitable Work Development.

HOI Wa Fong, aged 33, is an executive Director of the Board and the chief executive officer of the Group. He is primarily responsible for the overall management of the business operations of the Group. Hoi Wa Fong joined Xiamen Powerlong Decoration Design Works Company Limited in 1999 and served as the deputy general manager. In October 2001, Hoi Wa Fong resigned from his position in Xiamen Powerlong Decoration Design Works Company Limited and joined Xiamen Powerlong Real Estate Development Co., Ltd. as deputy general manager, responsible for financial and daily operation. He was promoted to deputy president and later became an executive deputy president of Xiamen Powerlong Group in December 2003 and June 2004, respectively, primarily responsible for the overall management of the business of Xiamen Powerlong Group. Hoi Wa Fong was named as one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province in 2006. Hoi Wa Fong received an EMBA from the Cheung Kong Graduate School of Business in October 2007. Hoi Wa Fong is the son of Hoi Kin Hong.

XIAO Qing Ping, aged 62, is an executive Director of the Board and the deputy president of the Group. He is primarily responsible for the administrative management of the Company. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Powerlong Group Development Co., Ltd. in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Powerlong Group Development Co., Ltd. and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 30, is an executive Director of the Board and the chief audit officer and deputy general manager of the cost control center of the Group. She is primarily responsible for the audit and internal control of the Group. Shih Sze Ni joined Xiamen Powerlong Hotel in January 2003 as a director and was primarily responsible for financial management. She then joined Powerlong Group Development Co., Ltd. in May 2005 as a director and chief financial officer. In November 2007, she resigned from her positions in Xiamen Powerlong Hotel and Powerlong Group Development Co., Ltd. and joined the Group as an executive Director and the head of the audit department as well as the general manager of the cost control center. She graduated from Central Queensland University in Australia with a master's degree in arts administration in 2001. Shih Sze Ni is the wife of Hoi Wa Fong.

LIU Xiao Lan, aged 45, is an executive Director of the Board and the general manager of the commercial group of the Company who is responsible for the commercial property operation of the Company. Between 1998 and 2002, she worked as a sales manager and marketing manager in the China office of Beckman Coulter, Inc.. She joined Powerlong Group Development Co., Ltd. in June 2002 and served as the assistant to the chief deputy president and vice general manager of the real estate center of Powerlong Group Development Co., Ltd. in January 2005. In November 2007, she resigned from her position in Powerlong Group Development Co., Ltd. and joined the Group as an assistant to the president and secretary of the Board. She graduated from Fujian University of Traditional Chinese Medicine in 1988 and completed the advanced business administration program for the Youth Presidents in China offered by Chinese Academy of Social Sciences in 2004.

NON-EXECUTIVE DIRECTOR

HOI Wa Fan, aged 35, is a non-executive Director of the Board. Hoi Wa Fan is a managing director of Pou Long Construction and Land Investment Company Limited and is responsible for the overall management and business development of Pou Long Construction and Land Investment Company Limited. Between 2000 and 2006, she was a managing director of Nicole, a fashion brand concept store in Macau. She is a member of All-China Youth Federation. Hoi Wa Fan is the daughter of Hoi Kin Hong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NGAI Wai Fung, aged 49, is an independent non-executive Director of the Board, is currently the managing director of MNCOR Consulting Limited and a vice president of Hong Kong Institute of Chartered Secretaries. Mr. Ngai is currently an independent non-executive director and a member of the audit committee of Bawang International (Group) Holdings Limited, Bosideng International Holdings Limited, Biostime International Holdings Limited, China Railway Construction Corporation Limited, China Coal Energy Company Limited, Franshion Properties (China) Limited, Sany Heavy Equipment International Holding Limited and SITC International Holdings Company, all of which are companies listed on the Stock Exchange. He was a director and head of Listing Services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton) from 2007 to 2010 and an associate director and subsequently a director of KCS Hong Kong Limited from 2005 to 2007. Prior to that, Mr. Ngai had been in senior management positions including acting as the executive director, chief financial officer and company secretary of a number of Hong Kong listed companies, including COSCO Group, China Unicom (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Ltd. Mr. Ngai has over 18 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers including major red chips companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities, and the provision of professional services and support to many state-owned enterprises and red-chip companies in the areas of regulatory compliance, corporate governance and company secretarial services. Mr. Ngai is an associate of the Association of Chartered Certified Accountants in the United Kingdom, an associate of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators and a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Ngai received a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom in 1994 and a master's degree in business administration from Andrews University of Michigan in 1992. He is currently a doctoral candidate in finance at Shanghai University of Finance and Economics.

MEI Jian Ping, aged 51, is an independent non-executive Director of the Board. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business in Beijing since 2006, and a scholar at the Financial Institutions Center of the Wharton Business Scholl at the University of Pennsylvania since 2004. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor of finance at Tsinghua University. Mr. Mei has been the chairman of the board of directors of Shanghai Zhangjiang JRtan.com. Inc. since 2000, and a director of Cratings.com Inc. since 1999. Since 2009, Mr. Mei has served on the board of directors of Zhong De Securities Company Limited. Mr. Mei acted as a consultant for various financial institutions, such as Deutsche Bank, UBS, NCH Capital and Asia Development Bank. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor degree in mathematics from Fudan University in 1982, a master degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed an independent non-executive Director of the Company in June 2008 and was appointed as an independent non-executive director of MI Energy Holdings in mid 2010.

NIE Mei Sheng, aged 70, is an independent non-executive Director of the Board. She has more than 18 years of experience working at the China Southwest Municipal Engineering Design Institute. From 1994 to 1998, she served as the director general of the Science & Technology Department and was a member of the Science and Technology Committee of the Ministry of Construction. She has been the deputy director of the Science and Technology Committee and the chairwoman of the Housing Industrialization Office of the Ministry of Construction since 1998. Nie Mei Sheng has also served as the chairwoman of the Estate Chamber of the China National Federation of Industry and Commerce since 2001. She has been a standing committee member of the China National Federation of Industry and Commerce since 2004. In addition, she has served as the vice chairwoman of the China Urban Water Supply and Drainage Association and the economic consultant to Jieyang City, Guangdong Province since 2006 and the chairwoman of Jing Rui (China) Real Estate Research Institution since 2007. She was a member of the executive committee of the China National Federation of Industry and Commerce from 2004 to 2008.

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

SENIOR MANAGEMENT

AU-YEUNG Po Fung, aged 44, is the deputy president, chief financial officer and company secretary of the Company. Before joining the Group, Au-Yeung Po Fung was in charge of financial management for a number of companies across different industries, including property developers, financial institutions, conglomerates and international audit firms. He was a financial controller at SPG Land (Holdings) Limited, a company listed on the Stock Exchange. Au-Yeung Po Fung graduated from the Hong Kong Polytechnic University. He is a charter holder of the CFA Institute, member of Hong Kong Society of Financial Analysts, fellow member of the Hong Kong Institute of Certified Public Accountants and associate member of the Institute of Chartered Accountants in England and Wales. He joined the Company in November 2007.

ZENG Xiang De, aged 53, is the chief consultant and deputy director of Decision Making Committee of the Group. He worked in Shenzhen Municipal Bureau of Urban Planning and Land Resources over a long period of time. He was the director and general manager of Junhao Group, the general manager of the Chengdu company of Wanda Group, the chief executive officer of Shenzhen Wanji Group Co. Ltd., the general manager of Chengdu Jinhegu Real Estate Company Limited, and an independent real estate planner. He graduated from Vocational College of Architecture Engineering in Chongqing with a bachelor's degree in Urban Construction in 1982. He joined the Company in December 2010.

LIN Feng Li, aged 43, is the deputy president of the Company. Lin Feng Li is responsible for project management, construction, cost, marketing and quality management. Between 1994 to 2008, he was the deputy general manager, director and general manager for Eastern China in Xiamen Ju Heng Xing Real Estate Development Company, Xiamen Beifu Real Estate Marketing Agency and Xiamen Haosi Housing Investment Company Limited respectively. He graduated from Zhong Nan University of Finance in 1990, majoring in investment and economics. He joined the Company in 2008.

HONG Qun Feng, aged 38, is the deputy president of the Company. Hong Qun Feng is responsible for investment, strategic co-operation and product planning of the Group. Between 1992 to 2005, he was the market manager, assistant to the general manager and general manager of Xiamen Jindu Property Company, Xiamen Chengyi Property Company and Xiamen Bairun Property Consulting Company Limited respectively. He joined the Company in 2004.

HUANG Yong Hua, aged 46, is the deputy president of the Company. Huang Yong Hua is responsible for the management of the President Office, administrative management and human resources management. He was the chief human resources officer and deputy president of Nanjing Golden Eagle International Group, deputy president of Nanjing Golden Eagle Retail Group and president of Huacheng Group. He graduated from China Textile University with a bachelor's degree in Chemical Fiber in 1987 and graduated from Nanjing University with a master's degree in Business Administration. He joined the Company in August 2010.

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

YOU Xiao Di, aged 36, is the general manager of the capital management centre of the Company. He is responsible for the capital and asset management of the Company. He worked in Zhong Ke Xin Securities Company from 1997 to 2002 in the investment banking department. Before joining the Group, he worked as the head of investment banking of Xiamen Enrich Asset Management Company Limited. You Xiao Di joined Xiamen Powerlong Group in February 2005. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Company as the deputy chief financial officer and the chief investment cooperation officer. He graduated from Xiamen University with a bachelor's degree in finance in 1997 and obtained a Master of Business Administration degree in 2007.

LIAO Min Shun, aged 47, is the general manager of the financial management centre. He is primarily responsible for the financial management and banking financing of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of Fujian Da Shi Jie Enterprises Group Company Limited. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant, Certified Taxation Accountant, and Financial Planner. He joined the Company in August 2009.

ZHAO Feng, aged 48, is the general manager of the cost control centre. He is responsible for the procurement, tendering and cost control of the Company. Between 1993 and 2010, he was the managing director of Modern Construction Design Group (Hong Kong) Company Limited, the deputy chief of the operation and administration department of Shanghai Modern Construction Design (Group) Company Limited, and the chief cost engineer of Shanghai Industrial Holdings Limited. He was graduated from Tongji University in 1999 with a major in management from the postgraduate programme. He was also awarded the professional senior Master of Business Administration jointly by the University of Hong Kong and Fudan University. He joined the Company in February 2010.

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2010. The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2010.

BOARD OF DIRECTORS

The Board consists of 9 Directors, 5 of whom are executive Directors, 1 of whom is a non-executive Director and 3 of whom are independent non-executive Directors. The biographies of the Directors are set out on pages 32 to 34 of this annual report. The Board's major functions and duties are to oversee the management, businesses, strategic directions and financial performance of the Group as well as to maximize the financial performance of the Group and make decisions in the best interest of the Group. The Board is also fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The Board has delegated the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated various responsibilities to these Board committees as set out in their terms of reference, respectively.

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

The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded. In compliance with Rule 3.10 of the Listing Rules, the Company has appointed 3 independent non-executive Directors, 1 of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive Directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive Directors have entered into letters of appointment with the Company for a term of 3 years. One third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every 3 years in accordance with the Articles of Association.

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

The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. For the year ended 31 December 2010, the Board held 5 Board meetings. At these Board meetings, Directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, as well as reviewed the financial performance and internal control system, including financial, operational and compliance controls and risk management systems.

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

Executive Director	
Mr. Hoi Kin Hong *(Chairman of the Board and the Nomination Committee)*	5/5
Mr. Hoi Wa Fong *(Chief Executive Officer of the Company and Chairman of the Remuneration Committee)*	5/5
Mr. Xiao Qing Ping	5/5
Ms. Shih Sze Ni	5/5
Ms. Liu Xiao Lan	5/5
Non-executive Director	
Ms. Hoi Wa Fan	5/5
Independent non-executive Directors	
Mr. Ngai Wai Fung *(Chairman of the Audit Committee)*	5/5
Mr. Mei Jian Ping	5/5
Ms. Nie Mei Sheng	5/5

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by its Directors. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the required standards in the Model Code during the period under review. All the Directors have declared that they have complied with the Model Code throughout the year ended 31 December 2010.

DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparation of the consolidated financial statements for the financial year ended 31 December 2010 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year ended 31 December 2010 and are properly prepared on an on-going concern basis in accordance with the applicable statutory requirements and accounting standards.

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

BOARD COMMITTEES

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

Audit Committee

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

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

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

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

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

During the year ended 31 December 2010, the Audit Committee held two meetings to review the annual results, and to make recommendations to improve the Company's internal control. The chief financial officer and representatives of the external auditor of the Company attended the meeting.

Attendance of individual members of the Audit Committee at the meeting for the year ended 31 December 2010 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Ngai Wai Fung	2/2
Mr. Mei Jian Ping	2/2
Ms. Nie Mei Sheng	2/2

Auditor's Remuneration

For the year ended 31 December 2010, the fees paid/payable to the auditor of the Company in respect of annual audit (including interim review) services and non-audit services amounted to RMB3.40 million and RMB0.94 million, respectively.

Remuneration Committee

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

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

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

During the year ended 31 December 2010, the Remuneration Committee held two meetings to review and consider the remuneration packages for the executive Directors and senior management of the Company.

Attendance of individual members of the Remuneration Committee at the meeting for the year ended 31 December 2010 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Hoi Wa Fong	2/2
Mr. Mei Jian Ping	2/2
Ms. Nie Mei Sheng	2/2

Nomination Committee

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

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

The Nomination Committee has adopted written terms of reference prepared by reference to the suggested terms of reference stated under the CG Code Provision B.1.3. The Nomination Committee has been delegated with the powers and authorities to review the structure, size and composition of the Board, make recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors.

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

During the year ended 31 December 2010, the Nomination Committee held one meeting.

Attendance of individual members of the Nomination Committee at the meeting for the year ended 31 December 2010 is set out as follows:

Committee Members	**Meetings Attended/Total**
Mr. Hoi Kin Hong	1/1
Mr. Mei Jian Ping	1/1
Ms. Nie Mei Sheng	1/1

INTERNAL CONTROL

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

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

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2010. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

SHAREHOLDER RELATIONS

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

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and hotel operation. Details of the principal activities of its principal subsidiaries are set out in note 13 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out on pages 61 to 125 of this annual report.

The Directors recommended the payment of a final dividend of RMB6 cents per ordinary share for the year ended 31 December 2010. The proposed final dividend, if approved at the annual general meeting of the Company to be held on 27 May 2011, will be paid to the shareholders whose names appear on the register of members of the Company on 27 May 2011. The register of members of the Company will be closed from Tuesday, 24 May 2011 to Friday, 27 May 2011 (both days inclusive). In order to qualify for the above mentioned proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2011.

RESERVES

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2010 are set out in note 18 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2010, the reserves of the Company available for distribution was approximately RMB3,370 million (2009: RMB3,388 million).

MAJOR CUSTOMERS AND SUPPLIERS

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

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

BANK AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2010 are set out in note 19 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to RMB38,072,000 (2009: RMB5,060,000).

PROPERTY AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year under review are set out in note 17 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 126 of this annual report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors
Mr. Hoi Kin Hong *(Chairman)*
Mr. Hoi Wa Fong *(Chief Executive Officer)*
Mr. Xiao Qing Ping
Ms. Shih Sze Ni
Ms. Liu Xiao Lan

Non-executive Directors
Ms. Hoi Wa Fan

Independent Non-executive Directors
Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

In accordance with article 16.18 of the Company's Articles of Association, Mr. Xiao Qing Ping, Mr. Ngai Wai Fung and Ms. Hoi Wa Fan will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

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

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

DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SHARE OPTION SCHEMES

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

A. SHARE OPTION SCHEME

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

1. **Purpose of the Share Option Scheme:**

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

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

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

2. **Participants of the Share Option Scheme:**

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

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

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

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

3. **Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2010:**

   The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 360,000,000 shares (representing approximately 8.8% of the issued share capital as at 31 December 2010).

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

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

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time, for this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

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

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

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

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

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

Since the adoption of the Share Option Scheme and up to 31 December 2010, no options had been granted under the Share Option Scheme.

B. PRE-IPO SHARE OPTION SCHEME

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

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

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

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

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

2. **Participants of the Pre-IPO Share Option Scheme:**

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

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

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

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

3. **Total number of shares available for issue under the Pre-IPO Share Option Scheme and percentage of issued share capital as at 31 December 2010:**

   The maximum number of shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 40,000,000 shares (representing approximately 0.98% of the issued share capital).

4. The period within which the options must be exercised under Pre-IPO Share Option Scheme to subscribe for shares:

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

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

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

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

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

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

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

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

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

Category	Exercise Period	Number of share options: As at 1 January 2010	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2010
Employees	16 September 2010 to 15 September 2012	4,900,000	–	(468,000)	4,432,000
	16 September 2011 to 15 September 2013	4,900,000	–	(468,000)	4,432,000
	16 September 2012 to 15 September 2014	4,900,000	–	(468,000)	4,432,000
	16 September 2013 to 15 September 2015	4,900,000	–	(468,000)	4,432,000
	16 September 2014 to 15 September 2016	4,900,000	–	(468,000)	4,432,000
Employees	Total	24,500,000	–	(2,340,000)	22,160,000
	Total	37,900,000	–	(2,340,000)	35,560,000

SHARE AWARD SCHEME

A share award scheme was adopted on 2 December 2010 to recognize and motivate the contributions by employees of the Group and to give incentives in order to retain them for the continual operation and development of the Group. As at 31 December 2010, no share had been awarded under the scheme. Details of the rules of the share award scheme are set out in the announcement of the Company dated 2 December 2010.

The scheme shall be valid and effective for a term of 6 years commencing on the date of adoption of the scheme. Pursuant to the scheme, shares will be acquired by the independent trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. Vested shares will be transferred to the selected employees at no cost. The number of shares to be awarded under the scheme throughout its duration is limited to 2% of the issued share capital of the Company as at the date of adoption of the scheme.

DISCLOSURE OF INTERESTS IN SECURITIES

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

As at 31 December 2010, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in shares of the Company

Name of Director	Long/Short position	Capacity	Number of ordinary shares in the Company	Approximate percentage of the Company's issued shares*
Mr. Hoi Kin Hong	Long Position	Interest of a controlled corporation *(Note 1)*	1,800,000,000	44.24%
	Long Position	Interest of spouse	1,729,000	0.04%
Mr. Hoi Wa Fong	Long Position	Interest of a controlled corporation *(Note 2)*	600,000,000	14.75%
Ms. Hoi Wa Fan	Long Position	Interest of a controlled corporation *(Note 3)*	300,000,000	7.37%

Notes:

1. Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.

2. Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.

3. Walong Holdings Limited is wholly and beneficially owned by Hoi Wa Fan.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2010.

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

Name of Director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Approximate percentage of the underlying shares over the Company's issued shares* (Upon fully exercise of share options)
Mr. Hoi Kin Hong	Long Position	Beneficial owner	7,000,000	0.1706%
Mr. Hoi Wa Fong	Long Position	Beneficial owner	2,200,000	0.0536%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	1,800,000	0.0439%
Ms. Shih Sze Ni	Long Position	Beneficial owner	1,200,000	0.0292%
Ms. Liu Xiao Lan	Long Position	Beneficial owner	1,200,000	0.0292%

Note: Details of the above share options as required by the Listing Rules have been disclosed in the above section headed "Information on Share Option Scheme" and note 18 to the consolidated financial statements.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2010.

(3) Long Position in the Senior Notes

Name of Director	Capacity	Amount of Debentures	Approximate percentage of the issued debentures (%)
Mr. Hoi Wa Fong	Interest of a controlled corporation *(Note)*	USD4,700,000	2.35%

Note: Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.

Save as disclosed above, as at 31 December 2010, none of the Directors, chief executives of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Saved as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates, and none of the Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for shares or debt securities of the Company nor exercised any such right.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Percentage of Shareholding*
Skylong (Notes 1 and 2)	Beneficial owner	1,800,000,000(L)	44.24%
Mr. Hoi Kin Hong (Notes 1)	Interest of spouse	1,729,000(L)	0.04%
Sky Infinity (Notes 1 and 3)	Beneficial owner	600,000,000(L)	14.75%
Walong (Notes 1 and 4)	Beneficial owner	300,000,000(L)	7.37%
Wason (Notes 1 and 5)	Beneficial owner	300,000,000(L)	7.37%

Notes:

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2010.

ENFORCEMENT OF THE NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 25 September 2009 (the "Prospectus") and the circulars of the Company dated 4 January and 30 June 2010, in order to reduce competition with the Xiamen Powerlong Group, the Company acquired from the Xiamen Powerlong Group an aggregate of 58,265 square meters of retail GFA at the Mingfa Centre (a project jointly developed by the Xiamen Powerlong with independent third parties). The consideration for the acquisition was RMB600.0 million. Completion of the acquisition was initially scheduled to take place on 31 December 2010. As Mingfa Group Company Limited, the cooperation partner of the project, postponed in the delivery of the relevant properties to the Xiamen Powerlong Group, the date for the completion of the acquisition was therefore postponed. The Company has entered into an amendment to the agreement on 31 December 2010 with the Xiamen Powerlong Group, pursuant to which the last stop date for the completion of the acquisition was postponed to on or before 30 June 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Saved as disclosed above, as at 31 December 2010, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

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

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

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, certain directors and their closely related family members, as well as the companies controlled by certain directors and/or their respective closely related family members entered into transactions with the Group, for which are disclosed in "Related Party Transactions" set out in note 36 to the consolidated financial statements of the Group.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2010, the Group entered into the following connected transactions, which were granted with waivers by the Stock Exchange or waivers from independent shareholders' approval, subject to compliance with the disclosure requirements as set out in Rule 14A of the Listing Rules in relation to annual reports. Details of these transactions are set out below:

A CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT ARE SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS

(1) Hotel accommodation services agreement with Macau Powerlong Group

On 4 September 2009, the Company and Macau Powerlong Group entered into the hotel accommodation services agreement (the "Hotel Services Agreement"), pursuant to which Macau Powerlong Group agreed to provide hotel accommodation services to the Group's employees and guests, who are primarily independent suppliers or service providers to the Company at the Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel for a term of three years commencing from 1 January 2009 to 31 December 2011. Macau Powerlong Group provides such hotel accommodation services during the ordinary course of business, charges a discount of 50% to the normal room service charges and offers terms no less favorable than those offered by independent third parties for comparable services to the Group. The Group enjoys a discount of 50% to the normal room service charges, which is no less favorable than those offered by Macau Powerlong Group to other independent purchasers who enter into bulk purchase agreements with it. Details of the Hotel Services Agreement are set out in the Prospectus.

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

During the year under review, the total amount charged for the provision of hotel accommodation services by the two hotels of Macau Powerlong Group to the Company under the Hotel Services Agreement was RMB940,000 and the waiver granted by the Stock Exchange was RMB4,200,000.

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

On 4 September 2009, the Company and Fuzhou Powerlong Amusement Management Company Limited ("Fuzhou Amusement"), Qingdao Powerlong Amusement Development Company Limited ("Qingdao Amusement"), Zhengzhou Powerlong Food & Beverage Company Limited ("Zhengzhou F&B"), Zhengzhou Outlets and Hoi Wa Fong entered into the property management services agreements (the "Property Management Services Agreements"), pursuant to which the Group has agreed to provide property management services including security, cleaning and maintenance services, to the amusement park, retail stores, food court and offices operated and occupied by Qindao Amusement, Zhengzhou F&B and Zhengzhou Outlets, and the commercial units owned by Hoi Wa Fong for a term of three years ending 31 December 2011. Details of the Property Management Services Agreements are set out in the Prospectus.

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

Each of Fuzhou Amusement, Qingdao Amusement, Zhengzhou Outlets and Zhengzhou F&B is wholly owned by Xiamen Powerlong Group and is therefore a connected person of the Company under the Listing Rules.

During the year under review, the total amount of service fees charged by the Group under the Property Management Services Agreements was RMB2,806,000 and the waiver granted by the Stock Exchange was RMB4,420,000.

(3) The first office lease agreement of Fuzhou Powerlong

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

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

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

(4) Fujian Ping An Security Devices and Network

On 1 July 2010, the Group and Fujian Ping An Security Devices and Network Co., Ltd. (the "Fujian Ping An") entered into a security service agreement (the "Security Service Agreement") pursuant to which Fujian Ping An agreed to provide certain security intelligentization system services to the Group for a term commencing from 1 July 2010 to 31 December 2012. Details of the Security Service Agreement are set out in the announcement of the Company dated 1 July 2010.

Fujian Ping An is a wholly-owned subsidiary of Xiamen Powerlong Information Industry Co., Ltd. ("Powerlong Information"), a company which is owned as to 51% by Powerlong Group Development Co., Ltd. ("Xiamen Powerlong Group") and 49% by Jui Yau International Investments Company Limited ("Jui Yau International"). Xiamen Powerlong Group is indirectly owned as to 88.9% by Mr. Hoi Kin Hong and Jui Yau International is owned as to 24.8% by Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, the respective son and daughter of Mr. Hoi Kin Hong, a substantial shareholder of the Company. By virtue of Mr. Hoi Kin Hong's interest in Fujian Ping An, Fujian Ping An is therefore an associate of Mr. Hoi Kin Hong and hence a connected person of the Company under the Listing Rules.

During the year under review, the total amount for the transactions under the Security Service Agreement was RMB45,181,000 and the annual cap amount was RMB50,000,000.

B CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(5) Long-term lease agreements

Details of the long-term lease agreements are set out in the Prospectus. Fuzhou Powerlong Real Estate Development Co., Ltd., Powerlong Group (Qingdao) Property Development Co., Ltd., Shandong Powerlong Industry Development Co., Ltd., and Zhengzhou Powerlong Real Estate Development Co., Ltd. as landlord have entered into the following long-term lease agreements ("Long-term Lease Agreements"):

Tenant	Location of property	Area of property (square meters)	Term (Year)	Annual rent payable (RMB)	Use of property
Fuzhou Amusement	Fuzhou Powerlong City Plaza	6,879.79	10	2.39 million	Amusement park
Zhengzhou F&B	Zhengdong District, Zhengzhou	4,091.29	8	1.60 million	Food court
Zhengzhou Outlets	Zhengdong District, Zhengzhou	21,023.18	15	13.28 million	Outlet retail stores
Qingdao Amusement	Chengyang District, Qingdao	18,563.73	10	13.50 million	Amusement park

Each of Fuzhou Amusement, Zhengzhou Outlets, Zhengzhou F&B and Qingdao Amusement is wholly owned by Xiamen Powerlong Group and is therefore a connected person of the Company under the Listing Rules.

During the year under review, the total amount of rent received by the Group under the Long-term Lease Agreements was RMB30,770,000 and the waiver granted by the Stock Exchange was RMB41,630,000.

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (d) have not exceeded the relevant maximum annual cap amount in accordance to the waiver previously granted by the Stock Exchange.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided to the Stock Exchange.

DIVIDEND

The Board has recommended the payment of a final dividend of RMB6 cents per ordinary share of the Company for the year ended 31 December 2010. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid to the shareholders on the register of members of the Company on 27 May 2011.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Since its listing on 14 October 2009, the Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2010. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on page 36 to page 41 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

Notice convening the annual general meeting to be held on 27 May 2011 by the Company will be published and delivered to the shareholders of the Company in due course pursuant to the Listing Rules. The register of members of the Company will be closed from Tuesday, 24 May 2011 to Friday, 27 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to the proposed final dividend and to attend and vote at the forthcoming annual general meeting to be held on 27 May 2011, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 May 2011. Subject to shareholders' approval of the proposed final dividend at the annual general meeting to be held on Friday, 27 May 2011, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 27 May 2011.

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

During the year ended 31 December 2010, the Company had repurchased from the market a total of 19,000,000 shares of the Company at price per share ranging from HK$2.06 to HK$2.19 for an aggregate consideration of HK$40.34 million. All the repurchased shares were subsequently cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its net assets and/or its earnings per share. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

Details of the repurchases of shares were as follows:

Month of repurchase	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate purchase price HK$
May 2010	19,000,000	2.19	2.06	40,341,000

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors.

The Audit Committee has reviewed the annual results for the year ended 31 December 2010 with the Company's management.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2010 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

AUDITOR

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

On behalf of the Board

Hoi Kin Hong
Chairman

Hong Kong, 24 March 2011

Independent Auditor's Report

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

We have audited the consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 125, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2011

Consolidated Balance Sheet

		31 December	
		2010	2009
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**904,176**	323,917
Land use rights	7	**108,490**	61,343
Investment properties	8	**10,088,058**	6,507,786
Deferred income tax assets	20	**75,514**	30,596
		11,176,238	6,923,642
Current assets			
Land use rights	7	**1,741,981**	1,616,364
Properties under development	9	**1,924,716**	1,210,068
Completed properties held for sale	10	**1,199,765**	478,410
Trade and other receivables and loans	11	**1,141,362**	511,837
Prepayments	12	**3,246,298**	1,276,725
Prepaid income taxes		**12,395**	11,639
Financial assets at fair value through profit or loss	14	**21,598**	11,517
Restricted cash	15	**1,262,045**	719,891
Cash and cash equivalents	16	**2,739,908**	1,764,225
		13,290,068	7,600,676
Total assets		**24,466,306**	14,524,318
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	17	**3,107,456**	3,172,401
Other reserves	18	**378,062**	347,231
Retained earnings			
– Proposed final dividend	31	**244,107**	245,247
– Unappropriated retained earnings		**7,149,289**	4,437,751
		10,878,914	8,202,630
Non-controlling interests		**267,664**	26,927
Total equity		**11,146,578**	8,229,557

Consolidated Balance Sheet

	Note	31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**4,267,087**	1,026,201
Deferred income tax liabilities	20	**1,602,362**	961,679
		5,869,449	1,987,880
Current liabilities			
Borrowings	19	**1,954,281**	1,145,715
Trade and other payables	21	**1,536,007**	901,829
Advances from customers		**2,453,110**	1,231,758
Current income tax liabilities	22	**1,506,881**	1,027,579
		7,450,279	4,306,881
Total liabilities		**13,319,728**	6,294,761
Total equity and liabilities		**24,466,306**	14,524,318
Net current assets		**5,839,789**	3,293,795
Total assets less current liabilities		**17,016,027**	10,217,437

The notes on pages 67 to 125 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Balance Sheet

	Note	31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	13	**2,604,360**	359,918
Current assets			
Amounts due from subsidiaries	13	**2,246,126**	3,075,868
Cash and cash equivalents	16	**77**	36,261
		2,246,203	3,112,129
Total assets		**4,850,563**	3,472,047
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	17	**3,107,456**	3,172,401
Other reserves	18	**36,079**	5,248
Retained earnings	29		
– Proposed final dividend	31	**244,107**	245,247
– Unappropriated retained earnings		**18,043**	1,536
Total equity		**3,405,685**	3,424,432
LIABILITIES			
Non-current liabilities			
Borrowings	19	**1,344,658**	–
Current liabilities			
Other payables and accruals	21	**36,883**	33,650
Amounts due to subsidiaries	13	**63,337**	13,965
		100,220	47,615
Total liabilities		**1,444,878**	47,615
Total equity and liabilities		**4,850,563**	3,472,047
Net current assets		**2,145,983**	3,064,514
Total assets less current liabilities		**4,750,343**	3,424,432

The notes on pages 67 to 125 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2010	2009
	Note	**RMB'000**	RMB'000
Revenue	5	**4,432,657**	4,135,739
Cost of sales	23	**(2,030,297)**	(1,829,484)
Gross profit		**2,402,360**	2,306,255
Fair value gains on investment properties	8	**2,562,730**	2,425,853
Selling and marketing costs	23	**(118,933)**	(66,218)
Administrative expenses	23	**(395,413)**	(178,251)
Other gains/(losses) – net	24	**9,081**	(3,553)
Operating profit		**4,459,825**	4,484,086
Finance income/(costs) – net	27	**30,128**	(851)
Profit before income tax		**4,489,953**	4,483,235
Income tax expenses	28	**(1,304,512)**	(1,442,165)
Profit for the year		**3,185,441**	3,041,070
Other comprehensive income		**–**	–
Total comprehensive income for the year		**3,185,441**	3,041,070
Attributable to:			
Equity holders of the Company		**2,955,645**	3,042,669
Non-controlling interests		**229,796**	(1,599)
		3,185,441	3,041,070
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB cents per share)	30		
– Basic		**72.53 cents**	93.93 cents
– Diluted		**72.53 cents**	93.92 cents
		RMB'000	RMB'000
Dividends	31	**244,107**	245,247

The notes on pages 67 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					
	Share capital and premium RMB'000 (note 17)	Other reserves RMB'000 (note 18)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2009						
Balance at 1 January 2009	26,659	341,983	1,640,329	2,008,971	34,501	2,043,472
Comprehensive income						
– Profit/(loss) for the year	–	–	3,042,669	3,042,669	(1,599)	3,041,070
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	3,042,669	3,042,669	(1,599)	3,041,070
Transactions with owners						
– Capitalisation issue (note 17(a))	1,000,000	–	–	1,000,000	–	1,000,000
– Issue of ordinary shares in connection with the listing (note 17(b))	2,270,738	–	–	2,270,738	–	2,270,738
– Share issuance costs in connection with the listing	(124,996)	–	–	(124,996)	–	(124,996)
– Pre-IPO Share Option Scheme	–	5,248	–	5,248	–	5,248
– Acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	(2,017)	(2,017)
– Disposal of a subsidiary	–	–	–	–	(3,958)	(3,958)
	3,145,742	5,248	–	3,150,990	(5,975)	3,145,015
Balance at 31 December 2009	3,172,401	347,231	4,682,998	8,202,630	26,927	8,229,557
Year ended 31 December 2010						
Balance at 1 January 2010	**3,172,401**	**347,231**	**4,682,998**	**8,202,630**	**26,927**	**8,229,557**
Comprehensive income						
– Profit for the year	**–**	**–**	**2,955,645**	**2,955,645**	**229,796**	**3,185,441**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**2,955,645**	**2,955,645**	**229,796**	**3,185,441**
Transactions with owners						
– Dividends (note 31)	**–**	**–**	**(245,247)**	**(245,247)**	**–**	**(245,247)**
– Repurchase of shares of the Company (note 17 (c))	**(35,479)**	**–**	**–**	**(35,479)**	**–**	**(35,479)**
– Capital contributions from non-controlling interests	**–**	**–**	**–**	**–**	**10,941**	**10,941**
– Pre-IPO Share Option Scheme	**–**	**30,831**	**–**	**30,831**	**–**	**30,831**
– Purchase of shares held for share award scheme (note 17 (d))	**(29,466)**	**–**	**–**	**(29,466)**	**–**	**(29,466)**
	(64,945)	**30,831**	**(245,247)**	**(279,361)**	**10,941**	**(268,420)**
Balance at 31 December 2010	**3,107,456**	**378,062**	**7,393,396**	**10,878,914**	**267,664**	**11,146,578**

The notes on pages 67 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operating activities	32	**1,543,781**	1,547,071
PRC corporate income tax paid		**(117,288)**	(33,965)
PRC land appreciation tax paid		**(112,913)**	(41,936)
Interest paid		**(176,633)**	(132,435)
Net cash generated from operating activities		**1,136,947**	1,338,735
Cash flows from investing activities			
Purchase of property and equipment		**(494,116)**	(105,461)
Payments of construction fee of investment properties		**(646,399)**	(496,824)
Purchase of land use rights		**(2,713,664)**	(1,118,321)
Prepayments for acquisition of properties from a related party	36(d)	**–**	(300,000)
Cash advances made to related parties		**–**	(89,733)
Entrusted loans to third parties	11(b)	**(170,000)**	–
Repayments of cash advances by related parties		**6,506**	302,813
Net proceeds from disposals of land use rights		**48,070**	–
Net proceeds from disposals of property and equipment		**2,284**	696
Net proceeds from disposals of investment properties		**–**	12,865
Net cash used in investing activities		**(3,967,319)**	(1,793,965)
Cash flows from financing activities			
Issue of ordinary shares in connection with the listing	17(b)	**–**	2,270,738
Share issuance costs		**–**	(112,462)
Repurchase of shares of the Company	17(c)	**(35,479)**	–
Purchase of shares held for share award scheme	17(d)	**(29,466)**	–
Capital contributions from non-controlling interests		**10,941**	–
Repayments of secured bonds and secured notes		**–**	(921,823)
Proceeds from borrowings		**5,388,683**	2,001,526
Repayments of borrowings		**(1,358,291)**	(937,477)
Decrease/(increase) in guarantee deposits		**30,400**	(652,062)
Distribution of dividends		**(245,247)**	–
Cash advances from related parties		**49,900**	764,809
Repayments of cash advances to related parties		**–**	(397,988)
Net cash generated from financing activities		**3,811,441**	2,015,261
Net increase in cash and cash equivalents		**981,069**	1,560,031
Cash and cash equivalents at beginning of the year	16	**1,764,225**	205,302
Exchange losses on cash and cash equivalents		**(5,386)**	(1,108)
Cash and cash equivalents at end of the year	16	**2,739,908**	1,764,225

The notes on pages 67 to 125 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 24 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards, and interpretations adopted by the Group

The following new and amended standards, and interpretations are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards, and interpretations adopted by the Group (continued)

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests during the year.

  The above amendment does not have material impact on the Group's consolidated financial statements.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term. The amendment does not have material impact on the Group's consolidated financial statements.

- HK Int-5 – The HKICPA issued on 29 November 2010 HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet. This Interpretation did not have a material impact on the Group's financial statements.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HK(IFRIC) 17	Distribution of non-cash assets to owners
HKFRSs (Amendments)	Improvements to HKFRS (2009)
HKAS 36 (Amendment)	Impairment of assets
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKAS 39 (Amendment)	Eligible hedge items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters

The adoption of the above new and amended standards and interpretations did not have any material impact on the consolidated financial statements except for disclosure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(iii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2013
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HKFRSs (Amendments)	Improvements to HKFRSs (2010)	1 January 2011
HK (IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendments to HK (IFRIC) – Int 14	Prepayments of a minimum funding requirement	1 January 2011
Amendments to HKAS 12	Income taxes	1 January 2012
Amendments to HKFRS 7	Transfers of financial assets	1 July 2011
Additions to HKFRS 9 dealing with financial liabilities	Financial instruments: Classification and measurement for financial liability accounting	1 January 2013

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

(b) Consolidation

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

(i) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are accounted for at cost less impairment (note 2(g)). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group entities

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

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

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

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

(e) Property and equipment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and equipment (continued)

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

Buildings	20-40 years
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-10 years

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

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

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

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

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

(f) Investment properties

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties (continued)

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

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

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

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

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

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

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

(g) Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Properties under development

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

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

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

(i) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

(j) Financial assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Recognition and measurement

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

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

(k) Impairment of financial assets

Assets carried at amortised cost

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

Impairment testing of trade and other receivables and loans and prepayments is described in note 2(l).

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(l) Trade and other receivables and loans and prepayments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

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

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents included in the statement of cash flow.

(n) Share capital

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

Where any group entity purchases the Company’s shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(p) Borrowings and borrowing costs

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Current and deferred income tax

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Employee benefits

(i) Employee leave entitlements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) Retirement benefits

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

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

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

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

(iii) Termination benefits

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

(s) Share-based payments

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

(i) including any market performance conditions (for example, an entity's share price);

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payments (continued)

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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

(t) Provisions and contingent liabilities

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition

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

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

Revenue is recognised as follows:

(i) Sales of properties

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

(ii) Rental income

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

(iii) Property management

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

(iv) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered and services are rendered.

(v) Interest income

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

(vi) Construction and decoration services

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(vii) Dividend income

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

(v) Leases

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

The Group is the lessee

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

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

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

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

The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the profit or loss on a straight line basis over the term of the lease.

(w) Dividend distribution

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

(x) Financial guarantee contracts

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

3. FINANCIAL RISK MANAGEMENT

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

(a) Financial risk factor

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are in foreign currencies. As at 31 December 2010, major non-RMB assets and liabilities are cash and cash equivalents and borrowings dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group 31 December		Company 31 December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Monetary assets				
– HK$	**6,695**	448,116	**77**	36,261
– US$	**210,252**	–	**–**	–
	216,947	448,116	**77**	36,261
Monetary liabilities				
– HK$	**430,571**	706,920	**–**	–
– US$	**1,344,658**	–	**1,344,658**	–
	1,775,229	706,920	**1,344,658**	–

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 0.5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 0.5% change in foreign currency rates. If there is a 0.5% increase/decrease in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase/(decrease) in profit for the year:				
0.5% increase in RMB against the relevant currencies				
– HK$	**2,119**	1,294	**–**	(181)
– US$	**5,672**	–	**6,723**	–
	7,791	1,294	**6,723**	(181)
0.5% decrease in RMB against the relevant currencies				
– HK$	**(2,119)**	(1,294)	**–**	181
– US$	**(5,672)**	–	**(6,723)**	–
	(7,791)	(1,294)	**(6,723)**	181

(ii) Interest rate risk

Other than deposit held in banks, the Group does not have significant interest bearing assets. The average rate of deposits held in banks throughout 2010 was 0.36% (2009: 0.36%). Any change in interest rates is not considered to have significant impact to the Group. The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flow interest rate risk. At 31 December 2010, if interest rates on bank borrowings had been 0.5% higher/lower with all other variables held constant, interest charges for the year would have been RMB17,439,000 (2009: RMB8,578,000) larger/smaller, mainly as a result of larger/smaller interest expense on borrowings at variable rates.

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

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(iii) Credit risk

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

For banks and financial institutions, deposits are only placed with reputable banks. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low. For the trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group also regularly reviews the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 34.

For prepayments in respect of acquisition of land use rights, the Group considers the credit risk is minimal as these prepayments were paid to the PRC government and land use right certificates can be obtained from the PRC government when the other contractual conditions are fulfilled. The Group has policies in place to monitor the issuance status of land use rights certificates.

(iv) Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(iv) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2010					
Borrowings	**2,294,538**	**479,794**	**4,134,273**	**645,192**	**7,553,797**
Trade and other payables	**1,536,007**	**–**	**–**	**–**	**1,536,007**
At 31 December 2009					
Borrowings	1,231,536	557,264	381,382	231,262	2,401,444
Trade and other payables	901,829	–	–	–	901,829
Company					
At 31 December 2010					
Borrowings	**184,723**	**184,723**	**1,851,428**	**–**	**2,220,874**
Other payables and accruals	**36,883**	**–**	**–**	**–**	**36,883**
Amounts due to subsidiaries	**63,337**	**–**	**–**	**–**	**63,337**
At 31 December 2009					
Other payables and accruals	33,650	–	–	–	33,650
Amounts due to subsidiaries	13,965	–	–	–	13,965

(b) Capital risk management

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

During the year, the Group's strategy was to maintain a gearing ratio within 30%. The gearing ratios at 31 December 2010 and 2009 were as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Total borrowings	**6,221,368**	2,171,916
Total assets	**24,466,306**	14,524,318
Gearing ratio	**25.4%**	15.0%

(c) Fair value estimation

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2010 and 2009, the Group had no level 2 or level 3 financial instruments, the only level 1 financial instrument represents the financial assets at fair value through profit or loss (note 14).

The fair value of the Group's financial assets at fair value through profit or loss as at 31 December 2010 and 2009 is based on quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes and deferred taxation

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

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

(b) PRC land appreciation taxes

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

(c) Fair value of investment properties

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Fair value of investment properties (continued)

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

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

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

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under development as at 31 December 2010 cannot be measured reliably since there are practical difficulties to obtain certain information, including but not limited to the construction progress and cost to completion of particular unit of investment properties under development, at a reasonable accurate level for a fair value assessment of these properties. Therefore, the investment properties under development as at 31 December 2010 were measured at cost (2009: same).

5. SEGMENT INFORMATION

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

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Sales of properties	**4,162,350**	4,008,255
Rental income of investment properties	**180,635**	94,047
Property management services	**56,409**	33,437
Other property development related services	**33,263**	–
	4,432,657	4,135,739

5. SEGMENT INFORMATION (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2010 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	4,162,350	180,635	111,525	285,744	–	4,740,254
Inter-segment revenue	–	–	(55,116)	(252,481)	–	(307,597)
Revenue	4,162,350	180,635	56,409	33,263	–	4,432,657
Segment results	1,968,849	2,651,325	6,819	(34,892)	(79,511)	4,512,590
Unallocated operating costs						(52,765)
Finance income – net						30,128
Profit before income tax						4,489,953
Income tax expenses						(1,304,512)
Profit for the year						3,185,441
Depreciation (note 6)	7,062	–	925	9,428	–	17,415
Amortisation of land use rights recognised as expenses	16,110	–	–	–	–	16,110
Fair value gains on investment properties (note 8)	–	2,562,730	–	–	–	2,562,730

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

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

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	**13,249,277**	**10,749,980**	**115,078**	**1,724,345**	**(2,400,340)**	**23,438,340**
Other assets						**1,027,966**
Total assets						**24,466,306**
Segment liabilities	**3,579,846**	**369,113**	**109,679**	**1,885,538**	**(2,127,923)**	**3,816,253**
Other liabilities						**9,503,475**
Total liabilities						**13,319,728**
Capital expenditure	**722,429**	**916,852**	**2,559**	**624,854**	**–**	**2,266,694**

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

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

5. SEGMENT INFORMATION (continued)

Segment assets are reconciled to total assets as follows:

	31 December 2010 RMB'000	2009 RMB'000
Segment assets	**23,438,340**	13,622,798
Other assets		
Prepaid income taxes	**12,395**	11,639
Deferred income tax assets	**75,514**	30,596
Unallocated cash and cash equivalents and restricted cash	**897,112**	828,987
Amounts due from related parties (note 36(d))	**17,338**	23,844
Unallocated property and equipment	**1,796**	2,679
Other corporate assets	**23,811**	3,775
Total assets	**24,466,306**	14,524,318

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2010 RMB'000	2009 RMB'000
Segment liabilities	**3,816,253**	2,080,566
Other liabilities		
Current income tax liabilities	**1,506,881**	1,027,579
Deferred income tax liabilities	**1,602,362**	961,679
Interests payable	**7,744**	2,624
Current borrowings	**1,954,281**	1,145,715
Non-current borrowings	**4,267,087**	1,026,201
Amounts due to related parties (note 36(d))	**82,800**	32,900
Other corporate liabilities	**82,320**	17,497
Total liabilities	**13,319,728**	6,294,761

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

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

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (note 6), land use rights (note 7) and investment properties (note 8).

6. PROPERTY AND EQUIPMENT – GROUP

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
At 1 January 2009					
Cost	185,642	20,179	20,498	12,473	238,792
Accumulated depreciation	–	(984)	(7,317)	(4,342)	(12,643)
Net book amount	185,642	19,195	13,181	8,131	226,149
Year ended 31 December 2009					
Opening net book amount	185,642	19,195	13,181	8,131	226,149
Additions	100,111	–	3,225	2,333	105,669
Disposals	–	–	(403)	(293)	(696)
Depreciation	–	(650)	(4,004)	(2,551)	(7,205)
Closing net book amount	285,753	18,545	11,999	7,620	323,917
At 31 December 2009					
Cost	285,753	20,179	22,976	14,273	343,181
Accumulated depreciation	–	(1,634)	(10,977)	(6,653)	(19,264)
Net book amount	285,753	18,545	11,999	7,620	323,917
Year ended 31 December 2010					
Opening net book amount	**285,753**	**18,545**	**11,999**	**7,620**	**323,917**
Additions	**546,922**	**–**	**14,228**	**38,808**	**599,958**
Transfer	**(434,602)**	**434,602**	**–**	**–**	**–**
Disposals	**–**	**–**	**(886)**	**(1,398)**	**(2,284)**
Depreciation	**–**	**(7,579)**	**(5,149)**	**(4,687)**	**(17,415)**
Closing net book amount	**398,073**	**445,568**	**20,192**	**40,343**	**904,176**
At 31 December 2010					
Cost	**398,073**	**455,274**	**34,784**	**50,434**	**938,565**
Accumulated depreciation	**-**	**(9,706)**	**(14,592)**	**(10,091)**	**(34,389)**
Net book amount	**398,073**	**445,568**	**20,192**	**40,343**	**904,176**

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Cost of sales	**8,199**	992
Selling and marketing costs	**825**	745
Administrative expenses	**8,391**	5,468
	17,415	7,205

6. PROPERTY AND EQUIPMENT – GROUP (continued)

As at 31 December 2010, properties with net book amounts totaling RMB775,361,000 (2009: RMB204,176,000), was pledged as collateral for the Group's borrowings (note 19).

Borrowing costs of RMB12,658,000 (2009: RMB3,787,000) has been capitalised in assets under construction for the year ended 31 December 2010.

The capitalisation rate of borrowings for the year ended 31 December 2010 is 6.43% (2009: 9.66%).

7. LAND USE RIGHTS – GROUP

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Opening net book amount	**1,677,707**	1,155,236
Additions	**749,884**	864,350
Transfer to investment properties (note 8)	**(100,690)**	–
Amortisation	**(37,868)**	(24,210)
Disposals	**(38,599)**	–
Transfer to cost of sales	**(399,963)**	(317,669)
Ending net book amount	**1,850,471**	1,677,707
Amounts included in current assets	**1,741,981**	1,616,364
Amounts included in non-current assets	**108,490**	61,343
Outside Hong Kong, held on leases of:		
Over 50 years	**861,580**	613,063
Between 10 to 50 years	**988,891**	1,064,644
	1,850,471	1,677,707

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

As at 31 December 2010, land use rights of RMB1,617,152,000 (2009:RMB303,118,000) were pledged as collateral for the Group's borrowings (note 19).

8. INVESTMENT PROPERTIES – GROUP

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2009			
At 1 January 2009	2,173,000	1,218,894	3,391,894
Addition	4,137	701,212	705,349
Transfers	994,720	(994,720)	–
Disposal of investment properties	(15,310)	–	(15,310)
Fair value gains	2,425,853	–	2,425,853
At 31 December 2009	5,582,400	925,386	6,507,786
Year ended 31 December 2010			
At 1 January 2010	**5,582,400**	**925,386**	**6,507,786**
Addition	**33,252**	**883,600**	**916,852**
Transfer from land use rights (note 7)	**–**	**100,690**	**100,690**
Transfers	**805,618**	**(805,618)**	**–**
Fair value gains	**2,562,730**	**–**	**2,562,730**
At 31 December 2010	**8,984,000**	**1,104,058**	**10,088,058**

The completed investment properties have been revalued at 31 December 2010 and 2009 by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer. The valuations were based on either capitalisation of the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property, or by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

The management of the Group has concluded that the fair value of its investment properties under construction as at 31 December 2010 and 2009 could not be measured reliably, therefore, the Group's investment properties under construction continue to be measured at cost as at 31 December 2010 and 2009.

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Rental income	**180,635**	94,047
Direct operating expenses arising from investment properties that generate rental income	**(49,597)**	(18,172)
Direct operating expenses that did not generate rental income	**(30,978)**	(10,162)

The Group owned 100% interests in the investment properties as at 31 December 2010, which are held in the PRC on leases of between 10 to 50 years (2009: same).

8. INVESTMENT PROPERTIES – GROUP (continued)

Borrowing costs of RMB52,571,000 has been capitalised in certain investment properties for the year ended 31 December 2010 (2009: RMB22,229,000).

The capitalisation rate of borrowings for the year ended 31 December 2010 is 6.43% (2009: 9.66%).

As at 31 December 2010, investment properties of RMB6,364,253,000 (2009: RMB4,198,612,000) were pledged as collateral for the Group's borrowings (note 19).

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

	31 December	
	2010	2009
	RMB'000	RMB'000
Not later than one year	**2,007**	2,007
Later than one year and not later than five years	**8,028**	8,028
Later than five years	**2,509**	4,516
	12,544	14,551

9. PROPERTIES UNDER DEVELOPMENT – GROUP

	31 December	
	2010	2009
	RMB'000	RMB'000
Properties under development include:		
Construction costs and capitalised expenditures	**1,546,516**	877,308
Interests capitalised	**356,345**	317,062
Amortisation of land use rights	**21,855**	15,698
	1,924,716	1,210,068

The properties under development are all located in the PRC.

As at 31 December 2010, properties under development of approximately RMB922,665,000 (2009: RMB205,876,000) were pledged as collateral for the Group's borrowings (note 19).

The capitalisation rate of borrowings for the year ended 31 December 2010 is 6.43% (2009: 9.66%).

10. COMPLETED PROPERTIES HELD FOR SALE – GROUP

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

As at 31 December 2010, completed properties held for sale of approximately RMB414,325,000 (2009: RMB170,468,000) were pledged as collateral for the Group's borrowings (note 19).

11. TRADE AND OTHER RECEIVABLES AND LOANS – GROUP

	31 December 2010 RMB'000	2009 RMB'000
Trade receivables (note (a))	**498,541**	413,076
– Related parties (note 36(d))	**40,806**	15,433
– Third parties	**457,735**	397,643
Entrusted loans (note (b))	**170,000**	–
Other receivables from:	**444,584**	69,553
– Related parties (note 36(d))	**17,338**	23,844
– Third parties (note (c))	**427,246**	45,709
Prepaid business taxes and other taxes	**28,237**	29,208
	1,141,362	511,837

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. Trade receivables at 31 December 2010 and 2009 were aged less than one year.

(b) A group entity has entered into agreements with a finance institution in February 2010 and June 2010 to provide entrusted short-term loans to third parties of RMB100,000,000 and RMB70,000,000, respectively. The interest rates of the loans are 5.6% and 5.841% per annum, respectively. The loans are repayable in one year. The loan of RMB100,000,000 and the net interest of RMB5,000,000 have been received in February 2011.

(c) Amounts mainly represent auction deposits for bidding of land use rights.

As at 31 December 2010 and 2009, the fair value of trade and other receivables and loans approximated their carrying amounts.

Trade and other receivables are unsecured and interest free. The Group's trade and other receivables and loans are denominated in RMB. No material trade and other receivables and loans were impaired or past due as at 31 December 2010 and 2009.

12. PREPAYMENTS – GROUP

	31 December 2010 RMB'000	2009 RMB'000
Acquisition of properties – a related party (note 36(d))	**600,000**	600,000
Acquisition of land use rights (note (a))	**2,500,878**	674,911
Construction materials – third parties	**145,420**	1,814
	3,246,298	1,276,725

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use right certificates have not been obtained as at 31 December 2010. The land acquisition costs which are contracted but not provided for are included in commitments (note 35(a)).

13. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY

	31 December 2010 RMB'000	2009 RMB'000
Non-current portions		
Investments at cost – unlisted shares	**410,005**	354,670
Deemed capital contributions arising from share-based compensation	**36,079**	5,248
Amounts due from subsidiaries	**2,158,276**	–
	2,604,360	359,918
Current portions		
Amounts due from subsidiaries	**2,246,126**	3,075,868
Amounts due to subsidiaries	**(63,337)**	(13,965)
	2,182,789	3,061,903

Increase in investments represents the capitalisation of cash advances to the subsidiary of RMB55,335,000 by the Company.

The amounts due from subsidiaries included in non-current portions are unsecured, interest-free and are intended to provide the subsidiaries with long-term sources of additional capital.

The amounts due from/(to) subsidiaries included under current portions are unsecured, interest-free and repayable on demand.

13. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (continued)

Details of the principal subsidiaries of the Company at 31 December 2010 are set out below.

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
Directly held by the Company				
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	HK$100	100%	Investment holding in British Virgin Islands
Indirectly held by the Company				
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	HK$1	100%	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	HK$1	100%	Investment holding in Hong Kong
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	the PRC 21 October 2003	US$8,000,000	100%	Property development and property investment in the PRC
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	the PRC 5 August 2004	US$10,000,000	100%	Property development and property investment in the PRC
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	the PRC 7 April 2005	RMB700,000,000	100%	Property development and property investment in the PRC
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	the PRC 7 June 2005	RMB100,000,000	100%	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	the PRC 21 February 2006	RMB20,000,000	100%	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 3 March 2006	RMB80,000,000	100%	Property development and property investment in the PRC

13. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	RMB660,000,000	100%	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	RMB80,000,000	100%	Hotel operation in the PRC
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC 1 November 2006	US$15,000,000	80%	Property development and property investment in the PRC
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC 27 February 2007	US$15,000,000	100%	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	US$60,000,000	100%	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited	the PRC 10 December 2007	RMB225,240,000	100%	Property development and property investment in the PRC
烟台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	the PRC 19 December 2007	US$25,000,000	100%	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	US$80,000,000	100%	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	US$75,000,000	100%	Property development and property investment in the PRC

13. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	US$121,800,000	100%	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Property Development Company Limited	the PRC 24 November 2009	US$56,000,000	100%	Property development and property investment in the PRC
天津寶龍金駿房地產開發有限公司 Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Powerlong")	the PRC 1 April 2010	RMB28,580,000	100%(note (a))	Property development and property investment in the PRC
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Co., Ltd.	the PRC 28 October 2010	US$30,000,000	100%	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	US$70,000,000	100%	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	RMB100,000,000	100%	Property development and property investment in the PRC

(a) On 4 June 2010, a group entity and a third party entered into a cooperation agreement to set up Tianjin Powerlong to develop a real estate project in Tianjin City for a period of three years. The Group and the third party hold 65% and 35% equity interests in Tianjin Powerlong, respectively, and the Group has a call option to acquire the 35% equity interests in Tianjin Powerlong from the third party at a pre-determined consideration during the cooperation period. Based on the management's best estimate, it is highly probable that the Group will exercise the call option to acquire the 35% equity interests in Tianjin Powerlong from the third party, hence Tianjin Powerlong is treated as a 100% subsidiary of the Group and funds contributed by the third party to Tianjin Powerlong totaling RMB689,492,000 are recognised as other borrowing (note 19) to the Group.

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	31 December	
	2010	2009
	RMB'000	RMB'000
Listed equity securities held for trading in Hong Kong – at market value	**1,698**	11,517
Listed equity securities held for trading in the PRC – at market value	**19,900**	–
	21,598	11,517

15. RESTRICTED CASH – GROUP

	31 December	
	2010	2009
	RMB'000	RMB'000
Guarantee deposit for construction projects (note (a))	**632,121**	37,877
Guarantee deposit for letters of credit (note (b))	**440,397**	655,147
Guarantee deposit for bank borrowings (note (c))	**184,350**	–
Others	**5,177**	26,867
	1,262,045	719,891

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

(b) As at 31 December 2010, the Group placed cash deposits of approximately RMB440,397,000 (2009: RMB655,147,000) with designated banks to guarantee issuance of letters of credit to the Group as security for bank borrowings.

(c) As at 31 December 2010, the Group placed cash deposits of approximately RMB184,350,000 (2009: nil) with designated banks as security for bank borrowings.

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

16. CASH AND CASH EQUIVALENTS

	Group 31 December 2010 RMB'000	Group 31 December 2009 RMB'000	Company 31 December 2010 RMB'000	Company 31 December 2009 RMB'000
Cash at bank and in hand:				
– Denominated in RMB	**2,522,961**	1,316,109	**–**	–
– Denominated in HK$	**6,695**	448,116	**77**	36,261
– Denominated in US$	**210,252**	–	**–**	–
	2,739,908	1,764,225	**77**	36,261

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

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

17. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Total RMB'000
Authorised:							
As at 1 January and 31 December 2009 and 31 December 2010		30,000,000,000	HK$300,000,000				
Issued and fully paid:							
As at 1 January 2009		3,000,000,000	HK$30,000,000	26,658	1	–	26,659
Capitalisation issue	(a)	150,000,000	HK$1,500,000	1,320	998,680	–	1,000,000
Issue of ordinary shares in connection with the listing	(b)	937,448,000	HK$9,374,480	8,291	2,262,447	–	2,270,738
Share issuance costs in connection with the listing		–	–	–	(124,996)	–	(124,996)
As at 31 December 2009		4,087,448,000	HK$40,874,480	36,269	3,136,132	–	3,172,401
Repurchase of shares of the Company	(c)	**(19,000,000)**	**(HK$190,000)**	**(167)**	**(35,312)**	**–**	**(35,479)**
Purchased shares held for share award scheme	(d)	**–**	**–**	**–**	**–**	**(29,466)**	**(29,466)**
As at 31 December 2010		**4,068,448,000**	**HK$40,684,480**	**36,102**	**3,100,820**	**(29,466)**	**3,107,456**

17. SHARE CAPITAL AND PREMIUM (continued)

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

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

(c) During the year ended 31 December 2010, the Company acquired 19,000,000 of its own ordinary shares through the Stock Exchange at a consideration of approximately HK$40,341,000 (equivalent to RMB35,479,000). The shares were cancelled after the repurchase.

(d) During the year ended 31 December 2010, the Group, through a group entity, has acquired 13,956,000 of the Company's shares from the Stock Exchange for the purpose of setting up a share award scheme for designated employee (note 18 (c)). The total amount paid to acquire the shares was HK$34,630,000 (equivalent to RMB29,466,000) and have been deducted from owners' equity.

18. OTHER RESERVES

	Group				Company
	Merger reserve RMB'000 (note (a))	**Statutory reserves** RMB'000 (note (b))	**Share option reserve** RMB'000 (note (c))	**Total** RMB'000	**Share option reserve** RMB'000 (note (c))
Balance at 1 January 2009	337,203	4,780	–	341,983	–
Pre-IPO Share Option Scheme	–	–	5,248	5,248	5,248
Balance at 31 December 2009	337,203	4,780	5,248	347,231	5,248
Balance at 1 January 2010	**337,203**	**4,780**	**5,248**	**347,231**	**5,248**
Pre-IPO Share Option Scheme	**–**	**–**	**30,831**	**30,831**	**30,831**
Balance at 31 December 2010	**337,203**	**4,780**	**36,079**	**378,062**	**36,079**

(a) Merger reserve

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

18. OTHER RESERVES (continued)

(b) Statutory reserves

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

(c) Share option reserve

Pre-IPO Share Option Scheme

On 16 September 2009, the Company granted share options to the directors of the Company and selected employees under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK$2.75 per share upon the listing date.

Particulars of share options as at 31 December 2010 and 2009 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at 31 December 2010	2009
1 year from 16 September 2009	15 September 2012	HK$2.475	**7,112,000**	7,580,000
2 years from 16 September 2009	15 September 2013	HK$2.475	**7,112,000**	7,580,000
3 years from 16 September 2009	15 September 2014	HK$2.475	**7,112,000**	7,580,000
4 years from 16 September 2009	15 September 2015	HK$2.475	**7,112,000**	7,580,000
5 years from 16 September 2009	15 September 2016	HK$2.475	**7,112,000**	7,580,000
			35,560,000	37,900,000

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

	Year ended 31 December 2010	2009
At 1 January	**37,900,000**	–
Granted	**–**	40,000,000
Lapsed	**(2,340,000)**	(2,100,000)
At 31 December	**35,560,000**	37,900,000

18. OTHER RESERVES (continued)

(c) Share option reserve (continued)

Pre-IPO Share Option Scheme (continued)

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

The fair value of options granted is HK$2.16 per option, which was determined using the Binomial Model by an independent valuer. The significant inputs into the model were estimated share price of HK$4.00 at the date of grant, annual risk free rate of 0.99%-2.109% per year, expected volatility of 70.65%-63.54%, option life of 3-7 years and expected dividend yield of 1.00% per year.

Share Award Scheme

On 2 December 2010 (the “Adoption Date”), the Board of the Company approved and adopted a share award scheme in which a number of selected employees of the Group are entitled to participate (the “Share Award Scheme”). The Group has set up a trust (the “Share Award Scheme Trust”) for the purpose of administrating the Share Award Scheme. Under the sole discretion of the Board of the Company, the Share Award Scheme Trust will acquire the Company’s shares from the Stock Exchange and hold the shares granted to the employees (the “Awarded Shares”) for the employees until they are vested. Unless early terminated by the Board of the Company, the Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

No expenses or reserves were recognised for the Share Award Scheme as no Awarded Shares were granted in 2010.

19. BORROWINGS

	Group		Company	
	31 December		31 December	
	2010	2009	**2010**	2009
	RMB’000	RMB’000	**RMB’000**	RMB’000
Borrowings included in non-current liabilities:				
Senior notes – secured (note (a))	**1,344,658**	–	**1,344,658**	–
Bank borrowings – secured (note (b))	**3,349,845**	1,405,526	**–**	–
Other borrowings – unsecured	**490,124**	–	**–**	–
Less: amounts due within one year	**(917,540)**	(379,325)	**–**	–
	4,267,087	1,026,201	**1,344,658**	–
Borrowings included in current liabilities:				
Bank borrowings				
– secured (note (b))	**682,771**	766,390	**–**	–
– unsecured	**50,470**	–	**–**	–
Other borrowings – unsecured	**303,500**	–	**–**	–
Current portion of long-term borrowings	**917,540**	379,325	–	–
	1,954,281	1,145,715	–	–

19. BORROWINGS (continued)

Note (a)

On 16 September 2010, the Company issued 13.75%, due on 16 September 2015 senior notes (the "2015 Notes"), with an aggregated nominal value of US$200,000,000 (equivalent to approximately RMB1,343,440,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$194,800,000 (equivalent to RMB1,308,511,000). The 2015 Notes mature on 16 September 2015.

The 2015 Notes recognised in the balance sheets are calculated as follows:

	Group and Company RMB'000
Face value of 2015 Notes issued on 16 September 2010	**1,343,440**
Issuance costs	**(34,929)**
Fair value at the date of issuance	**1,308,511**
Amortisation	**55,335**
Exchange gains	**(19,188)**
Carrying amount as at 31 December 2010	**1,344,658**

The fair value of the 2015 Notes as at 31 December 2010 amounts to RMB1,384,144,000. The fair value is calculated using the market price of the 2015 Notes on the balance sheet date.

Note (b)

As at 31 December 2010, the borrowings of RMB4,032,616,000 (2009: RMB2,171,916,000) were secured by assets under construction (note 6), land use rights (note 7), investment properties (note 8), properties under development (note 9), completed properties held for sale (note 10) and restricted cash (note 15); the secured borrowings of RMB160,000,000 (2009: RMB710,000,000) were additionally guaranteed by related parties (note 36).

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

Group

	6 months or less RMB'000	**6-12 months** RMB'000	**1-5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non- current liabilities:					
At 31 December 2010	**1,772,092**	**743,347**	**1,751,648**	**–**	**4,267,087**
At 31 December 2009	589,201	437,000	–	–	1,026,201
Borrowings included in current liabilities:					
At 31 December 2010	**1,878,856**	**75,425**	**–**	**–**	**1,954,281**
At 31 December 2009	1,100,715	45,000	–	–	1,145,715

19. BORROWINGS (continued)

Company

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non- current liabilities:					
At 31 December 2010	**–**	**–**	**1,344,658**	**–**	**1,344,658**
At 31 December 2009	–	–	–	–	–

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

	Group 31 December		Company 31 December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Bank borrowings:				
1-2 years	**172,704**	507,451	**–**	–
2-5 years	**3,470,633**	317,500	**1,344,658**	–
Over 5 years	**623,750**	201,250	**–**	–
	4,267,087	**1,026,201**	1,344,658	**–**

The effective interest rate of borrowings as at 31 December 2010 is as follows:

	Group 31 December		Company 31 December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
2015 Notes	**15.02%**	–	**15.02%**	–
Bank and other borrowings	**5.21%**	4.41%	**–**	–

The carry amounts of borrowings approximates their fair values.

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

	Group 31 December		Company 31 December	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
RMB	**4,446,139**	1,464,996	**–**	–
HK$	**430,571**	706,920	**–**	–
US$	**1,344,658**	–	**1,344,658**	–
	6,221,368	2,171,916	**1,344,658**	–

19. BORROWINGS (continued)

As at 31 December 2010, the Group has the following undrawn borrowing facilities:

	Group 31 December 2010 RMB'000	2009 RMB'000
Floating rate		
– expiring within 1 year	**1,544,500**	447,530
– expiring within 1-2 year	**120,000**	–

20. DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against income tax payables and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred income tax assets and liabilities of the Group as at 31 December 2010 are as follows:

	31 December 2010 RMB'000	2009 RMB'000
Deferred income tax assets		
– to be realised after more than 12 months	**26,112**	17,046
– to be realised within 12 months	**49,402**	13,550
	75,514	30,596
Deferred income tax liabilities to be settled after more than 12 months	**(1,602,362)**	(961,679)
	(1,526,848)	(931,083)

The net movement on the deferred taxation is as follows:

	Year ended 31 December 2010 RMB'000	2009 RMB'000
Beginning of the year	**(931,083)**	(329,284)
Recognised in consolidated statement of comprehensive income (note 28)	**(595,765)**	(601,799)
End of the year	**(1,526,848)**	(931,083)

20. DEFERRED INCOME TAX – GROUP (continued)

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

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2009	9,052	29,356	38,408
Credited/(charged) to consolidated statement of comprehensive income	4,180	(11,992)	(7,812)
At 31 December 2009	13,232	17,364	30,596
Credited to consolidated statement of comprehensive income	**28,103**	**16,815**	**44,918**
At 31 December 2010	**41,335**	**34,179**	**75,514**

Deferred income tax assets are recognised for tax losses to the extent that the realisation of the related benefit through the future taxable profits is probable. Accumulated losses amounting to RMB72,000, RMB108,000, RMB6,792,000, RMB20,029,000,and RMB109,715,000 as at 31 December 2010 will expire in 2012, 2013, 2014, 2015 and 2016, respectively.

Deferred income tax liabilities

	Temporary difference on revaluation gains of investment properties RMB'000
At 1 January 2009	(367,692)
Charged to consolidated statement of comprehensive income	(593,987)
At 31 December 2009	(961,679)
Charged to consolidated statement of comprehensive income	**(640,683)**
At 31 December 2010	**(1,602,362)**

21. TRADE AND OTHER PAYABLES

	Group 31 December 2010 RMB'000	Group 31 December 2009 RMB'000	Company 31 December 2010 RMB'000	Company 31 December 2009 RMB'000
Trade payables	**1,036,927**	492,810	**–**	–
– Related parties (note 36(d))	**23,493**	–	**–**	–
– Third parties	**1,000,700**	456,955	**–**	–
– Notes payables – third parties	**12,734**	35,855	**–**	–
Other payables and accruals:	**236,401**	150,218	**36,883**	33,650
– Related parties (note 36(d))	**82,800**	32,900	**32,900**	32,900
– Third parties	**153,601**	117,318	**3,983**	750
Payables for retention fee	**131,463**	110,827	**–**	–
Payables for acquisition of land use rights	**53,834**	98,627	**–**	–
Other taxes payables	**77,382**	49,347	**–**	–
	1,536,007	901,829	**36,883**	33,650

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within 90 days	**332,164**	84,441
Over 90 days and within 180 days	**310,110**	61,715
Over 180 days and within 365 days	**145,418**	76,880
Over 365 days and within 3 years	**249,235**	269,774
	1,036,927	492,810

22. CURRENT INCOME TAX LIABILITIES – GROUP

The current income tax liabilities are analysed as follows:

	31 December	
	2010	2009
	RMB'000	RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**824,500**	455,660
– Withholding income tax for the profit to be distributed from the group companies in the PRC	**57,423**	30,300
– PRC land appreciation tax payable	**624,958**	541,619
	1,506,881	1,027,579

23. EXPENSES BY NATURE

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Business taxes and other levies (note (a))	**234,890**	215,063
Cost of properties sold (excluding staff costs)	**1,757,458**	1,596,457
Staff costs (including directors' emoluments) (note 25)	**194,373**	96,120
Advertising costs	**62,465**	36,789
Depreciation (note 6)	**17,415**	7,205
Amortisation of land use rights	**16,110**	15,039
Auditors' remuneration	**4,855**	3,280
Donations to governmental charity	**38,072**	5,060

(a) Business taxes

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

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

24. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Gain from disposal of land use right	**9,471**	–
Fair value gains and disposal gains on financial assets at fair value through profit or loss – net	**4,996**	–
Foreign exchange losses – net	**(5,386)**	(1,108)
Losses from disposal of investment properties – net	**–**	(2,445)
	9,081	(3,553)

25. STAFF COSTS

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Wages and salaries	**140,810**	77,449
Pension costs – statutory pension (note 33)	**15,038**	8,314
Other staff welfare and benefits	**7,694**	5,109
Pre-IPO Share Option Scheme	**30,831**	5,248
	194,373	96,120

26. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Wages and salaries	**1,256**	2,236
Retirement scheme contributions	**34**	26
Fee	**2,100**	416
Pre-IPO Share Option Scheme	**8,206**	2,345
	11,596	5,023

The remuneration of each director of the Company for the year ended 31 December 2010 is set out below:

	Wages and salaries	Retirement scheme contributions	Fee	Pre-IPO Share Option Scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hoi	540	–	240	4,287	5,067
Mr. Hoi Wa Fong	288	–	240	1,347	1,875
Mr. Xiao Qing Ping	176	7	240	1,102	1,525
Ms. Liu Xiao Lan	228	27	240	735	1,230
Ms. Shih Sze Ni	12	–	240	735	987
Ms. Hoi Wa Fan	12	–	180	–	192
Mr. Ngai Wai Fung	–	–	240	–	240
Mr. Mei Jian Ping	–	–	240	–	240
Ms. Nie Mei Sheng	–	–	240	–	240
	1,256	34	2,100	8,206	11,596

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

(a) Directors' emoluments (continued)

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

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Pre-IPO Share Option Scheme RMB'000	Total RMB'000
Mr. Hoi	728	–	52	1,225	2,005
Mr. Hoi Wa Fong	468	–	52	385	905
Ms. Shih Sze Ni	234	–	52	210	496
Ms. Liu Xiao Lan	338	22	52	210	622
Mr. Xiao Qing Ping	468	4	52	315	839
Ms. Hoi Wa Fan	–	–	–	–	–
Mr. Ngai Wai Fung	–	–	52	–	52
Mr. Mei Jian Ping	–	–	52	–	52
Ms. Nie Mei Sheng	–	–	52	–	52
	2,236	26	416	2,345	5,023

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

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

	31 December		Maximum amount outstanding for the year ended 31 December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mr. Hoi	**4,376**	2,886	**4,376**	2,886
Related entities ultimately controlled by Mr. Hoi (note 36(d))	**653,768**	636,391	**665,024**	636,391
	658,144	639,277	**669,400**	639,277

During the year ended 31 December 2010, none of the directors of the Company waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2010 (2009: same).

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including three (2009: four) directors whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments of the remaining two (2009: one) individuals for the years are set out below:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Wages and salaries	**949**	676
Retirement scheme contributions	**54**	–
Pre-IPO Share Option Scheme	**1,960**	384
	2,963	1,060

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands (in HK$)		
HK$1,000,000 – HK$1,500,000	**–**	1
HK$1,500,000 – HK$2,000,000	**2**	–

(d) During the year ended 31 December 2010, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2009: nil).

27. FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Interest expenses:		
– Bank borrowings and other borrowings wholly repayable within five years	**(181,753)**	(75,645)
– 2015 Notes	**(55,335)**	–
– Secured bonds and secured notes	**–**	(88,011)
Less: interest capitalised	**230,942**	159,669
	(6,146)	(3,987)
Net foreign exchange gains on borrowings	**36,274**	3,136
	30,128	(851)

28. INCOME TAX EXPENSES

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Current tax		
– PRC corporate income tax	**486,266**	405,155
– PRC land appreciation tax	**195,358**	404,911
– Withholding income tax for profit to be distributed from the group companies in the PRC	**27,123**	30,300
Deferred income tax		
– PRC corporate income tax	**595,765**	601,799
	1,304,512	1,442,165

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Operating profit before income tax	**4,489,953**	4,483,235
Calculated at applicable corporate income tax rate	**1,128,598**	1,106,870
Effect of expenses not deductible for income tax	**11,341**	1,312
Effect of income not subject to income tax	**(9,069)**	–
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(48,839)**	(101,228)
	1,082,031	1,006,954
Withholding income tax for profit to be distributed from the group companies in the PRC	**27,123**	30,300
PRC land appreciation tax	**195,358**	404,911
	1,304,512	1,442,165

The weighted average applicable corporate income tax rate for the years ended 31 December 2010 is 25% (2009: 25%).

Overseas income tax

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

28. INCOME TAX EXPENSES (continued)

PRC corporate income tax

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

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

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

Hong Kong profits tax

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

PRC land appreciation tax ("LAT")

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

Certain entities of the Group in Henan Province, Anhui Province and Jiangsu Province are subject to LAT which are calculated based on 0.5% to 3.5% of the sales of properties in accordance with the authorised taxation method obtained from tax authorities before 2009. In 2010, a project of the Group in Shandong Province has cleared the LAT with local tax bureaus at rates ranged from 1% to 12%.

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

	Year ended 31 December	
	2010	2009
As at 1 January	**246,783**	(25,166)
Profit for the year	**260,614**	271,949
Dividends (note 31)	**(245,247)**	–
As at 31 December	**262,150**	246,783

30. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held for Share Award Scheme (note 17 (e)).

	Year ended 31 December	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**2,955,645**	3,042,669
Weighted average number of ordinary shares in issue (thousand shares)	**4,075,024**	3,239,159
Basic earnings per share (RMB cents per share)	**72.53 cents**	93.93 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes.

For the year ended 31 December 2010, as the average market share price of the ordinary shares during the year was lower than the subscription price, the diluted earnings per share was equal to the basic earnings per share.

For the year ended 31 December 2009, the diluted earnings per share was RMB93.92 cents per share.

31. DIVIDENDS

The dividends paid in 2010 included the payment of the 2009 final dividend of RMB6.00 cents per ordinary share out of retained earnings, totally RMB245,247,000

The directors recommended the payment of a final dividend of RMB6.00 cents per ordinary share, totaling RMB244,107,000 based on the ordinary shares in issue as of 31 December 2010. Such dividend is to be approved by the shareholders at the Annual General Meeting on 27 May 2011. These consolidated financial statements do not reflect this dividend payable.

32. CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit before taxation	**4,489,953**	4,483,235
Adjustments for:		
Depreciation (note 6)	**17,415**	7,205
Costs of land use right recognised in consolidated statement of comprehensive income	**416,073**	332,708
Gain from disposal of land use right (note 24)	**(9,471)**	–
Losses from disposal of investment properties (note 24)	**–**	2,445
Pre-IPO Share Option Scheme	**30,831**	5,248
Fair value gains on investment properties (note 8)	**(2,562,730)**	(2,425,853)
Finance (income)/costs (note 27)	**(30,128)**	851
Foreign exchange losses arising from operating activities (note 24)	**5,386**	1,108
Changes in operating capital:		
– Properties under construction and completed properties held for sale	**(1,297,092)**	463,916
– Restricted cash	**(572,554)**	(36,717)
– Trade and other receivables and loans	**(463,408)**	(313,634)
– Prepayments	**(143,606)**	4,729
– Financial assets at fair value through profit or loss	**(10,081)**	(11,517)
– Trade and other payables	**451,841**	69,524
– Advances from customers	**1,221,352**	(1,036,177)
Cash generated from operating activities	**1,543,781**	1,547,071

33. PENSIONS – DEFINED CONTRIBUTION PLANS

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

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

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Gross scheme contributions	**15,038**	8,314

34. FINANCIAL GUARANTEE CONTRACTS

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

	31 December 2010 RMB'000	2009 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,876,958**	1,065,978

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

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

35. COMMITMENTS – GROUP

(a) Commitments for property development expenditures

	31 December 2010 RMB'000	2009 RMB'000
Contracted but not provided for		
– Property development activities	**2,766,366**	999,922
– Acquisition of land use rights	**1,809,186**	139,356
	4,575,552	1,139,278

(b) Operating leases commitments

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

	31 December 2010 RMB'000	2009 RMB'000
– Not later than one year	**12,908**	4,838
– Later than one year and not later than two years	**13,227**	7,016
– Later than two years and not later than three years	**727**	6,681
	26,862	18,535

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

36. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

(i) During the years ended 31 December 2010, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Rental income		
– Fuzhou Powerlong Amusement Management Company Limited	**2,371**	2,553
– Qingdao Kingcity Outlets Business Company Limited	**–**	4,974
– Qingdao Powerlong Amusement Management Company Limited	**13,501**	3,553
– Zhengzhou Powerlong Food & Beverage Company Limited	**1,604**	1,791
– Zhengzhou Cannes Outlets Commercial Company Limited	**13,277**	–
– Other related entities ultimately controlled by Mr. Hoi	**17**	509
	30,770	13,380
Property management fee income		
– Related entities ultimately controlled by Mr. Hoi	**2,806**	1,590
Purchase of property and equipment from related parties		
– Xiamen Powerlong Information Industry Co., Ltd.	**1,000**	27
– Fujian Ping An Security Devices and Network Limited	**45,181**	4,466
	46,181	4,493
Hotel accommodation service fee charged by a related party		
– Macau Powerlong Group	**940**	3,441
Office lease expense charged by a related party		
– Xiamen Powerlong Information Industry Co., Ltd.	**1,485**	1,485

The above transactions were charged in accordance with the terms of the underlying agreements.

(ii) Related parties have provided corporate guarantees for the Group's bank borrowings of RMB160,000,000 (2009: RMB710,000,000) at 31 December 2010 (note 19).

(iii) As at 31 December 2010, the Group did not pledge any assets as guarantees for any of the borrowings of the related parties (2009: nil).

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

36. RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

Key management compensation for the year ended 31 December 2010 is set out below.

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Key management compensation		
– Salaries and other employee benefits	**19,119**	6,168
– Pension costs	**217**	205
	19,336	6,373

(d) Balances with related parties

As at 31 December 2010, the Group had the following material balances with related parties:

	31 December	
	2010	2009
	RMB'000	RMB'000
Other receivables from related parties (note (i))		
– Mr. Hoi	**4,376**	2,886
– Related entities ultimately controlled by Mr. Hoi	**12,962**	20,958
– Xiamen Powerlong Group	**6,857**	15,414
– Fuzhou Cannes Department Store Company Limited	**2,132**	–
– Fuzhou Powerlong Amusement Management Company Limited	**–**	4,001
– Zhengzhou Cannes Outlets Commercial Company Limited	**3,537**	
– Other related entities ultimately controlled by Mr. Hoi	**436**	1,543
	17,338	23,844
Trade receivables from related parties (note (ii))		
– Fuzhou Powerlong Amusement Management Company Limited	**2,974**	2,553
– Zhengzhou Powerlong Food & Beverage Company Limited	**3,488**	1,791
– Qingdao Kingcity Outlets Business Company Limited	**2,678**	4,974
– Qingdao Powerlong Amusement Management Company Limited	**17,841**	3,506
– Zhengzhou Cannes Outlets Commercial Company Limited	**13,786**	509
– Other related entities ultimately controlled by Mr. Hoi	**39**	2,100
	40,806	15,433

36. RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	31 December 2010 RMB'000	2009 RMB'000
Prepayments for acquisition of properties (note (iii))		
– Xiamen Powerlong Group	**600,000**	600,000
Other payables to related parties (note (i)):		
– Mr. Hoi	**32,900**	32,900
– Xiamen Powerlong Hotel	**25,000**	–
– Fujian Ping An Security Devices and Network Limited	**9,900**	–
– Xiamen Powerlong Information Industry Co., Ltd.	**15,000**	–
	82,800	32,900
Trade payables to related parties (note (ii)):		
– Fujian Ping An Security Devices and Network Limited	**23,377**	–
– Other related entities ultimately controlled by Mr. Hoi	**116**	–
	23,493	–
Senior notes held by a related party (note (iv)):		
– Mr. Hoi Wa Fong	**31,599**	–

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

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

(iii) On 5 December 2008, the Group entered into an agreement with Xiamen Powerlong Group to acquire certain properties in Mingfa Centre (the "Mingfa Properties") from Xiamen Powerlong Group at a consideration of RMB600,000,000. The Group has prepaid considerations of RMB300,000,000 in the year ended 31 December 2008 and 2009, respectively. Owing to a delay in the delivery of the properties by the co-development partner to the Xiamen Powerlong Group, completion of the acquisition is expected to be delayed. The Company and the Xiamen Powerlong Group have agreed to postpone the date for completion of the acquisition to 30 June 2011. Pursuant to the agreement, the Group is entitled to the rental income derived from the Mingfa Properties during the period from the date of entering into the agreement to the date of transfer of properties ownership certificate. The rental income for the year ended 31 December 2010 of RMB16,846,000 (2009: RMB16,846,000) has been recognised as revenue of the Group and settled.

(iv) Mr. Hoi Wa Fong has purchased certain of the 2015 Notes (note 19) issued by the Company through open market. The carrying amount of the 2015 Notes held by Mr. Hoi Wa Fong is RMB31,599,000 as of 31 December 2010 (2009: nil).

37. SUBSEQUENT EVENTS

On 9 March 2011, the Company issued 11.5%, 3-year senior notes with an aggregated principle amount of RMB750,000,000 at 99.383% of the face value. The senior notes are jointly guaranteed by certain subsidiaries and are secured by pledges of the shares of the subsidiaries.

Five-year Financial Summary

CONSOLIDATED BALANCE SHEETS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property and equipment	**904,176**	323,917	226,149	125,810	24,060
Land use rights	**108,490**	61,343	38,490	38,857	39,916
Investment properties	**10,088,058**	6,507,786	3,391,894	2,704,424	1,246,237
Deferred income tax assets	**75,514**	30,596	38,408	40,502	23,136
	11,176,238	6,923,642	3,694,941	2,909,593	1,333,349
Current assets					
Land use rights	**1,741,981**	1,616,364	1,116,746	674,327	688,102
Properties under development	**1,924,716**	1,210,068	1,577,230	829,991	243,224
Completed properties held for sale	**1,199,765**	478,410	417,474	19,419	149,923
Trade and other receivables and loans	**1,141,362**	511,837	411,284	218,161	883,753
Prepayments	**3,246,298**	1,276,725	996,817	352,534	9,619
Prepaid income taxes	**12,395**	11,639	120,109	79,527	30,237
Financial assets at fair value through profit or loss	**21,598**	11,517	–	–	–
Restricted cash	**1,262,045**	719,891	31,112	27,353	5,355
Cash and cash equivalents	**2,739,908**	1,764,225	205,302	1,162,566	48,528
	13,290,068	7,600,676	4,876,074	3,363,878	2,058,741
Total assets	**24,466,306**	14,524,318	8,571,015	6,273,471	3,392,090
EQUITY					
Equity attributable to owners of the Company					
Share capital and premium	**3,107,456**	3,172,401	26,659	1	–
Other reserves	**378,062**	347,231	341,983	341,983	582,258
Retained earnings					
– Proposed final dividend	**244,107**	245,247	–	–	–
– Unappropriated retained earnings	**7,149,289**	4,437,751	1,640,329	707,671	137,230
	10,878,914	8,202,630	2,008,971	1,049,655	719,488
Non-controlling interests	**267,664**	26,927	34,501	35,645	24,811
Total equity	**11,146,578**	8,229,557	2,043,472	1,085,300	744,299

CONSOLIDATED BALANCE SHEETS (continued)

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	**4,267,087**	1,026,201	547,276	717,845	99,000
Deferred income tax liabilities	**1,602,362**	961,679	367,692	163,539	39,970
	5,869,449	1,987,880	914,968	881,384	138,970
Current liabilities					
Borrowings	**1,954,281**	1,145,715	563,727	42,440	30,000
Convertible Bonds and Secured Notes	**–**	–	–	784,424	–
Embedded financial derivatives	**–**	–	–	156,082	–
Secured bonds and secured notes	**–**	–	833,812	–	–
Trade and other payables	**1,536,007**	901,829	1,575,517	924,769	1,327,789
Advances from customers	**2,453,110**	1,231,758	2,267,935	2,072,615	1,086,071
Current income tax liabilities	**1,506,881**	1,027,579	371,584	326,457	64,961
	7,450,279	4,306,881	5,612,575	4,306,787	2,508,821
Total liabilities	**13,319,728**	6,294,761	6,527,543	5,188,171	2,647,791
Total equity and liabilities	**24,466,306**	14,524,318	8,571,015	6,273,471	3,392,090
Net current assets/(liabilities)	**5,839,789**	3,293,795	(736,501)	(942,909)	(450,080)
Total assets less current liabilities	**17,016,027**	10,217,437	2,958,440	1,966,684	883,269

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**4,432,657**	4,135,739	1,583,766	1,025,837	402,756
Cost of sales	**(2,030,297)**	(1,829,484)	(869,057)	(412,898)	(196,428)
Gross profit	**2,402,360**	2,306,255	714,709	612,939	206,328
Fair value gains on investment properties	**2,562,730**	2,425,853	856,040	533,035	121,121
Selling and marketing costs	**(118,933)**	(66,218)	(60,927)	(57,944)	(21,704)
Administrative expenses	**(395,413)**	(178,251)	(140,918)	(50,846)	(52,963)
Other gains/(losses) – net	**9,081**	(3,553)	(37,786)	(5,660)	–
Operating profit	**4,459,825**	4,484,086	1,331,118	1,031,524	252,782
Fair value losses on embedded financial derivatives	**–**	–	(14,834)	–	–
Finance income/(costs) – net	**30,128**	(851)	(33,655)	(3,401)	–
Profit before income tax	**4,489,953**	4,483,235	1,282,629	1,028,123	252,782
Income tax expenses	**(1,304,512)**	(1,442,165)	(345,313)	(421,382)	(129,741)
Profit for the year	**3,185,441**	3,041,070	937,316	606,741	123,041
Other comprehensive income	**–**	–	–	–	–
Total comprehensive income for the year	**3,185,441**	3,041,070	937,316	606,741	123,041
Attributable to:					
Equity holders of the Company	**2,955,645**	3,042,669	932,658	603,341	117,358
Non-controlling interests	**229,796**	(1,599)	4,658	3,400	5,683
	3,185,441	3,041,070	937,316	606,741	123,041
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB cents per share)					
– Basic	**72.53 cents**	93.93 cents	31.09 cents	Not Applicable	Not Applicable
– Diluted	**72.53 cents**	93.92 cents	31.09 cents	Not Applicable	Not Applicable
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividends	**244,107**	245,247	–	32,900	–

POWERLONG
宝 龙

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