建業地產股份有限公司
Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 0832.HK

根植中原造福百姓

胡葆森

From the land of Henan,
for the people of China.

2010 Annual Report

www.centralchina.com

Contents

Corporate Profile

Central China Real Estate Limited ("Central China" or the "Company", together with its subsidiaries, collectively the "CCRE Group" or the "Group"; stock code: 832.HK) was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2008. The Group has been granted the First Class Honor of Real Estate Developer in the People's Republic of China (the "PRC" or "China").

Adhering to its corporate philosophy of "Perseverance for Excellence" since its establishment, the Company is determined to integrate its mission with urban development. Through our architectural projects, we mark our presence in each city we enter, and create new lifestyles for the local community. Together with its local peer developers, the Company contributes to the local community by improving the standards of construction, increasing tax collections of local governments and creating job opportunities. Our relentless efforts in driving the urbanization process and promoting economic growth of the society have won the accolades of government authorities, professionals, peers, customers as well as our staff.

Dedicated to its philosophy of "providing customers with zero-defect products and quality services", the Company as a market leader has focused on the middle and upper market segment in the region. A portfolio of products including "Green Garden", "Jianye City", "Sweet-Scented Osmanthus Garden", "Forest Peninsula", "U-Town" and "One City" have been developed. In particular, "Forest Peninsula", "U-Town" and "One City" have enhanced the living standards in Henan.

Since its establishment 19 years ago, the Company has been committed to developing the highest quality residences, creating a brand name embedded with a sense of social responsibility and building an outstanding management team.

The Company has extended its presence into Henan's 18 prefecture-level cities and 5 county-level cities and completed an aggregate GFA of approximately 5.37 million sq.m.. Currently, annual GFA under development exceeds 2 million sq.m. with annual GFA sold of more than 1.10 million sq.m.. As at 31 December 2010, the Company had 28 projects/phases under construction with approximately 1.43 million sq.m. GFA under development, and had land reserves of 7.55 million sq.m..

Fully integrating "economic benefits and social benefits, material pursuit and spiritual pursuit, corporate interests and staff interests, strategic goals and execution process"- the Company's long-term goal has started to take shape.

In March 2010, Central China Real Estate Limited ranked 35th (36th in 2009) among the 2010 China Top 100 Real Estate Developers and ranked first in Henan's real estate industry, according to the Top 100 China Real Estate Enterprises Research Report. The Group was also among the "Top 10 Prudent Enterprises" for its sound operation and financial performance. On 18 September 2010, Central China consecutively ranked first among the "Top 10 Real Estate Enterprises by Brand Value in Midwestern China in 2010" for its unique brand value and regional influence.

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of the Group for the year ended 31 December 2010 on behalf of the Board.

In 2010, while the world's major economies were still at the recovery stage, China's economy maintained its growth momentum, striking a 10.3% year-on-year increase in its gross domestic product ("GDP"). For the property development industry, due to China's central government's increasing concern about the overheated property market in various regions, tightening measures were introduced to ensure the industry's healthy and steady growth. Overall, the measures are increasingly more specific as the central government implements more tightening measures.

GDP growth in Henan Province was 12.2% in 2010 as it continued its upward growth trend in economic and social development. While commodity properties transaction volumes in first tier cities declined, Henan's real estate industry continued to grow, albeit at a slower pace, demonstrating the strong underlying real demand driven by end-users.

Benefitting from the steady growth in Henan's economy and property market, the Company achieved notable growth in 2010 over the previous year. In 2010, the Company achieved revenue of RMB4.5 billion, representing a 65% increase year-on-year. This is the first year that the Company's contracted GFA exceeded one million sq.m.. In 2010, the Company ranked 24th among property developers in China and took the first place in Henan Province in terms of GFA delivered. We are confident that our development projects in Henan's third tier cities will contribute more significantly to the Company's performance as a result of our successful expansion into these new markets. At the same time, the Company's brand reputation and market share have increasingly gained market recognition.

In 2010, the Company's culture, built on its core beliefs — "to be faithful and responsible, to be on the right track and to do what is right" — emphasizes its commitment to deliver quality products and services as its core values. The Company is committed to continuously improving the quality of products and services and developing new core competences. In 2010, we actively promoted the development of low-carbon emission residential properties to establish a sustainable business model. In January 2010, a study group was formed to develop low-carbon and green product series and the Company's "Central China Green Initiative" was mapped out, building a strong foundation to lead the market in green awareness and action for low carbon emission. We also had further progress in setting up the provincial network of services by connecting more business partners, providing more comprehensive and in-depth services to customers. This is the unique business model that differentiates the Company from other developers in Henan.

In 2010, on the financing front, the Company successfully issued US Dollars 300 million 5-year Senior Notes. This was a significant step for the Company in the international capital market. With strong support from both onshore and offshore capital markets and significant growth in its operations, the Company was able to obtain new land parcels at relatively low costs as planned. New landbank acquired by the Company reached 3.1 million sq.m. in GFA during the year. It is also worth noting that the Company had inked several strategic cooperation agreements with Henan cities and county governments, creating room for further development in future in the province. At the same time, the Company's gradual investments in commercial properties and hotels will also support future sustainable earnings and growth.

In 2011, we expect macro-economic development to emphasize on growth as well as sustainability. The property market will continue to encounter uncertainties arising from the government's austerity measures. However, notwithstanding the headwind, the Board believes that strong fundamentals and competitiveness are key to a company's development. To fulfill our commitment, the Company will actively introduce innovative, effective and efficient management philosophies, accelerate the development cycle of projects, fine-tune development schedules and strive to achieve its targets for 2011.

I wish to thank our staff members and management for their dedication and hard work. This is an era of challenges, and shareholders' trust and recognition are the source of our strength. Besides maximizing shareholder value, the Company is committed to be a motor of the development and urbanization in the cities within central China. The Company will continue to make greater contribution to China's sustained and healthy development in the real estate market and to the prosperity of the community.

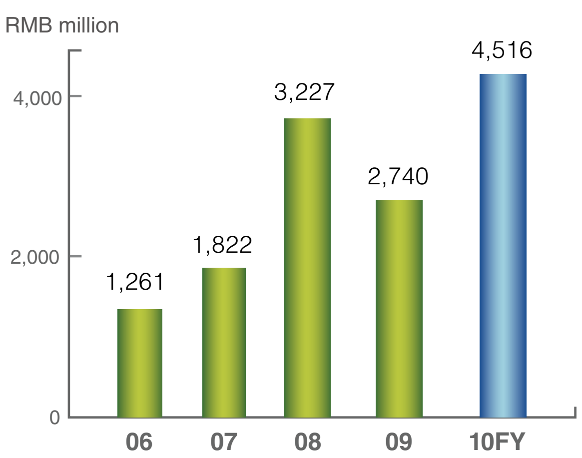
Chairman
Wu Po Sum
16 March 2011

	2010	2009	Change (%)
Financial Highlights *(RMB'000)*			
Turnover	**4,516,351**	2,739,831	+64.8
Profit attributable to equity shareholders	**544,887**	405,326	+34.4
Dividends	**165,000**	117,953	+39.9
Financial Ratios			
Gearing ratio+ *(%)*	**43.6**	11.1	+32.5*
Gross profit margin *(%)*	**34.2**	34.7	-0.5*
Net profit margin *(%)*	**12.8**	15.6	-2.8*
Financial Information per Share *(RMB)*			
Earnings — Basic	**0.2724**	0.2027	+34.4
Earnings — Diluted	**0.2623**	0.2015	+30.2
Dividends *(HK$)*	**0.097**	0.068	+42.6
Equity attributable to equity shareholders	**1.75**	1.56	+12.2

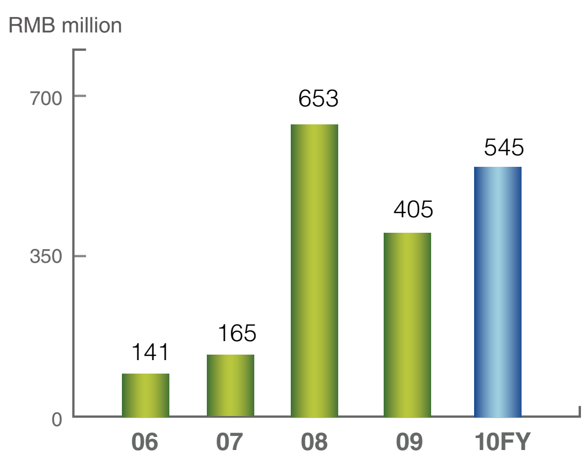
Notes: * Change in percentage points

\+ Gearing ratio represents net debt divided by total equity of the Company. Net debt represents outstanding bank loans, other loans, convertible bonds and senior notes, less cash and restricted bank deposits secured against bank loans. Total equity represents shareholders' equity and non-controlling interests.

Turnover



Profit attributable to Equity Shareholders



Management Discussion and Analysis

OPERATION REVIEW

(I) Review on the Market and the Company's Business

1. *Macro-economy*

Despite a struggling and sluggish recovery of the world's economy in 2010, China has maintained its rapid economic growth momentum. In 2010, China's GDP amounted to RMB39,798.3 billion, representing a year-on-year growth of 10.3%.

In 2010, benefited from the acceleration of urbanization and industrial shifts, Henan's GDP increased by RMB2,294.3 billion, representing a growth of 12.2% over 2009, which was 1.9 percentage points above the national growth rate.

2. *Property market*

In 2010, China's central government duly carried out measures to facilitate the steady and sound development of the property market. As a result, the transaction volume in certain first-tier cities experienced a slight decline, but China's property market, driven by various demands such as demand for sustained or increase in asset value backed by the strong underlying demand and expected general inflation, still maintained a rapid growth momentum in general. The GFA of commodity properties sold and revenue from the sales of commodity properties reached 1.043 billion sq.m. and RMB5.25 trillion, representing a year-on-year increase of 10.1% and 18.3% respectively.

Henan's property market is of great prominence to the Company's business development. Mainly driven by end-user demand, the market has relatively less demand for speculation and little property bubbles as evidenced by its strong immunity to the impact of macro-control over the property market. The total GFA of the commodity properties sold in Henan increased by 25.8% year-on-year to 54.52 million sq.m., which was 15.7 percentage points above the national growth rate. Correspondingly, the revenue from the sales of commodity properties increased by 43.5% to RMB165.9 billion, which was 25.2 percentage points above the national growth rate.

(II) Project Development

(1) During the year, the Company strived to improve its operating efficiency, as well as its products and services quality continuously. The Company has created favorable conditions for expanding its development, reducing costs of construction and shortening its development cycle. In 2010, the Company achieved records of newly commenced GFA of 1,235,595 sq.m. and completed GFA of 1,074,698 sq.m.. In 2010, the Company's contracted sales/pre-sale of 1,114,456 sq.m. and contracted sales/pre-sales value of RMB5.49 billion, representing 28.1% and 51.8% growth when compared with 2009, respectively. The strong sales had built up a sound foundation for the development in 2011 and the future.

(2) *Development schedule*

During the year 2010, the Company commenced construction of 20 projects or phases of projects, with newly commenced GFA of 1,235,595 sq.m., representing a year-on-year increase of 30.0% over the same period of last year.

Geographical breakdown of newly commenced projects for 2010

Location	**Newly commenced GFA** *(sq.m.)*
Zhengzhou	225,266
Other cities in Henan Province	1,010,329
Total	1,235,595

As at 31 December 2010, the Company had 26 projects under development with a total GFA of approximately 1,433,261 sq.m., including 5 projects in Zhengzhou and 21 projects in other cities of Henan.

Geographical breakdown of projects under development as at 31 December 2010

Location	**GFA under development** *(sq.m.)*
Zhengzhou	363,221
Other cities in Henan Province	1,070,040
Total	1,433,261

During the reporting period, the Company completed 23 projects or phases of projects with total completed GFA of 1,074,698 sq.m., and saleable GFA of 1,039,414 sq.m.. During the reporting period, the total contracted GFA sold reached 856,652 sq.m., representing a pre-sale rate of 82%.

Completed Projects in 2010

Project	**Total GFA completed** *(sq.m.)*	**Saleable GFA** *(sq.m.)*	**Pre-sold/ sold GFA** *(sq.m.)*
Forest Peninsula (Zhengzhou) Phase IV	37,941	25,760	24,309
Jianye Champagne Garden High-rise	19,053	19,053	16,532
Jianye Maple Garden (Zhengzhou)	75,877	71,154	71,103
Zhengbian U-Town Phase V first batch	40,672	34,879	33,846
Zhengbian Xiangsheng District (鄭汴祥勝小區)	44,497	42,497	33,986
One City (Longyang) Phase I	47,700	47,607	45,390
Forest Peninsula (Hebi) Phase I first batch	36,229	36,229	9,602
Golden Dragon Peninsula (Xinxiang) Phase I second batch	23,663	23,582	17,338
Jianye City (Puyang) Phase IV	22,195	21,182	16,517
Forest Peninsula (Luohe) Phase III	99,165	98,713	88,406
One City (Luohe) Phase I	69,457	69,810	23,715
Sweet-Scented Osmanthus Garden (Shangqiu) Phase IV	46,338	46,317	28,868
U-Town (Shangqiu) Phase I	41,019	41,019	35,992
Forest Peninsula (Zhoukou) Phase I (High-rise)	7,411	6,936	6,407
Forest Peninsula (Zhoukou) Phase II	29,524	29,299	27,346
Forest Peninsula (Zhumadian) Phase V	89,388	88,995	86,914
Forest Peninsula (Xinyang) Phase III	39,888	39,737	28,487
One City (Jiyuan) Phase I	28,616	25,475	24,316
Huayang Square (Luoyang) Phase II	133,898	133,898	124,150
Jianye Dahong City Garden Phase II	16,258	15,595	10,687
Zhengkai Forest Peninsula Phase II	74,268	70,036	64,911
Zhengkai Forest Peninsula Phase VI	35,500	35,500	26,313
Zhengkai Forest Peninsula Phase VII	16,141	16,141	11,517
Total	1,074,698	1,039,414	856,652

(3) Sales schedule

The total contracted GFA sold/pre-sold by the Company during the reporting period amounted to 1,114,456 sq.m. with a contracted sale/pre-sale value of RMB5,490 million, representing increase of 28.1% and 51.8% over 2009, respectively.

Geographical breakdown of sale/pre-sale for the year ended 31 December 2010

Location	**Approximate saleable GFA sold** *(sq.m.)*	**Approximate total amount** *(RMB'000)*
Zhengzhou	258,035	1,922,557
Other cities in Henan Province	856,421	3,570,080
Total	1,114,456	5,492,637

(III) Land Reserves

In 2010, the Company adopted various means of land acquisitions such as equity acquisition, public bidding, cooperations etc. according to different conditions of international and domestic economy as well as real estate markets, resulting in a reasonable increase in its land reserves. As at 31 December 2010, the Company had land reserves with a total GFA of 11,810,000 sq.m., and obtained the state-owned land use right certificates in respect of 9,230,000 sq.m. of such land.

1. Public Bidding for Land

On 28 January 2010, Nanyang Central China Hotel Company Limited (南陽建業酒店有限公司), a wholly-owned subsidiary of the Company, successfully acquired the land use right of a parcel of land located near the Nanyang Stadium of China National Farmers' Games in Nanyang City (南陽市南陽農運會場館) with a total site area of 93,481 sq.m. in a bidding process held by the Nanyang City Land and Resources Bureau (南陽市國土資源局). The purchase price for the acquisition is RMB98.02 million. The planned plot ratio is not more than 1.2.

On 4 March 2010, Jiaozuo Central China Real Estate Company Limited (焦作建業地產有限公司), a wholly-owned subsidiary of the Company, successfully acquired the land use right of a parcel of land located at Hanyu Road, Jiaozuo City (焦作市韓愈路) with a total site area of 60,215 sq.m. in a bidding process held by the Jiaozuo City Land and Resources Bureau (焦作市國土資源局). The purchase price for the acquisition is RMB55.15 million. The planned plot ratio is not more than 2.8.

On 20 April 2010, Henan Yushang Property Development Company Limited (河南豫商房地產開發有限公司), a 30% owned associate of the Company, successfully acquired the land use right of a parcel of land located at the Commerce Building, Zhengdong New District, Zhengzhou City (鄭州市鄭東新區商會大廈) with a total site area of 10,265 sq.m. in a bidding process held by the Zhengzhou City Land and Resources Bureau (鄭州市國土資源局). The purchase price for the acquisition is RMB50.30 million. The planned plot ratio is not more than 7.0.

On 31 July 2010, Sanmenxia Central China Real Estate Company Limited (三門峽建業地產有限公司), a wholly-owned subsidiary of the Company, successfully acquired the land use rights of two parcels of land located at the west of Daling Road and the north of Huanghe Road, Sanmenxia City (三門峽市大嶺路西、黃河路北) in a bidding process held by the Sanmenxia City Land and Resources Bureau (三門峽市國土資源局). The purchase prices for the acquisition are RMB55.07 million and RMB152.16 million respectively. The first land parcel has a site area of 26,227 sq.m. including an area of 21,409 sq.m. for commercial and residential use and 4,818 sq.m. for kindergarten use, the plot ratios of which are not more than 4.5 and 0.6 respectively. The second land parcel has a site area of 69,962 sq.m., the plot ratio of which is not more than 5.5.

On 16 September 2010, Wugang Central China Real Estate Company Limited (舞鋼建業地產有限公司), a wholly-owned subsidiary of the Company, successfully acquired the land use right of a parcel of land located at Wugang Development and Service District for Business Start-ups (舞鋼市創業發長服務區) with a total site area of 114,008 sq.m. in a bidding process held by the Wugang City Land and Resources Bureau (舞鋼市國土資源局). The purchase price for the acquisition is RMB85.56 million. The planned plot ratio is not more than 1.51.

On 16 November 2010, Henan Jianzheng Real Estate Company Limited (河南建正房地產有限公司), a wholly-owned subsidiary of the Company, successfully acquired the land use right of a parcel of land located at the north of Zhengbian Road and the west of Zhannan Road, Zhengzhou City (鄭州市鄭汴路北、站南路西) with a total site area of 29,333.33 sq.m. in a bidding process held by the Zhengzhou City Land and Resources Bureau (鄭州市國土資源局). The purchase price for the acquisition is RMB221.10 million. The planned plot ratio is not more than 7.0.

On 17 November 2010, Central China Real Estate (Jiaozuo) Company Limited (建業住宅集團焦作置業有限公司), a wholly-owned subsidiary of the Company, successfully acquired the land use right of a parcel of land located at the north of Longyuan Lake, Jiaozuo City (焦作市龍源湖北側) with a total site area of 22,421 sq.m. in a bidding process held by the Jiaozuo City Land and Resources Bureau (焦作市國土資源局). The purchase price for the acquisition is RMB54 million. The planned plot ratio is not more than 1.6.

On 9 December 2010, Henan Coal Chemical Central China Real Estate Development Investment Co., Ltd. (河南煤化建業房地產開發投資有限公司) ("CCRE Coal Chemical"), a jointly controlled entity of the Company, successfully acquired the land use right of a parcel of land located at the north of Nongye Road and the west of Qingong Road, Zhengzhou City (鄭州市農業路北、勤工路西) with a total site area of 56,920.65 sq.m. in a bidding process held by the Zhengzhou City Land and Resources Bureau (鄭州市國土資源局). The purchase price for the acquisition is RMB1,108.45 million. The planned plot ratio is not more than 3.5.

On 11 January 2011, Central China Real Estate (Luoyang) Company Limited (建業住宅集團洛陽置業有限公司), a wholly-owned subsidiary of the Company, successfully acquired the land use right of two parcels of land located at the south of Luoyi Road and the east of Yuanxi Avenue (洛陽市洛宜路南、園西大道東) in a bidding process held by the Luoyang City Land and Resources Bureau (洛陽市國土資源局). The purchase prices for the acquisition are RMB256.485 million and RMB137.71 million respectively. The two land parcels have site area of 140,155.65 sq.m. and 34,644.65 sq.m. respectively, the plot ratio of which is not more than 3.0.

On 27 January 2011, Zhengzhou Central China Tianming Property Company Limited (鄭州建業天明置業有限公司), a 50% owned subsidiary of the Company, successfully acquired the land use right of a parcel of land located at the west of Dongfengdong Road and the south of Yulinnan Road, Zhengzhou City (鄭州市東風東路西、榆林南路南) with a total site area of 86,956.57 sq.m. in a bidding process held by the Zhengzhou City Land and Resources Bureau (鄭州市國土資源局). The purchase price for the acquisition is RMB1,961.65 million The planned plot ratio is not more than 3.5.

2. *Equity Acquisition*

On 28 January 2010, the Company entered into an equity transfer agreement with Henan Yuanda Property Company Limited (河南遠達置業有限公司), whereby the Company acquired 100% equity interest of Henan Yuanda Property Company Limited ("Henan Yuanda") at a consideration of RMB176.52 million. Henan Yuanda owns the land use right of a parcel of land with site area of 29,421.56 sq.m. The plot ratio under the development plan set by the local government was not more than 4.0.

On 12 October 2010, the Company entered into an equity transfer agreement with Jiangmen Furuide Commerce & Trading Company Limited (江門弗鋭德商貿有限公司), pursuant to which the Company acquired 35% equity interest of Shangqiu Jianye Huarun Zhiye Company Limited (商丘建業華潤置業有限公司) ("Huarun Zhiye") at a consideration of RMB102 million. Upon completion of the equity transfer, the Company's equity holding in Huarun Zhiye increased from 65% to 100%. Huarun Zhiye owns the land use right of a parcel of land with site area of 78,115.66 sq.m. and the plot ratio under the development plan set by the local government was not more than 1.5.

3. *Establishment of Jointly Controlled Entities*

On 18 May 2010, the Group entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with Bridge Trust Co., Ltd (百瑞信託有限責任公司). Pursuant to the Strategic Cooperation Agreement, Bridge-CCRE Trust (百瑞信託 — 建業集團房地產信託投資系列基金) was established with trust fund amounted to RMB669,387,000, 25% of which in the amount of RMB167,370,000 was held by the Group. Bridge-CCRE Trust is purported to raise capital and develop existing and future property projects of the Group. For further details, please refer to the Company's announcements dated 18 May 2010 and 4 April 2011.

On 25 December 2010, Bridge-CCRE Trust and the Group entered into an equity transfer agreement, pursuant to which the Group disposed of its 25.1% equity interest in Henan United New Town Real Estate Company Limited (河南聯盟新城置業有限公司) ("Henan New Town") to Bridge CCRE Trust at the consideration of RMB163,630,000. The proceeds from the disposal of Henan New Town was applied as general working capital of the Group. Henan New Town was classified as a jointly controlled entity of the Group as at 31 December 2010. For further details, please refer to the Company's announcement dated 4 April 2011.

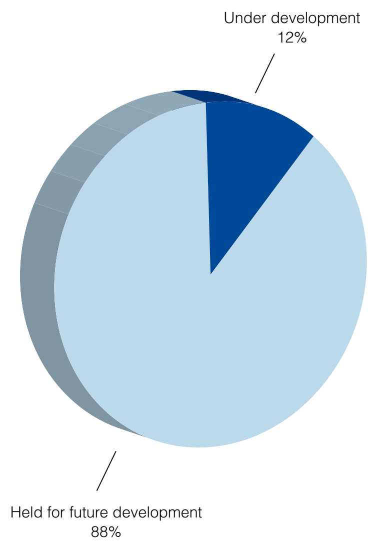
On 26 December 2010, Bridge-CCRE Trust and the Group entered into a capital increase agreement pursuant to which the registered capital of Central China Real Estate (Nanyang) Company Limited (建業住宅集團南陽置業有限公司) ("CCRE Nanyang") was increased from RMB60,000,000 to RMB579,590,000 by injection of RMB284,000,000 by Bridge-CCRE Trust and RMB235,590,000 by the Group. The Group's equity interest in CCRE Nanyang decreased from 100% to 51%. The capital injection helped the Group raise capital for financing the development and construction of the Forest Peninsula (Nanyang) Project. CCRE Nanyang was classified as a jointly controlled entity of the Group as at 31 December 2010. For further details, please refer to the Company's announcement dated 4 April 2011.

On 29 April 2010, the Group and Henan Coal Chemical Industry Group Co., Ltd. (河南省煤業化工集團有限責任公司) established CCRE Coal Chemical with a registered capital of RMB100,000,000, 50% of which is owned by the Group. Between November and December 2010, the Group provided CCRE Coal Chemical with shareholder's loans of an aggregate amount of RMB1,088,602,500 (inclusive of capital injected into CCRE Coal Chemical as registered capital in the amount of RMB50,000,000). The provision of the advances constituted a major transaction of the Company under Chapter 14 of the Listing Rules and advance to an entity under Rule 13.13 of the Listing Rules. The shareholder's loans were made for the purposes of funding the purchase price of a parcel of land located in Zhengzhou City, Henan Province. CCRE Coal Chemical was classified as a jointly controlled entity of the Group. For further details, please refer to the Company's announcement dated 4 April 2011.

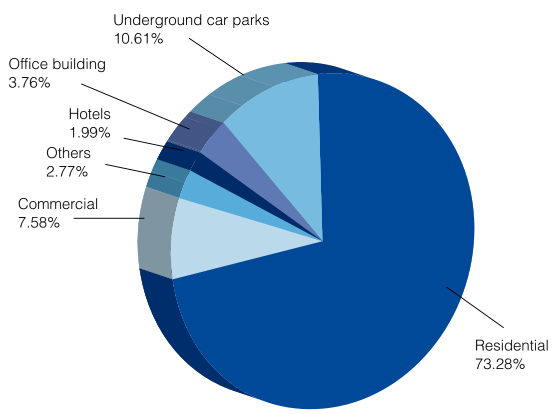
On 7 June 2010, the Group and Henan Taihong Real Estate Company Limited (河南省泰宏房地產有限公司) ("Henan Taihong") entered into the investment cooperation agreement (the "Investment Cooperation Agreement") in relation to the establishment of Henan Central China Taihong Real Estate Limited (河南建業泰宏置業有限公司) ("CCRE Taihong") for the purposes of cooperation and joint investment in the development of the Chengzhongcun Project. Pursuant to the Investment Cooperation Agreement, the initial registered capital of CCRE Taihong shall be RMB50,000,000, which shall be contributed by the Group and Henan Taihong by way of cash in the proportion of 50% and 50% respectively. The Group also agreed to make further capital contribution of RMB200,000,000 to CCRE Taihong. The Group's total capital commitment under the Investment Cooperation Agreement was therefore RMB225,000,000. The Group's investment in CCRE Taihong constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. CCRE Taihong was classified as a jointly controlled entity of the Group. For further details, please refer to the Company's announcement dated 4 April 2011.

Distribution of land reserves

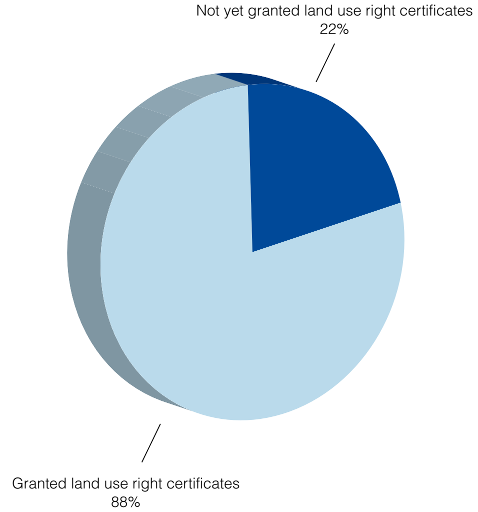
1. Distribution of the Company's land reserves by current development status



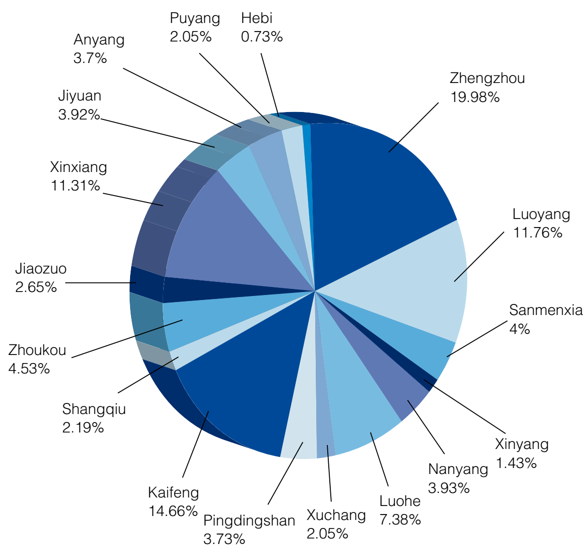
2. Distribution of the Company's land reserves by property type



3. *Distribution of the Company's land reserves by land use right certificates*



4. *Distribution of the Company's land reserves by cities*



(IV) Product Research and Development

The Company's product strategy is "New products in traditional markets and traditional products in new markets". In traditional markets, we offer innovative products and quality services to attract target customers. In new markets, we replicate the footprints of the traditional markets through product series and standardization, in order to achieve high development speed and low construction costs. In 2010, the Company mainly dedicated in the research and development of product series, standardization and low-carbon products.

(1) Product series

By developing a portfolio of products, the Company has gradually established a famous series such as "Jianye City", "Forest Peninsula", "One City" and "U-Town". These products strike great success in terms of promotion and application of product positioning, design management, construction management, cost management and other sessions. As a result, the Company's products can better meet customers' preferences. With shortened design and construction periods and clear standards of cost control, the Group has ensured targets of product quality and cost are met, which set up sound foundation for future development.

(2) Standardization

In 2010, the Company standardized its products mainly by standardizing the properties' peripheral components and main construction and making corresponding amendments. Product standardization enabled the Company to make strategic purchases of components and parts and unify its technology standards, thus providing a comprehensive technological support for concentrated procurement of the Group.

(3) Commencement of promotion of green and low-carbon products of the Company

Given the new challenges and development opportunities faced by the property industry in a low-carbon economy, the Company will strive to capture the advantage in industry reform and development. As a leading company in the Henan property industry, we promote and develop low-carbon residences to reduce emission of greenhouse gases to the biosphere. With a view to providing technological support for the research and development and application of the Company's fourth generation products, the Company has kicked off a series of research and development in respect of technological housing, green housing and low-carbon community. Currently, the Company is applying green and low-carbon products of the fourth generation in its projects.

(V) Customer Service and Customer Relationship

The Company insists on enhancing the standard of customer-related services to provide customers with quality and professional services. To enhance its overall customer satisfaction, the Company has launched a customer satisfaction survey together with Gallup, Inc. (蓋洛普諮詢公司). As part of its drive to create value for customers to the benefit of the Company, a perfect customer care system has also been put in place to fully integrate resources of its old customers.

To maintain a long-term, stable and sound interaction with customers, the Company has never rested on its laurels in the quest of better service for a closer and stronger customer relationship.

BUSINESS OUTLOOK

(I) Market Outlook

1. *Macro-Economy*

In 2011, the recovery of the global economy is well underway but much uncertainty remains. China's central government has recently indicated that an active fiscal policy and a stable monetary policy will be put in place to balance economy restructuring with inflation control under a steady and fast-growing economy. The improvement of the international economic conditions, coupled with gradual and coordinated adjustment in the domestic economic structure, provided favorable conditions for China's economic development. Hence, the Company expects a continuous growth in China's economic growth as a whole in 2011.

The Company anticipates that with the economic zones in central China officially incorporated into the Plan of National Key Functional Areas (《全國主體功能區規劃》), Henan Province as the bright spot in this plan is expected to benefit from the construction in these economic zones and register blistering economic growth in 2011.

2. *Real estate market*

To exert greater macro-control on the real estate market to ensure stable development, the central government has recently put forth a program of actions to cool down the real estate sector, putting correction pressure on first-tier cities and those with over-soaring property prices. However, such controls on the real estate industry serve as an attempt by the central government to maintain sustainable development of the industry without hurting macro-economy. The Company estimates that China's real estate market in 2011 will maintain a solid growth momentum.

Henan's property market which started up late had a limited speculative investment demand. In addition, China's strengthened efforts in the construction of medium- and small-sized cities and the economic zones in central China being officially incorporated into the Plan of National Key Functional Areas (《全國主體功能區規劃》) provided a historic opportunity for Henan Province's development. It is expected that Henan's property market will maintain a steady momentum in 2011.

(II) Business Planning

In 2011, the Group will strengthen the execution of its plans and improve cost control to step up the development of product series as well as standardization and industrialization of product lines and improve its overall service, in a bid to achieving another leap forward development.

(1) Progress of work

In 2011, the Group is expected to commence construction of a total of 37 projects or phases, with a GFA of approximately 3,060,266 sq.m..

Geographical breakdown of commencement of construction in 2011

Location	Total GFA *(sq.m.)*	Percentage *(%)*
Zhengzhou	475,510	15.5%
Other cities in Henan Province	2,584,756	84.5%
Total	3,060,266	100.0%

(2) *Completion plan*

The Group expects to complete 35 projects/phases with a GFA of 1,678,476 sq.m. in 2011. The projects will be financed by the Group's debts and equity.

Expected completion of construction in 2011

Project	**Total GFA** *(sq.m.)*
Jianye Landmark Hotel	67,483
Shangjie Hotel	24,215
Forest Peninsula, Shangjie	36,828
Code International Garden, Zhengzhou	57,397
One City (Zhengzhou)	109,059
U-Town (Zhengzhou) Phase VII	116,206
Luoyang Golf Club Phase II	96,875
One City(Luoyang) Phase II first batch	64,614
Sweet-Scented Osmanthus (Pingdingshan) Phase I	85,295
Wugang Forest Peninsula (Pingdingshan) Phase I	56,300
Forest Peninsula (Anyang) Phase I	47,407
Forest Peninsula (Hebi) Phase I (high-rise)	22,202
Forest Peninsula (Hebi) Phase II	27,493
U-Town (Xinxiang) Phase I	87,624
Forest Peninsula (Xinxiang Golden Dragon)	21,805
Forest Peninsula (Jiaozuo) Phase III	72,009
Jianye City (Puyang) Phase V	69,818
Forest Peninsula (Xuchang) Phase I	51,800
U-Town (Shangqiu) Phase II	11,664
Forest Peninsula (Zhoukou) Phase II	72,577
Forest Peninsula (Zhoukou) Phase III	10,394
Forest Peninsula (Nanyang) Phase I	137,685
Nanyang Holiday Inn	49,800
Luohe Four Points Hotel	40,441
U-Town (Shangqiu) Phase III	34,320
Forest Peninsula (Xinyang) Phase IV	13,811
Xinyang Fish Farm Project	55,870
Luoyang Triumph Road Project	6,617
Zhengkai Forest Peninsula Phase III	8,880
Zhengkai Forest Peninsula Phase IV	17,155
Zhengkai Forest Peninsula Phase V	24,205
Zhengkai Forest Peninsula Phase VI	2,901
Zhengkai Forest Peninsula Phase VII	30,363
Kaifeng Water System	16,540
Yuzhou Shenhou Project	30,823
	1,678,476

Major properties under development/for future development by subsidiaries

Location	Address	Main purpose residential/retail/ hotel/office building	Construction stage	Expected completion date	Attributable interest	Site area (sq. m.)	Total GFA (sq. m.)
Zhengzhou	No. 154, Nanyang Road Zhengzhou, Henan Province	Residential, Retail	Superstructure	2011	100%	42,450	108,921
Zhengzhou	Intersection of Nongye Dong Road and Dixiu Street, Zhengdong New District, Zhengzhou, Henan Province	Residential, Retail	Superstructure	2011	100%	72,273	83,300
Zhengzhou	East of Songshan Road and North of Mianfang Road, Zhengzhou, Henan Province	Residential, Retail	Superstructure	2011	100%	13,769	45,111
Luoyang	No.7, West of Jiudu Road, Luoyang, Henan Province	Residential, Retail	Superstructure	2011 onwards	95%	131,209	513,600
Luoyang	Gongshangye Street （工商業街）, Luoyang, Henan Province	Retail	Planning	2011	100%	29,450	167,619
Kaifeng	South of Zhengkai Avenue and North of Hanxing Road, Bianxi New District , Kaifeng, Henan Province	Residential, Retail	Foundation	2011 onwards	60%	233,411	278,368
Kaifeng	Wanshan Street of Gulou District and Xiaoyansi Street of Longting District, Kaifeng Henan Province	Residential, Retail, Hotel	Planning	2011 onward	80%	125,682	163,387
Xinxiang	Intersection of Xiangyang Road and Xinyi Street, Xinxiang, Henan Province	Residential, Retail	Planning	2012	60%	183,105	819,352
Luohe	West of Songshan Road and East of Qishan Road, Luohe, Henan Province	Residential, Retail	Planning	2012 onward	100%	163,433	528,880
Zhongmou	Yanming Lake, Zhongmou County, Henan Province	Residential, Retail	Planning	2012 onward	60%	836,000	850,000

FINANCIAL REVIEW

Turnover: In 2010, the Group's turnover was RMB4,516 million (including RMB4,392 million from the sale of commodity properties), representing an increase of RMB1,777 million, or approximately 64.8%, as compared to RMB2,740 million in 2009, mainly due to:

(1) a 55.2% increase in total GFA sold and recognised, from 662,067 sq.m. in 2009 to 1,027,276 sq.m. in 2010; and

(2) a 6.4% increase in average selling price, from RMB4,018 per sq.m. in 2009 to RMB4,275 per sq.m. in 2010.

Cost of sales: The Group's cost of sales increased by RMB1,182 million, or approximately 66.1%, from RMB1,788 million in 2009 to RMB2,970 million in 2010. The increase was primarily due to the increase in the total GFA of properties sold. Cost of sales comprises mainly land costs, construction costs and capitalised interest.

Gross profit margin: The Group's gross profit margin was 34.2% in 2010, a slight drop from 34.7% of the previous year.

Other revenue: Other revenue from operations decreased by RMB9 million, from RMB42 million in 2009 to RMB33 million in 2010, attributable primarily to the decrease in interest income from advance to a third party.

Other net income: Other net income increased by RMB6 million or 27.8%, from RMB22 million in 2009 to RMB28 million in 2010, attributable primarily to the increase in the exchange gain arising from loans denominated in foreign currencies and fair value gain from trading securities, which was partially offset by a decrease in gain from the disposal of properties, plants and equipment.

Selling and marketing expenses: Selling expenses increased to RMB144 million in 2010 from RMB113 million in 2009, representing an increase of RMB31 million or 27.4%, which was mainly due to an increase in advertising and promotion expenses of RMB16 million for new properties developed for sale and an increase of RMB6 million in commission paid to sales staffs.

General and administrative expenses: General and administrative expenses increased from RMB165 million in 2009 to RMB234 million in 2010, representing an increase of RMB69 million or 41.8%, which was mainly due to the increase in salaries and office expenses as a result of our expansion.

Other operating expenses: Other operating expenses decreased by RMB11 million, from RMB19 million in 2009 to RMB8 million in 2010, mainly due to a provision of RMB5 million for the impairment of properties, plants and equipment in 2009.

Share of losses of an associate: Amount represented share of loss on its investment in St. Andrews Golf Club (Zhengzhou) Company Limited (聖安德魯斯高爾夫俱樂部(鄭州)有限公司). No material fluctuation was recorded.

Share of losses of jointly controlled entities: Amount mainly represented share of losses from investment in jointly controlled entities where operating expenses incurred by the entities in the early stages before revenue was generated. No such loss incurred in 2009 as the jointly controlled entities were either established in 2010 or classified as "jointly controlled entities" for the year ended 31 December 2010 as a result of the Group's disposal or deemed disposal of equity interest therein..

Finance costs: Finance costs increased by RMB57 million to RMB123 million in 2010, as compared to RMB66 million in 2009. This was mainly due to a RMB155 million increase in gross borrowings costs as a result of higher borrowings for additional projects and the issue of senior notes during the year, which was partially offset by a RMB90 million increase in the capitalisation of borrowing costs and a RMB8 million increase in net change in fair value of derivative embedded in convertible bonds and senior notes.

Increase in fair value of investment properties: The fair value of the Group's investment properties increased by approximately RMB4 million in 2010, reflecting current market conditions. Market value of the Group's investment properties basically remained stable.

Income tax: Income tax includes corporate income tax ("CIT"), land appreciation tax ("LAT") and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. The Group's income tax increased significantly to RMB515 million from RMB223 million, representing a 130.9% increase, while the effective tax rate increased from 34.3% in 2009 to 47.1% in 2010. The increase in income tax was in line with the increase in revenue, and the effective tax rate soared due to a change in taxation computation method for LAT from the authorised taxation method to audited taxation method. The latter applies assessable profit rather than revenue when computing a company's tax.

Profit for the year: The profit attributable to the equity shareholders of the Group increased by 34.5% to RMB545 million as compared to RMB405 million in 2009, attributable mainly to more GFA sold, and higher average selling price.

Financial resources and utilisation: As at 31 December 2010, the Group's cash and cash equivalents amounted to RMB3,370 million (2009: RMB2,365 million). During the year, the Group distributed a dividend of RMB118 million to the shareholders of the Group in relation to profit attributable to the year ended 31 December 2009.

Structure of Borrowings and Deposits

The Group continues to adopt a prudent financial policy and centralises its funding and financial management. It continues to maintain a high cash-on-hand ratio and a reasonable level of gearing. During the year, the Group successfully completed a US$300 million senior notes' issue. As at 31 December 2010, the Group's repayment schedule was as follows:

Repayment schedule	**2010** *(RMB'000)*	2009 *(RMB'000)*
Bank loans		
Within one year or on demand	**1,423,859**	1,114,194
More than one year, but not exceeding two years	**324,416**	628,622
More than two years, but not exceeding five years	**168,000**	30,000
	1,916,275	1,772,816
Other loans		
Within one year or on demand	**168,010**	95,640
More than one year, but not exceeding two years	**297,870**	119,010
More than two years, but not exceeding five years	**152,000**	253,870
	617,880	468,520
Convertible bonds		
More than one year but not exceeding two years	**552,209**	—
More than two year but not exceeding five years	**—**	551,288
	552,209	551,288
Senior notes		
More than two years, but not exceeding five years	**1,928,806**	—
Total borrowings	**5,015,170**	2,792,624
Deduct:		
Cash and cash equivalents	**(3,370,335)**	(2,364,987)
Restricted bank deposits secured against bank loans	**—**	(60,000)
Net borrowings	**1,644,835**	367,637
Shareholders' equity	**3,771,684**	3,319,693
Net gearing ratio *(%)*	**43.6%**	11.1%

Pledge of assets: As at 31 December 2010, the Group had pledged buildings, projects under construction, properties held for future development and under development, completed properties for sales and bank deposits with an aggregate carrying amount of RMB2,198 million (2009: RMB1,912 million) to secure general bank credit facilities granted to the Group.

Financial guarantees: As at 31 December 2010, the Group provided guarantees of approximately RMB3,061 million (2009: 2,473 million) to banks in favor of customers in respect of the mortgage loans provided by the banks to these customers for the purchase of the Group's developed properties.

Capital commitment: As at 31 December 2010, the Group had contractual commitments, the performance of which was underway or ready, in respect of property development amounting to RMB1,957 million (2009: 1,759 million), and the Group had authorised, but not yet contracted for, a further RMB11,805 million (2009: 6,691 million) in expenditure in respect of property development.

Foreign Exchange Risk: The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The major non-RMB assets and liabilities are (i) bank deposits and borrowings and convertible bonds denominated in Hong Kong Dollar ("H.K. dollar") and (ii) senior notes denominated in United States Dollar ("U.S. dollar"). The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB currencies. The majority of the Group's foreign currency transactions and balances are denominated in H.K. dollar and U.S. dollar. The Group currently does not have any foreign currency hedging policy.

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

Human resources and remuneration policy: As at 31 December 2010, the Group employed 1,218 staff (2009: 950 staff). During 2010, the staff cost of the Group was approximately RMB134 million (2009: RMB107 million), representing an increase of 25.2%.

Staff cost includes basic salary, share-based payment and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan and pregnancy insurance plan. The Group also provides a series of benefits to its employees, including housing allowances, medical insurances and transportation allowances. Employees of the Group are engaged according to employment contracts. Annual performance appraisals are conducted by the Group for its employees, the results of which are applied in annual salary reviews and promotion assessments. Employees are granted annual bonus according to certain performance conditions and appraisal results. Commission is paid only to the Group's sales staff. The Group reviews staff remuneration packages for its staff annually. The Group also benchmarks its remuneration packages against similar positions of its peers in order to maintain competitiveness in the human resources market.

To uphold its vision of repaying the society-given that "an enterprise is as much part of the society as a tree is to the earth" - the Company has been committed to social welfare undertakings since its establishment. In 2010, CCRE Group ranked top on the philanthropy list of real estate enterprises in Zhengzhou.

Social recognition is at the heart of enterprise development. The stronger the enterprise grows, the greater is the Group's responsibility to give back to the society. In response to Chairman Wu Po Sum's call of being "the most respectable enterprise", we set up the social welfare department in 2010 as part of our active engagement in social welfare undertakings, and as part of our professional and relentless commitment to promoting humanity education, whereby we prepared for the establishment of the Benyuan Humanity Education Foundation (本源人文教育基金會) in collaboration with domestic social welfare institutes.

By adhering to its core value of "taking root in central China, contributing to society", the Group presented exceptional properties for people in Henan Province whilst benefiting people in central China with its enthusiasm for social welfare.

Driven by urban construction and the growth of urban population, the public transportation of Zhengzhou has been vital to the city's future development. On 23 August 2010, the Group donated RMB6.5 million for the purchase of public transit vehicles as a return to the society and support for the public transit development of Zhengzhou, the capital city of Henan Province.

CCRE takes upon itself the support of disaster relief. Following the large-scale donation for the disaster relief of Wenchuan earthquake in 2008, the Group issued an advocate of donation for the earthquake-stricken regions in Yushu, Qinghai Province, which read "CCRE in action: a helping hand for the people in disaster-stricken regions to bring them warmth, light and hope" immediately after the earthquake struck. On 21 April 2010, the Group donated RMB340,000 to earthquake-stricken regions in Yushu.

In 2010, the Group donated RMB1 million to Beijing Leping Welfare Foundation for its registration and establishment in recognition of the foundation's objective - "to think and act as social entrepreneurs; to benefit the poor by promoting the development of social investment and social enterprises; and to create equal development opportunities for low-income groups in a harmonious and fair society."

Given Chairman Mr. Wu Po Sum's recognition of the Chinese traditional cultural value of "enlightening the world with studies of humanism", the Group also attaches great importance to the registration and establishment of Benyuan Humanity Education Foundation (本源人文教育基金會), a non-public cultural and educational welfare foundation. The foundation will adhere to the principle of fostering the humanistic spirit to "care for the society, enrich the mind and create harmony," in the hope of spreading the wisdom of life by promoting humanity education undertakings and activities that relate to Chinese traditional and cultural heritage, character development, arts education and cultural appreciation across the society. The foundation also focuses on one's spiritual, character and cultural development and restructuring the systems of the measurement of individual value and social ethic values for the improvement of citizens' quality and social benefits.

The Company strives to attain and maintain high standards of corporate governance. It is the belief of the Board that effective corporate governance and disclosure practices are not only crucial in enhancing the Company's accountability and transparency and thus investors' confidence but also important to the Group's long-term success. The Group has been in full compliance with the code provisions in the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2010. The Group is committed to continuously improve its corporate governance and disclosure practices and ensure its businesses are conducted in accordance with all applicable laws, rules and regulations.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code for the year ended 31 December 2010.

BOARD OF DIRECTORS

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Wu Po Sum, the Chairman of the Board, the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive directors and management of the Group.

NOMINATION OF DIRECTORS

The Board adopted certain criteria and procedures in the nomination of new Directors. The major criteria include the candidates' professional background, especially their experience in the Group's industry and recommendation from the management team and other knowledgeable individuals. The Directors will shortlist the candidates and submit to the Board for discussion and final approval.

COMPOSITION

The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

The Directors who held office during the year and up to the date of this report include:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer)*
Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan *(Vice-chairman)* (Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim Ming Yan's alternate Director on 22 March 2010)
Mr. Leow Juan Thong Jason
Ms. Wallis Wu *(alias Li Hua)*
Mr. Hu Yongmin

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin (appointed on 1 March 2010)

Ms. Wallis Wu is the daughter of Mr. Wu Po Sum. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the current Directors of the Company are set out on pages 39 to 43 of this report.

All executive Directors and non-executive Directors (except for Mr. Hu Yongmin) have entered into service contracts with the Company for a specific term of three years. Under the articles of association (the "Articles of Association") of the Company, the Board is empowered to appoint any person as a Director to fill the casual vacancy on 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.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years. Pursuant to the Articles of Association, at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. A retiring Director shall be eligible for re-election and shall continue to act as Director throughout the meeting at which he or she retires. Further, in accordance with the Articles of Association and the Listing Rules, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advice. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the shareholders of the Company (the "Shareholders") and the Group. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions.

BOARD MEETINGS

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. For the year ended 31 December 2010, the Board held 2 regular and 5 ad hoc meetings.

The number of Board meetings attended by each Director from 1 January to 31 December 2010 is set out in the following table:

Directors	Full Board	Audit Committee	Remuneration Committee
Mr. Wu Po Sum	7/7		2/2
Mr. Wang Tianye	7/7		
Ms. Yan Yingchun	4/7		
Mr. Lim Ming Yan*	2/7		
Mr. Leow Juan Thong Jason	1/7	1/2	
Ms. Wallis Wu (alias Li Hua)	1/7		
Mr. Hu Yongmin	1/7		
Mr. Cheung Shek Lun	3/7	2/2	2/2
Mr. Wang Shi	1/7		
Mr. Xin Luo Lin (Appointed on 1 March 2010)	2/6	2/2	2/2

* Mr. Lucas Ignatius Loh Jen Yuh (Alternate director of Mr. Lim Ming Yan, appointed on 22 March 2010) attended 2 Board meetings on behalf of Mr. Lim Ming Yan.

Sufficient notice for regular Board meetings and notice of reasonable days for ad hoc Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such issues.

The draft minutes of the Board meetings are prepared by the company secretary and circulated to all Directors for comment within a reasonable time. The approved minutes of the Board meetings were kept by the company secretary and are available for inspection by all Directors upon request.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman (the "Chairman") of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Wu Po Sum and Mr. Wang Tianye respectively with clear distinction in responsibilities.

Mr. Wu Po Sum, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Wang Tianye, being the Chief Executive Officer, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports. Where the Directors are aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in the annual report.

In preparing the financial statements for the year ended 31 December 2010, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

INTERNAL CONTROL

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and Shareholders' interests, review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organizational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

The Board conducted a review and assessment of the effectiveness of the Group's internal control system and procedures for the year ended 31 December 2010 by way of discussions with the management of the Group, members of the audit committee (the "Audit Committee") and external auditors. The Board believes that the existing internal control system is adequate and effective. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget and was satisfied with their adequacy.

BOARD COMMITTEES

The Board has established two board committees, namely the Audit Committee and the remuneration committee (the "Remuneration Committee") to oversee the relevant aspects of the Company's affairs. The two committees are provided with sufficient resources to discharge their duties.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established on 14 May 2008. The Audit Committee comprises three members, namely Mr. Cheung Shek Lun (the chairman of the Audit Committee), Mr. Xin Luo Lin (appointed on 1 March 2010) and Mr. Leow Juan Thong Jason during the year ended 31 December 2010. None of them is a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Code. The principal functions of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of external auditors and to consider the remuneration and terms of such appointments;
- To review and monitor the external auditors' independence and effectiveness of the audit process in accordance with applicable standards;
- To review the Group's financial controls, internal control and risk management systems;
- To review the Group's financial and accounting policies and practices;
- To ensure that the management has fulfilled its duty to maintain an effective internal control system;

- To ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board from time to time; and

- To review and monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position.

The Audit Committee meets not less than twice a year. The Audit Committee has reviewed the accounting policies and practices adopted by the Group, the interim and annual results of the Group as well as assessed the effectiveness of the Group's internal control and risk management systems. The Audit Committee reported to the Board that there was no material uncertainty that casts doubt on the Group's going concern ability.

For the year ended 31 December 2010, the external auditors' remuneration in respect of audit services provided to the Group amounted to approximately RMB3.1 million. During the year, service fee to external auditors for issuance of senior notes amounted to RMB0.9 million.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 14 May 2008 with written terms of reference as suggested under the code provision in the Code. The Remuneration Committee comprises three members, namely Mr. Wu Po Sum (the chairman of the Remuneration Committee), and two independent non-executive Directors, Mr. Cheung Shek Lun and Mr. Xin Luo Lin (appointed on 1 March 2010) during the year ended 31 December 2010.

The primarily duties of the Remuneration Committee include (i) making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of each executive Director and member of senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. All the Directors' remuneration will be reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary.

The Remuneration Committee meets not less than once a year. The Remuneration Committee considered and approved the remuneration policy of the Directors and senior management for the year ended 31 December 2010.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published at the Company's website at http://www.centralchina.com.

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A 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 and other information. Voting results are posted on the websites of the Company and of the Stock Exchange.

EXECUTIVE DIRECTORS

Wu Po Sum (formerly known as Hua Jianming), aged 60, is the Chairman of the Board and a founder of the Group, and he is also a director of a number of subsidiaries of the Company. Mr. Wu is responsible for the formulation of development strategies and making decisions on investment projects and development directions of the Group. Mr. Wu graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on 27 March 2005. Mr. Wu is the father of Ms. Wallis Wu, a non-executive Director of the Company.

Mr. Wu has over 18 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, he worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for the Group and established the「建業」(Jianye) brand name. Mr. Wu devotes himself not only to the development of the Group's business, but also to public services and promoting the PRC real estate industry.

Mr. Wu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Wang Tianye, aged 52, is the chief executive officer of the Group, and he is also a director of a number of subsidiaries of the Company. Mr. Wang is responsible for the formulation of development strategies and the overall business management of the Group. Mr. Wang obtained a Diploma in International Finance from People's University of China in 1985 and a Master of Applied Finance degree from Macquarie University in Australia in 1996, and completed the Global CEO Program for China in China Europe International Business School in June 2007. Mr. Wang joined the Group in November 2004, and has served as a director and the general manager of Construction Housing Group Company Limited (the former holding company of the Group). Mr. Wang held an office in Bank of China from 1980 to 1996. Mr. Wang has over 20 years of experience in finance and investment and around 10 years of experience in the real estate industry. He worked as a deputy general manager in Bank of China Sydney Branch from 1993 to 1996, and was a senior associate in the Australian Institute of Banking and Finance. From 1998 to 2004, he was the general manager of an investment company established by Guangdong Development Bank in Hong Kong.

Mr. Wang was an independent non-executive director in three companies listed on the Stock Exchange, namely, National Investments Fund Limited (stock code: 1227, September 2002-July 2004), Temujin International Investments Limited (stock code: 204, September 2003-January 2007) and S&D International Development Group Limited (stock code: 8148, November 2003-March 2007).

Mr. Wang has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Yan Yingchun, aged 51, is the head of the Board's office and is also a director of a number of subsidiaries of the Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of the Group. Ms. Yan obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000 and has over 20 years of experience in financial management. Before joining the Group in February 1992, Ms. Yan worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, she served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited. Ms. Yan has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of CCRE China since joining the Group.

Ms. Yan has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Director's report in this annual report.

NON-EXECUTIVE DIRECTORS

Lim Ming Yan, aged 48, is the vice-chairman of the Board and a non-executive Director, and is also a director of a number of subsidiaries of the Company. Mr. Lim obtained a Bachelor of Science degree in Mechanical Engineering and Economics from the University of Birmingham, UK, in 1985 and attended the Advanced Management Program at Harvard Business School in 2002. Mr. Lim has over 11 years of experience in real estate development and investment and is currently the chief executive officer of The Ascott Limited, a wholly-owned serviced residence business unit of CapitaLand Limited ("CapitaLand"). He is also concurrently Deputy Chairman of the CapitaLand China Executive Committee, which co-ordinates and aligns CapitaLand's investments, operations, branding and resources in China. Prior to this, Mr Lim was the chief executive officer of CapitaLand China Holdings Pte Ltd ("CapitaLand China"), responsible for growing CapitaLand into a leading foreign real estate developer in China.

For his contribution to the city of Shanghai, Mr. Lim was twice conferred the "Magnolia Award" by the Shanghai Municipal Government in 2003 and 2005. He is also the deputy chairman of Beijing Association of Enterprises with Foreign Investments since September 2005. Mr. Lim was presented the Outstanding Chief Executive (Overseas) of the Year 2006 of the Singapore Business Awards. Mr. Lim has been a non-executive director in Lai Fung Holdings Limited, a company listed on the Main Board of the Stock Exchange, since 21 June 2006. Mr. Lim was appointed as a non-executive Director in November 2007.

Mr. Lim has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim's alternate Director on 22 March 2010.

Leow Juan Thong Jason, aged 44, is a non-executive Director, and is also a director of a number of subsidiaries of the Company. Mr. Leow is currently the chief executive officer of CapitaLand China. Mr. Leow became a Certified Public Accountant in Singapore in 1994. Mr. Leow obtained an Executive Master degree in Business Administration from Fudan University and also attended the Advanced Management Program at Harvard Business School in 2007. Mr. Leow has over 15 years of experience in real estate investment. Prior to joining CapitaLand in 2001, Mr. Leow was a financial analyst at ST Aerospace Ltd and spent over three years at DBS Finance Ltd from 1988 to 1992. He worked in The Ascott Group from 1994 to September 2001, participating in property investment and development in the mainland of China. Mr. Leow was appointed as a non-executive Director in November 2007.

Mr. Leow has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Wallis Wu, alias Li Hua, aged 29, is a non-executive Director, and she is also a director of a number of subsidiaries of the Company. Ms. Wu obtained a Bachelor of Architecture degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd. in Sydney Australia in 2005. Ms. Wu was appointed as a non-executive Director in November 2007. Ms. Wu is the daughter of Mr. Wu Po Sum, the chairman of the Board.

Hu Yongmin, aged 40, is a non-executive Director. Mr. Hu graduated from Fudan University. He is a co-founder of FountainVest. Prior to the founding of FountainVest, Mr. Hu was a managing director at Temasek Holdings. Mr. Hu was also a member of Temasek's global investment committee, and head of its real estate investment. Previously an investment banker, Mr. Hu was a Director and Head of China Telecom, Media and Technology Investment Banking for Credit Suisse and Shanghai Chief Representative for Bear Stearns. From November 2005 to November 2006, Mr. Hu was the non-executive director of Hopson Development Holdings Limited (stock code: 754), a company listed the Hong Kong Stock Exchange. Mr. Hu is the independent director of Home Inns & Hotels Management Inc., a company listed on National Association of Security Dealers Automated Quotations ("NASDAQ").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Shek Lun, aged 50, is an independent non-executive Director. Mr. Cheung obtained a bachelor degree in Business Administration from the Chinese University of Hong Kong in 1986, a bachelor degree in Business from the University College of Southern Queensland in 1990, and a bachelor degree in Law from the University of Wolverhampton in 2002. He worked as an assistant assessor in the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant in Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president - accounting and other positions of Fortune (Shanghai) Limited from May 1990 to September 2006, and a senior executive of T.C.C. International Limited from October 2006 to October 2007 and vice-chairman of InsiteAsset Management Group Ltd. since September 2008. Currently he is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Chartered Institute of Secretaries and Administrators UK and a member of the Hong Kong Institute of Company Secretaries. Mr. Cheung was appointed as an independent non-executive Director in January 2008.

Wang Shi, aged 60, is an independent non-executive Director. Mr. Wang obtained a bachelor degree in Water Supply Studies from Lanzhou Transportation University in 1977. Mr. Wang has almost 20 years of experience in real estate development. He worked in the Guangzhou Railway Bureau from 1978 to 1980, Guangdong Provincial Committee from 1981 to 1983 and Shenzhen Special Region Development Company from 1983 to 1984. Mr. Wang founded Shenzhen Exhibition Centre of Modern Science and Education Equipment, the predecessor of China Vanke Co. Ltd in 1984 and acted as the general manager. He held the office of general manager of China Vanke Co. Ltd from 1988 to 1999, and has been the chairman of China Vanke Co. Ltd since 1988. Mr. Wang was appointed as an independent non-executive director of Sohu.com Inc., a company listed on the NASDAQ since May 2005 and has also served as an independent non-executive director of China Restheces Land Limited, a company listed on the Stock Exchange, since April 1997. Mr. Wang was appointed as an independent non-executive Director in January 2008.

Xin Luo Lin, aged 61, is an independent non-executive Director. Mr. Xin is a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, and an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. Mr. Xin is an independent investor with over 20 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997. Mr. Xin is a Justice of Peace in New South Wales of Australia. Mr. Xin is an independent non-executive director of Enerchina Holdings Limited (stock code: 622), a company listed on the Stock Exchange. Mr. Xin is also an independent non-executive director of Sinolink Worldwide Holdings Limited (stock code: 1168), a company listed on the Stock Exchange. Mr. Xin serves as a director of Mori Denki Mfg. Co., Ltd., a company listed on the Tokyo Stock Exchange. Mr. Xin serves as a director and vice chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange. Mr. Xin is also a non-executive director of Sino-Tech International Holdings Limited (stock code: 724), a company listed on Stock Exchange and a non-executive director of Asian Capital Holdings Limited (stock code: 8295), a company listed on Stock Exchange.

SENIOR MANAGEMENT

Tang Man Joe (resigned on 18 March 2011), aged 38, was the financial controller, qualified accountant and the company secretary of the Company. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Tang obtained a bachelor degree in Business Administration from the University of Wisconsin-Madison. Mr. Tang has over 10 years of experience in finance and accounting. Prior to joining the Group in June 2007, he worked in Deloitte Touche Tohmatsu from August 1997 to July 2002 and in South China Finance and Management Limited from July 2002 to November 2004. He was also the chief financial officer and company secretary of China Hongxing Sports Limited, a company listed on the Singapore Exchange Securities Trading Limited, from December 2004 to May 2007.

Chu Wai Ming Benson (appointed on 18 March 2011), aged 41, is the financial controller, qualified accountant and the company secretary of the Company. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants, fellow member for the Association of Chartered Certified Accountants, Certified Tax Advisor and fellow member of the Taxation Institute of Hong Kong. Mr. Chu obtained a bachelor degree in Accountancy from the Hong Kong Polytechnic University, as well as a Master degree in Business Administration from the Manchester University. Mr. Chu has 20 year of experience in professional accounting, auditing and financial management. Prior to joining the Group in March 2011, he worked in KPMG for eight years, and held various senior positions with major corporations including vice president of finance in PCCW (stock code: 8), a company listed on the Stock Exchange, vice president in Brilliance China Automotive Holdings Limited (stock code: 1114), a company listed on the Stock Exchange, and general manager of finance in Modern Terminals Limited (a major subsidiary of the Wharf Group).

COMPANY SECRETARY

Chu Wai Ming Benson, see the paragraph headed "Senior Management" above for details.

The Board presents the annual report together with the audited financial statements of the Group for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in property development in the People's Republic of China.

SEGMENT INFORMATION

Management considers there to be only one operating segment under the requirements of HKFRS 8.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and its consolidated balance sheet as at 31 December 2010, together with the balance sheet of the Company as at 31 December 2010, are set out in the financial statements on pages 61 to 158.

The Board recommended a final dividend of HK$9.7 cents per ordinary share for the year ended 31 December 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated financial results and consolidated assets, liabilities and equity of the Group, is set out on pages 159 to 160. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of RMB3,673,000 which has been charged directly to the consolidated income statement.

SENIOR NOTES

During the year, the Group issued secured senior notes due 2015 with principal amount of US$300,000,000 at a coupon rate of 12.25% per annum (the "Senior Notes") for the purposes of funding new property projects, repaying existing indebtedness and general corporate use. Further details of the Senior Notes are set out in note 30 to the financial statements.

SHARE CAPITAL

Details of the Company's issued share capital during the year are set out in note 33(a) to the financial statements. There are no movements in the Company's issued share capital during the year.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2010 are set out in note 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, purchases attributable to the Group's largest supplier, excluding purchases of land, amounted to approximately 12.4% of the Group's total purchases. For the year ended 31 December 2010, the percentage of turnover attributable to the Group's largest customer amounted to approximately 3.6% of the Group's total turnover.

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers combined was less than 30% of the Group's total turnover.

Save as disclosed in note 37(a) to the consolidated financial statements, none of the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors of the Company in office during the year ended 31 December 2010 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer)*
Ms. Yan Yingchun

NON-EXECUTIVE DIRECTORS

Mr. Lim Ming Yan *(Vice Chairman)* (Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim Ming Yan's alternate Director on 22 March 2010)
Mr. Leow Juan Thong Jason
Ms. Wallis Wu *(alias Li Hua)*
Mr. Hu Yongmin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin (appointed on 1 March 2010)

In accordance with Article 87 of the Articles of Association, Mr. Wu Po Sum, Mr. Wang Tianye, Ms. Wallis Wu (alias Li Hua) and Mr. Cheung Shek Lun will retire from office by rotation at the upcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Po Sum, Mr. Wang Tianye and Ms. Yan Yingchun has entered into a service contract with the Company pursuant to which he/she agreed to act as executive Director for a term of three years with effect from 6 June 2008.

Each of Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason and Ms. Wallis Wu (alias Li Hua) has entered into a service contract with the Company pursuant to which he/she agreed to act as non-executive Director for a term of three years with effect from 6 June 2008.

Each of Mr. Cheung Shek Lun and Mr. Wang Shi has signed a letter of appointment dated 16 May 2008 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 6 June 2008. Mr. Xin Luo Lin has signed a letter of appointment dated 1 March 2010 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 1 March 2010.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 37 to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party existed at the end of the year or at any time during the year under review.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2010, save as disclosed below, none of the Directors or chief executives of the Company had registered any interest or short position in the shares (the "Shares"), underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept 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:

Name	Capacity and nature of Interest	Number of Shares	Approximate percentage of the interest in the Company's issued share capital
Mr. Wu Po Sum	Interest in a controlled corporation	944,246,820 *(Note 1)*	47.21%
	Beneficial owner	8,350,000 *(Note 3)*	0.42%
Mr. Wang Tianye	Interest in a controlled corporation	13,647,555 *(Note 2)*	0.68%
	Beneficial owner	4,500,000 *(Note 3)*	0.23%
Mr. Lim Ming Yan	Beneficial owner	2,500,000 *(Note 3)*	0.13%
Mr. Leow Juan Thong Jason	Beneficial owner	1,500,000 *(Note 3)*	0.08%
Ms. Yan Yingchun	Beneficial owner	3,500,000 *(Note 3)*	0.18%

Notes:

1. The 944,246,820 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright"). Mr. Wu Po Sum has a controlling interest in Joy Bright and is therefore deemed to be interested in the 944,246,820 Shares by virtue of the SFO.

2. The 13,647,555 Shares were registered in the name and were beneficially owned by Super Joy International Limited ("Super Joy"). Mr. Wang Tianye has a controlling interest in Super Joy and is therefore deemed to be interested in the 13,647,555 Shares by virtue of the SFO.

3. Such interest in the Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme (as defined below) and the Share Option Scheme (as defined below), the details of which are disclosed on pages 134 to 135 of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2010, save as disclosed below, none of any persons (except for the Directors or chief executives of the Company) had registered any interest or short position in the shares, underlying shares representing 5% or more of the nominal value of Shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	**Capacity and nature of Interest**	**Number of Shares**	**Approximate percentage of the interest in the Company's issued share capital** *(Note 1)*
Joy Bright *(Note 2)*	Beneficial owner	944,246,820	47.2%
Mr. Wu Po Sum *(Note 2)*	Interest in a controlled corporation	944,246,820	47.2%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)") *(Note 3)*	Beneficial owner	542,105,625	27.1%
CapitaLand China Holdings Pte Ltd ("CapitaLand China") *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%
CapitaLand Residential Limited ("CapitaLand Residential") *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%
CapitaLand *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%
Temasek Holdings (Private) Limited *(Note 3)*	Interest in a controlled corporation	542,105,625	27.1%
FV Green Alpha Two Limited ("FV Green") *(Note 4)*	Beneficial owner	289,951,497	14.5%

Notes:

1. The percentage shareholdings are based on a total of 2,000,000,000 Shares in issue.

2. Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright and is deemed to be interested in the 944,246,820 Shares held by Joy Bright for the purposes of the SFO.

3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China, CapitaLand China is directly wholly owned by CapitaLand Residential and CapitaLand Residential is directly wholly owned by CapitaLand. Temasek Holdings (Private) Limited has an interest in approximately 40.9% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand Residential, CapitaLand and Temasek Holdings (Private) Limited is deemed or taken to be interested in all the Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

4. On 5 August 2009, the Company entered into a subscription agreement with FV Green (the "**Subscription Agreement**") relating to the issue and subscription of the convertible bonds (the "**Convertible Bonds**") at an aggregate principal amount of HK$687 million which were issued in conjunction with the warrants (the "**Warrants**") entitling FV Green to subscribe for a maximum of 68,338,594 Shares. Based on the initial conversion price of HK$3.10 per Share and assuming full conversion of the Convertible Bonds at such conversion price, the Convertible Bonds will be convertible into 221,612,903 Shares (the "**Conversion Shares**"). The Warrants entitle FV Green to subscribe for a maximum of 68,338,594 Shares (the "**Warrant Shares**") at the initial exercise price of HK$4.10 per Share. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to FV Green. Completion of the Subscription Agreement and issue of the Convertible Bonds and the Warrants took place on 31 August 2009. For further details, please refer to the Company's announcements dated 5 August 2009 and 31 August 2009.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

MR. WU PO SUM & JOY BRIGHT

On 16 May 2008, Mr. Wu Po Sum (the ultimate controlling shareholder of the Company) and Joy Bright (the controlling shareholder of the Company which is a wholly owned subsidiary of Mr. Wu Po Sum) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking A") in respect of the conduct of their property developments or investments in the PRC. Under the Non-competition Undertaking A, each of Mr. Wu Po Sum and Joy Bright undertakes, among others, that during the validity of the Non-competition Undertaking A:

1. he or it will not and will procure his or its associates not to engage, directly or indirectly, whether as a shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, in any business which will or may, directly or indirectly, compete with the business carried out by the Group;

2. in the event that he/it or any of his/its associates is given/identifies any opportunities to engage in a business that is in competition with that of the Group, he/it will and will procure that his/its associates will, as soon as practicable inform the Company of such opportunity and provide such information as is available to him/it in respect of such opportunity to the Company. The Company has a right within one month thereafter to take up the opportunity and in the event that the Company decides to take up the opportunity, he/it will use his/its best endeavor to assist the Group to obtain such opportunity; in the event that the Company declines such opportunity or fails to respond within the stipulated period, he/it or his/its associates may take up such opportunity provided that the terms upon which he takes up such opportunity shall be no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking A dated 8 March 2011 provided by Mr. Wu Po Sum and Joy Bright respectively, each of them confirms that during the period from 1 January to 31 December 2010 (the "Relevant Period"), (i) all the relevant terms of the Non-competition Undertaking A have been fully complied with in all material respects; and (ii) neither of Mr. Wu Po Sum and Joy Bright was given or identified any opportunities to engage in a business that is in competition with that of the Group.

CAPITALAND LF (CAYMAN) HOLDINGS CO., LTD ("CAPITALAND (CAYMAN)") & CAPITALAND CHINA HOLDINGS PTE LTD ("CAPITALAND CHINA")

On 16 May 2008, CapitaLand (Cayman) (the strategic investor and the substantial shareholder of the Company) and CapitaLand China (the holding company of CapitaLand (Cayman)) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking B") in respect of the conduct of their certain activities in the PRC. Under the Non-competition Undertaking B, CapitaLand (Cayman) and CapitaLand China undertake, among others, that during the validity of the Non-competition Undertaking B:

1. each of them will not in the provinces of Henan, Hubei, Hunan, Shanxi, Anhui and Shaanxi (the "Provinces"), either on their own account or in conjunction with or on behalf of any natural person, company, corporation, association, partnership, organization, business firm, joint venture, trust, unincorporated organization or any other entity or organization, or any governmental authority (the "Person(s)"), carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise in carrying on the business of residential property development (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any recognized stock exchange);

2. in the event CapitaLand China identifies or is offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group, CapitaLand China agrees to notify the Company of such opportunity and that the Company shall have an option to negotiate and participate in such project provided that such option shall be exercisable by the Company within 30 days upon the receipt of the relevant information on such project from CapitaLand China. Upon the expiry of such 30-day period, unless the Company has communicated to CapitaLand China the Company's intention to participate in the relevant project, CapitaLand China may participate in such project on its own account or in conjunction with or on behalf of any Person on terms no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking B dated 8 March 2011 provided by CapitaLand China and CapitaLand (Cayman) respectively, each of them confirms that during the Relevant Period, (i) all the relevant terms of the Non-competition Undertaking B have been fully complied with in all material respects; and (ii) CapitaLand China did not identify nor was offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group (namely, residential property development in the Provinces or such other businesses as may be agreed in writing between the Company and CapitaLand China).

SHARE OPTION SCHEMES

The Company has two share option schemes, namely the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme").

A. PRE-IPO SHARE OPTION SCHEME

The Shareholders conditionally adopted the Pre-IPO Share Option Scheme by written resolutions on 14 May 2008. The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal interest in the Company and to motivate the participants to optimise their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.

The Board granted share options (the "Pre-IPO Share Options") under the Pre-IPO Share Option Scheme to certain Directors, employees and consultants of the Group to subscribe for an aggregate of 32,000,000 Shares of HK$0.1 each of the Company. A consideration of HK$1.00 (or its equivalent in RMB or any other currency acceptable to our Company) was paid by each of the grantees for the grant of the Pre-IPO Share Options. As at 31 December 2010, Pre-IPO Share Options to subscribe for 29,100,000 shares remained outstanding.

The Pre-IPO Share Option Scheme was terminated on the date immediately preceding the date of the Prospectus, that is, 25 May 2008. The Pre-IPO Share Options granted but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO Share Option Scheme.

Movement of the Pre-IPO Share Options during the year from 1 January 2010 to 31 December 2010 were as follows:

Name or category of participants	Date of grant	Exercise price per Share	As at 1 January 2010	Number of Pre-IPO Share Options Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2010
Directors							
Mr. Wu Po Sum	14 May 2008	HK$2.75	6,350,000	—	—	—	6,350,000
Mr. Wang Tianye	14 May 2008	HK$2.75	2,500,000	—	—	—	2,500,000
Mr. Lim Ming Yan	14 May 2008	HK$2.75	2,500,000	—	—	—	2,500,000
Mr. Leow Juan Thong Jason	14 May 2008	HK$2.75	1,500,000	—	—	—	1,500,000
Ms. Yan Yingchun	14 May 2008	HK$2.75	1,500,000	—	—	—	1,500,000
			14,350,000	—	—	—	14,350,000
Senior Management, other employees and consultants of the Group	14 May 2008	HK$2.75	15,100,000	—	—	350,000	14,750,000
			29,450,000	—	—	350,000	29,100,000

Note:

In relation to each grantee of the Pre-IPO Share Options, no Pre-IPO Share Option is exercisable within the first year from the date of listing of the Shares on the Stock Exchange, that is, 6 June 2008 (the "Listing Date"), not more than 20% of the Pre-IPO Share Options are exercisable within the second year from the Listing Date and not more than 40% of the Pre-IPO Share Options are exercisable in each of the this third and fourth year from the Listing Date.

B. SHARE OPTION SCHEME

The Shareholders conditionally adopted the Share Option Scheme pursuant to the written resolutions dated 14 May 2008. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as of 6 June 2008, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant.

The total number of Shares issued or to be issued upon exercise of the share options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executives, or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the options.

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of a share option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

In 2010, the Company granted share options under the Share Option Scheme to subscribe for an aggregate of 20,000,000 ordinary shares of HK$0.10 each of the Company.

The Share Option Scheme will expire on 13 May 2018.

Movement of share options granted under the Share Option Scheme during the year from 1 January 2010 to 31 December 2010 were as follows:

				Number of share options granted under the Share Option Scheme			
Name or category of participants	Date of grant	Exercise price per Share	As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2010
Directors							
Mr. Wu Po Sum	25 May 2010	HK$1.90	—	2,000,000	—	—	2,000,000
Mr. Wang Tianye	25 May 2010	HK$1.90	—	2,000,000	—	—	2,000,000
Ms. Yan Yingchun	25 May 2010	HK$1.90	—	2,000,000	—	—	2,000,000
			—	6,000,000	—	—	6,000,000
Senior Management, other employees and consultants of the Group	25 May 2010	HK$1.90	—	14,000,000	—	—	14,000,000
			—	20,000,000	—	—	20,000,000

Note:

In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the date of grant, that is, 25 May 2010 (the "Date of Grant"), not more than 20% of the share options are exercisable within the second year from the Date of Grant and not more than 40% of the share options are exercisable in each of the this third and fourth year from the Date of Grant.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group had joined a mandatory Hong Kong provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the schemes amounting to approximately RMB7 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

BANK LOANS, OTHER LOANS, CONVERTIBLE BONDS AND SENIOR NOTES

Particulars of bank loans, other loans, convertible bonds and senior notes of the Group as at 31 December 2010 are set out in notes 25, 26, 29 and 30 to the financial statements respectively.

During the year, no convertible bonds were converted into ordinary shares of the Company and no warrants were exercised.

CONFIRMATION OF INDEPENDENCE

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

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the internal controls and financial reporting requirements of the Group. The members of the Audit Committee are satisfied with the Company's internal control procedures and the financial reporting disclosures.

POST BALANCE SHEET EVENT

Details of a non-adjusting post-balance sheet event are set out in note 40 to the consolidated financial statements.

DONATIONS

Charitable donations and other donations made by the Group during the year amounted to RMB8 million (2009: RMB11.8 million).

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Wu Po Sum
Chairman

16 March 2011

BOARD OF DIRECTORS

Executive Directors
Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer)*
Ms. Yan Yingchun

Non-executive Directors
Mr. Lim Ming Yan *(Vice-Chairman)* (Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim Ming Yan's alternate Director on 22 March 2010)
Mr. Leow Juan Thong Jason
Ms. Wallis Wu *(alias Li Hua)*
Mr. Hu Yongmin

Independent Non-executive Directors
Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin (appointed on 1 March 2010)

COMPANY SECRETARY
Mr. Tang Man Joe (resigned on 18 March 2011)
Mr. Chu Wai Ming Benson (appointed on 18 March 2011)

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 88, Jianye City Garden, Jianye Road
Zhengzhou City, Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 7701B-7702A, 77th Floor, International Commence Centre
1 Austin Road West, Kowloon, Hong Kong

Corporate Information *(Continued)*

WEBSITE OF THE COMPANY

www.centralchina.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISER (AS TO HONG KONG LAW)

Li & Partners

AUDITORS

KPMG
Certified Public Accountants

Independent auditor's report to the shareholders of
Central China Real Estate Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 158, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent auditor's report to the shareholders of
Central China Real Estate Limited *(Continued)*
(incorporated in Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
16 March 2011

Consolidated income statement

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Turnover	4	4,516,351	2,739,831
Cost of sales		(2,970,439)	(1,788,249)
Gross profit		1,545,912	951,582
Other revenue	5	33,356	41,964
Other net income	5	27,532	21,541
Selling and marketing expenses		(143,900)	(113,285)
General and administrative expenses		(234,044)	(164,708)
Other operating expenses		(8,062)	(19,292)
Profit from operations		1,220,794	717,802
Share of losses of associates	17	(2,224)	(2,831)
Share of losses of jointly controlled entities	18	(3,904)	—
Finance costs	6(a)	(122,853)	(66,080)
Profit before change in fair value of investment properties and income tax		1,091,813	648,891
Increase in fair value of investment properties	15	3,673	2,461
Profit before taxation	6	1,095,486	651,352
Income tax	7(a)	(515,427)	(223,221)
Profit for the year		580,059	428,131
Attributable to:			
Equity shareholders of the Company		544,887	405,326
Non-controlling interests		35,172	22,805
Profit for the year		580,059	428,131
Earnings per share	12		
— Basic *(RMB cents)*		27.24	20.27
— Diluted *(RMB cents)*		26.23	20.15

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(c).

Consolidated statement of comprehensive income

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Profit for the year		**580,059**	428,131
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas subsidiaries	11	**28,093**	2,659
Total comprehensive income for the year		**608,152**	430,790
Attributable to:			
Equity shareholders of the Company		**571,753**	407,749
Non-controlling interests		**36,399**	23,041
Total comprehensive income for the year		**608,152**	430,790

The accompanying notes form part of these financial statements.

Consolidated balance sheet

at 31 December 2010

(Expressed in Renminbi)

	Note	At 31 December 2010 RMB'000	At 31 December 2009 (Restated) RMB'000	At 1 January 2009 (Restated) RMB'000
Non-current assets				
Property, plant and equipment	14	**513,268**	244,163	211,209
Investment properties	15	**276,900**	264,400	254,584
Interests in associates	17	**40,837**	19,471	22,302
Interests in jointly controlled entities	18	**2,742,160**	—	—
Other financial assets	19	**71,800**	15,800	15,400
Deferred tax assets	32(b)	**18,260**	19,294	3,309
		3,663,225	563,128	506,804
Current assets				
Trading securities	20	**163,461**	—	—
Properties for sale	21	**6,334,705**	5,247,446	4,803,837
Trade and other receivables	22	**328,064**	275,625	223,103
Deposits and prepayments	23	**956,533**	1,146,004	343,568
Prepaid tax	32(a)	**80,468**	42,474	27,520
Restricted bank deposits	24	**536,376**	506,989	409,797
Cash and cash equivalents		**3,370,335**	2,364,987	927,721
		11,769,942	9,583,525	6,735,546
Current liabilities				
Bank loans	25	**1,423,859**	1,114,194	701,179
Other loans	26	**168,010**	95,640	123,950
Trade and other payables and accruals	27	**2,828,509**	2,040,030	1,940,923
Receipts in advance	28	**3,453,939**	1,770,122	947,270
Tax payable	32(a)	**311,806**	157,141	106,842
		8,186,123	5,177,127	3,820,164
Net current assets		**3,583,819**	4,406,398	2,915,382

Consolidated balance sheet *(Continued)*

at 31 December 2010

(Expressed in Renminbi)

	Note	At 31 December 2010 RMB'000	At 31 December 2009 (Restated) RMB'000	At 1 January 2009 (Restated) RMB'000
Total assets less current liabilities		**7,247,044**	4,969,526	3,422,186
Non-current liabilities				
Bank loans	25	**492,416**	658,622	232,028
Other loans	26	**449,870**	372,880	36,790
Convertible bonds	29	**552,209**	551,288	—
Senior notes	30	**1,928,806**	—	—
Deferred tax liabilities	32(b)	**52,059**	67,043	63,446
		3,475,360	1,649,833	332,264
NET ASSETS		**3,771,684**	3,319,693	3,089,922
CAPITAL AND RESERVES	33			
Share capital		**179,637**	179,637	179,637
Reserves		**3,316,181**	2,944,720	2,760,495
Total equity attributable to equity shareholders of the Company		**3,495,818**	3,124,357	2,940,132
Non-controlling interests		**275,866**	195,336	149,790
TOTAL EQUITY		**3,771,684**	3,319,693	3,089,922

Approved and authorised for issue by the board of directors on 16 March 2011.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

Balance sheet

at 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Interest in subsidiaries	16	**3,836,883**	1,988,999
Current assets			
Prepayments		**—**	64
Derivative financial instruments	22	**36,902**	17,101
Cash and cash equivalents		**191,470**	144,245
		228,372	161,410
Current liabilities			
Bank loans	25	**—**	68,222
Other payables and accruals	27	**140,642**	85,460
		140,642	153,682
Net current assets		**87,730**	7,728
Total assets less current liabilities		**3,924,613**	1,996,727
Non-current liabilities			
Convertible bonds	29	**552,209**	551,288
Senior notes	30	**1,928,806**	—
		2,481,015	551,288
NET ASSETS		**1,433,598**	1,445,439
CAPITAL AND RESERVES	33		
Share capital		**179,637**	179,637
Reserves		**1,263,961**	1,265,802
TOTAL EQUITY		**1,443,598**	1,445,439

Approved and authorised for issue by the board of directors on 16 March 2011.

Wu Po Sum
Executive Director

Wang Tianye
Executive Director

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2010

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 33 (a))*	Share premium *(Note 33 (b)(i))*	Statutory reserve fund *(Note 33 (b)(ii))*	Other capital reserve *(Note 33 (b)(iii))*	Exchange reserve *(Note 33 (b)(iv))*	Share-based compensation reserve *(Note 33 (b)(v))*	Equity component of convertible bonds *(Note 29)*	Warrant reserve *(Note 29)*	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010		179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693
Total comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	544,887	544,887	35,172	580,059
Other comprehensive income	11	–	–	–	–	26,866	–	–	–	–	26,866	1,227	28,093
		–	–	–	–	26,866	–	–	–	544,887	571,753	36,399	608,152
Transactions with owners recognised directly in equity													
Contributions by and distributions to owners of the Company													
Dividend declared and paid	33(c)(ii)	–	–	–	–	–	–	–	–	(117,953)	(117,953)	–	(117,953)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(24,007)	(24,007)
Appropriation to statutory reserve fund		–	–	147,703	–	–	–	–	–	(147,703)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	46,000	46,000
Equity settled share-based payment		–	–	–	–	–	7,143	–	–	–	7,143	–	7,143
		–	–	147,703	–	–	7,143	–	–	(265,656)	(110,810)	21,993	(88,817)
Changes in ownership interests in subsidiaries													
Acquisition of additional interest in subsidiaries	38(b)	–	–	–	(89,482)	–	–	–	–	–	(89,482)	(46,797)	(136,279)
Acquisition of subsidiaries	38(a)	–	–	–	–	–	–	–	–	–	–	68,935	68,935
		–	–	–	(89,482)	–	–	–	–	–	(89,482)	22,138	(67,344)
Balance at 31 December 2010		179,637	1,076,820	470,517	824,020	6,571	22,090	43,166	11,906	861,091	3,495,818	275,866	3,771,684

Consolidated statement of changes in equity *(Continued)*

for the year ended 31 December 2010

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 33 (a))* *RMB'000*	Share premium *(Note 33 (b)(i))* *RMB'000*	Statutory reserve fund *(Note 33 (b)(ii))* *RMB'000*	Other capital reserve *(Note 33 (b)(iii))* *RMB'000*	Exchange reserve *(Note 33 (b)(iv))* *RMB'000*	Share-based compensation reserve *(Note 33 (b)(v))* *RMB'000*	Equity component of convertible bonds *(Note 29)* *RMB'000*	Warrant reserve *(Note 29)* *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2009		179,637	1,076,820	246,938	1,006,607	(22,718)	6,604	—	—	446,244	2,940,132	149,790	3,089,922
Total comprehensive income													
Profit for the year		—	—	—	—	—	—	—	—	405,326	405,326	22,805	428,131
Other comprehensive income	11	—	—	—	—	2,423	—	—	—	—	2,423	236	2,659
		—	—	—	—	2,423	—	—	—	405,326	407,749	23,041	430,790
Transactions with owners recognised directly in equity													
Contributions by and distributions to owners of the Company													
Dividend declared and paid	33(c)(ii)	—	—	—	—	—	—	—	—	(193,834)	(193,834)	—	(193,834)
Dividend paid to non-controlling interests		—	—	—	—	—	—	—	—	—	—	(14,000)	(14,000)
Appropriation to statutory reserve fund		—	—	75,876	—	—	—	—	—	(75,876)	—	—	—
Issue of convertible bonds with warrants		—	—	—	—	—	—	43,166	11,906	—	55,072	—	55,072
Capital contribution from non-controlling interests		—	—	—	—	—	—	—	—	—	—	36,505	36,505
Equity settled share-based payment		—	—	—	—	—	8,343	—	—	—	8,343	—	8,343
		—	—	75,876	—	—	8,343	43,166	11,906	(269,710)	(130,419)	22,505	(107,914)
Changes in ownership interests in subsidiaries													
Acquisition of additional interest in subsidiaries		—	—	—	(93,105)	—	—	—	—	—	(93,105)	—	(93,105)
Balance at 31 December 2009		179,637	1,076,820	322,814	913,502	(20,295)	14,947	43,166	11,906	581,860	3,124,357	195,336	3,319,693

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit before taxation		**1,095,486**	651,352
Adjustments for:			
Interest income		**(31,999)**	(39,009)
Depreciation and amortisation		**15,111**	12,011
Equity settled share-based payment expenses		**7,143**	8,343
Dividend income		**(1,307)**	(1,163)
Increase in fair value of investment properties		**(3,673)**	(2,461)
Net gain on disposals of property, plant and equipment		**(443)**	(16,012)
Share of losses of associates		**2,224**	2,831
Share of losses of jointly controlled entities		**3,904**	—
Finance costs		**122,853**	66,080
Net realised and unrealised (gain)/loss on trading securities		**(6,869)**	275
Impairment loss on property, plant and equipment		**—**	5,440
Gain on disposal of a subsidiary		**(1,351)**	(7,474)
Changes in working capital:			
Increase in properties for sale		**(1,131,401)**	(388,354)
Increase in trade and other receivables		**(32,689)**	(39,935)
Decrease/(increase) in deposits and prepayments		**198,571**	(802,436)
Increase in trade and other payables and accruals		**394,820**	80,118
Increase in restricted bank deposits		**(89,387)**	(137,192)
Increase in receipts in advance		**1,684,491**	822,852
Cash generated from operations carried forward		**2,225,484**	215,266

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Cash generated from operations brought forward		**2,225,484**	215,266
PRC income tax paid		**(412,732)**	(200,261)
Net cash generated from operating activities		**1,812,752**	15,005
Investing activities			
Payment for purchase of property, plant and equipment		**(212,939)**	(60,251)
Proceeds from disposals of property, plant and equipment		**709**	25,858
Payment for purchase of trading securities		**(156,592)**	(4,054)
Proceeds from disposals of trading securities		**—**	3,779
Expenditure on investment properties		**—**	(401)
Acquisition of additional interest in subsidiaries	38(b)	**(136,279)**	(163,414)
Payment for capital injection in jointly controlled entities		**(738,724)**	—
Net cash outflow upon deemed disposals of subsidiaries	18	**(11,494)**	—
Payment for purchase of other financial assets		**(56,000)**	—
Acquisition of an associate		**(4,500)**	—
Net cash paid upon acquisitions of subsidiaries	38(a)	**(287,864)**	—
Net cash received upon disposal of a subsidiary		**257**	50,000
Advances to associates		**(19,090)**	—
Advances to jointly controlled entities		**(1,105,509)**	—
Dividend received		**1,307**	763
Interest received		**31,999**	39,009
Net cash used in investing activities		**(2,694,719)**	(108,711)

Consolidated cash flow statement *(Continued)*

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Financing activities			
Proceeds from new bank loans		**1,248,762**	1,650,812
Repayment of bank loans		**(1,045,303)**	(770,718)
Proceeds from other new loans		**930,470**	546,600
Repayment of other loans		**(781,110)**	(238,820)
Net proceeds from convertible bonds		**—**	671,368
Net proceeds from senior notes		**1,971,809**	—
Interest paid		**(303,139)**	(159,115)
Dividend paid		**(117,953)**	(193,834)
Dividend paid to non-controlling interests		**(24,007)**	(14,000)
Capital contribution from non-controlling interests		**46,000**	36,505
Net cash generated from financing activities		**1,925,529**	1,528,798
Net increase in cash and cash equivalents		**1,043,562**	1,435,092
Cash and cash equivalents at 1 January		**2,364,987**	927,721
Effect of foreign exchange rate changes		**(38,214)**	2,174
Cash and cash equivalents at 31 December		**3,370,335**	2,364,987

The accompanying notes form part of these financial statements.

1 GENERAL

Central China Real Estate Limited ("the Company") was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 7701B-7702A, 77th Floor, International Commence Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries ("the Group") are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2(g));

— financial instruments classified as trading securities (see note 2(e)); and

— derivative financial instruments (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 39.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Other investments in equity securities

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(v)(v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)):

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(i)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

— Furniture, fixtures and equipment 5 to 10 years

— Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)) or properties for sale (see note 2(k)).

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: (see note 2(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and jointly controlled entities recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the receivable amount of the investment as a whole with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. *(Continued)*

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(l) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of our asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Trade and other receivables”. Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Receipts in advance”.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Convertible bonds with detachable warrants

Convertible bonds of the Company are issued with detachable warrants. Where the convertible bonds can be converted to equity share capital at the option of the holder and the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the warrants issued by the Company will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component. The early redemption options embedded to the convertible bonds with detachable warrants are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(f).

At initial recognition, the derivative financial instruments embedded to the convertible bonds with detachable warrants is measured at fair value. The liability component is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option and warrants. Any excess of proceeds over the amount initially recognised as liability component and derivative financial instruments is recognised as the equity component.

Transaction costs that relate to the issue of the convertible bonds with detachable warrants, are allocated to the liability component and equity component and derivative financial instruments in proportion to allocation of proceeds. The portion of the transaction costs relating to the liability component and equity component is recognised initially as part of the liability and equity respectively. The portion relating to the derivative component is recognised immediately in profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed. The derivative financial instruments is subsequently remeasured in accordance with note 2(f).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Convertible bonds with detachable warrants *(Continued)*

If the bonds are converted, the respective capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the respective capital reserve is released directly to retained profits. If the warrants are exercised, the respective capital reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the respective capital reserve is released directly to retained profits.

(o) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with the accounting policy set out in note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), trade and other payable are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement or the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under "Receipts in advance".

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised on profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HK (Int) 5, Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

— HKFRS 3 (revised 2008), Business combinations

— Amendments to HKAS 27, Consolidated and separate financial statements

— Improvements to HKFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In November 2010 the HKICPA issued HK (Int) 5 which is effective immediately on issuance and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, Presentation of financial statements, irrespective of the probability that the lender will invoke the clause without cause.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

In order to comply with the requirements of HK (Int) 5, the Group has changed its accounting policy on classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the balance sheet date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented.

	As previously reported	**Effect of adoption of HK (Int) 5**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Effect on the Group's balance sheet as at 31 December 2009:			
Current liabilities: Bank loans	982,154	132,040	1,114,194
Non-current liabilities: Bank loans	790,662	(132,040)	658,622
Effect on the Group's balance sheet as at 1 January 2009:			
Current liabilities: Bank loans	488,790	212,389	701,179
Non-current liabilities: Bank loans	444,417	(212,389)	232,028

The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons.

— The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

— The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

4 TURNOVER

The principal activities of the Group are property development, property leasing and construction.

Turnover represents income from sales of properties, rental income and revenue from construction contracts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010 RMB'000	2009 RMB'000
Income from sales of properties	**4,391,722**	2,659,942
Rental income	**25,143**	22,084
Revenue from construction contracts	**99,486**	57,805
	4,516,351	2,739,831

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND NET INCOME

	2010 RMB'000	2009 RMB'000
Other revenue		
Interest income	**31,999**	39,009
Dividend income from unlisted equity securities	**1,307**	1,163
Government grants	**50**	1,792
	33,356	41,964

	2010 RMB'000	2009 RMB'000
Other net income		
Net gain on disposals of property, plant and equipment	**443**	16,012
Gain on disposal of a subsidiary	**1,351**	7,474
Net exchange gain/(loss)	**18,869**	(296)
Net realised and unrealised gain/(loss) on trading securities	**6,869**	(275)
Compensation to contractors	**—**	(1,374)
	27,532	21,541

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2010 RMB'000	2009 RMB'000
(a) Finance costs		
Interest on bank loans	113,323	99,706
Interest on other loans	95,917	37,203
Interest on convertible bonds *(note 12(b)(i))*	53,984	17,688
Interest on senior notes	48,917	—
Interest on advances from customers	5,297	8,022
Other ancillary borrowing costs	7,391	6,978
	324,829	169,597
Less: Borrowing costs capitalised*	(190,424)	(100,221)
	134,405	69,376
Net change in fair value of derivatives embedded to convertible bonds *(note 12(b)(i))*	(9,480)	(3,296)
Net change in fair value of derivatives embedded to senior notes	(2,072)	—
	122,853	66,080

* Borrowing costs have been capitalised at a rate of 1.29%-14.00% per annum (2009: 1.33%-14.00% per annum).

6 PROFIT BEFORE TAXATION *(Continued)*

	2010 RMB'000	2009 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	**134,231**	106,821
Including:		
— Retirement scheme contributions	**7,353**	4,979
— Equity settled share-based payment expenses *(note 31)*	**7,143**	8,343

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

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2010 RMB'000	2009 RMB'000
(c) Other items		
Depreciation and amortisation	**15,111**	12,011
Reversal of impairment loss on other receivables	**(4,182)**	—
Impairment loss on property, plant and equipment *(note 14)*	**—**	5,440
Auditors' remuneration	**3,065**	3,534
Cost of properties sold	**2,876,932**	1,738,510
Operating lease charges in respect of properties	**2,395**	776
Rentals receivable less direct outgoings of RMB2,050,000 (2009: RMB4,940,000)	**(23,093)**	(17,144)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 RMB'000	2009 RMB'000
Current tax		
PRC Corporate Income Tax	274,890	184,021
PRC Land Appreciation Tax	226,798	51,585
Withholding tax	27,689	—
	529,377	235,606
Deferred tax		
Revaluation of properties	(12,380)	283
Other temporary differences	(1,570)	(12,668)
	(13,950)	(12,385)
	515,427	223,221

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2009: 10% to 15%) of their revenue in accordance with the authorised taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (2009: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged CIT at a rate of 25% (2009: 25%) on the estimated assessable profits for the year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例實施細則》) effective from 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 property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 4.5% (2009: 1.5% to 3.5%) of their revenue in accordance with the authorised taxation method.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest received by Hong Kong companies from PRC subsidiaries ranged from 5% to 12%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 *RMB'000*	2009 *RMB'000*
Profit before taxation	**1,095,486**	651,352
Tax on profit before tax calculated at 25% (2009: 25%)	**273,872**	162,838
Difference in tax rates for certain subsidiaries	**14,012**	(4,267)
Tax effect of non-taxable revenue	**(7,722)**	(4,629)
Tax effect of non-deductible expenses	**39,385**	32,507
Tax effect of unused tax losses not recognised	**12,726**	12,110
Utilisation of tax loss not recognised in prior years	**(5,318)**	(4,862)
Tax effect of adopting authorised taxation method	**(9,315)**	(9,165)
Withholding tax on dividends distributed by the PRC foreign investment enterprise	**27,689**	—
Land Appreciation Tax	**226,798**	51,585
Tax effect of Land Appreciation Tax	**(56,700)**	(12,896)
Income tax expense	**515,427**	223,221

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out as follows:

2010

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	—	3,382	11	—	1,365	4,758
Wang Tianye	—	2,900	11	3,174	730	6,815
Yan Yingchun	—	919	11	—	565	1,495
Non-executive directors						
Lim Ming Yan	87	—	—	—	412	499
Leow Juan Thong Jason	87	—	—	—	248	335
Wallis Wu (alias Li Hua)	225	—	11	—	—	236
Hu Yongmin	—	—	—	—	—	—
Independent non-executive directors						
Cheung Shek Lun	208	—	—	—	—	208
Wang Shi	210	—	—	—	—	210
Xin Luolin (appointed on 1 March 2010)	173	—	—	—	—	173
Total	990	7,201	44	3,174	3,320	14,729

8 DIRECTORS' REMUNERATION *(Continued)*

Details of directors' remuneration are set out as follows:

2009

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	—	2,863	11	220	1,781	4,875
Wang Tianye	—	1,833	11	1,974	701	4,519
Yan Yingchun	—	753	11	726	421	1,911
Non-executive directors						
Lim Ming Yan	88	—	—	—	701	789
Leow Juan Thong Jason	88	—	—	—	421	509
Wallis Wu (alias Li Hua)	229	—	11	18	—	258
Hu Yongmin (appointed on 3 September 2009)	—	—	—	—	—	—
Independent non-executive directors						
Cheung Shek Lun	211	—	—	—	—	211
Fang Fenglei (resigned on 18 December 2009)	211	—	—	—	—	211
Wang Shi	246	—	—	—	—	246
Total	1,073	5,449	44	2,938	4,025	13,529

Note: These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2009: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2009: two) individuals are as follows:

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	1,962	1,426
Discretionary bonuses	1,489	812
Share-based payments	453	631
Retirement scheme contributions	44	22
	3,948	2,891

The emoluments of these two (2009: two) individuals with the highest emoluments are within the following bands:

	2010	2009
RMB1,000,001 to RMB1,500,000	1	2
RMB2,000,001 to RMB2,500,000	1	—

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB157,376,000 (2009: RMB115,427,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 33(c).

11 OTHER COMPREHENSIVE INCOME

	2010 **RMB'000**	2009 RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	**28,093**	2,659

There is no tax effect relating to the above component of other comprehensive income.

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB544,887,000 (2009: RMB405,326,000) and the weighted average number of 2,000,000,000 ordinary shares (2009: 2,000,000,000 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB589,391,000 (2009: RMB419,718,000) and the weighted average number of ordinary shares of 2,246,774,194 shares (2009: 2,082,483,429 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2010 **RMB'000**	2009 RMB'000
Profit attributable to equity shareholders	**544,887**	405,326
After tax effect of effective interest on the liability component of convertible bonds *(note 6(a))*	**53,984**	17,688
After tax effect of gain recognised on derivatives embedded to convertible bonds *(note 6(a))*	**(9,480)**	(3,296)
Profit attributable to equity shareholders (diluted)	**589,391**	419,718

12 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

(ii) Weighted average number of ordinary shares (diluted)

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**2,000,000**	2,000,000
Effect of conversion of convertible bonds	**246,774**	82,483
Weighted average number of ordinary shares at 31 December (diluted)	**2,246,774**	2,082,483

The Company's share options and warrants do not give rise to any dilution effect to the earnings per share.

13 SEGMENT REPORTING

Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

Turnover from major services

The Group's turnover from its major services are set out in note 4 to the financial statements.

Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

2010

	Interests in leasehold land held for own use under operating lease *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2010	46,738	115,351	108,980	21,513	15,608	308,190
Additions	112,843	—	90,254	6,757	3,125	212,979
Disposals	—	—	—	(1,111)	(1,100)	(2,211)
Transfer	—	11,505	(11,505)	—	—	—
Transfer from properties for sale	33,124	38,413	—	—	—	71,537
At 31 December 2010	192,705	165,269	187,729	27,159	17,633	590,495
Accumulated depreciation and amortisation:						
At 1 January 2010	4,622	41,163	—	8,812	9,430	64,027
Charge for the year	2,005	6,859	—	4,132	2,115	15,111
Written back on disposals	—	—	—	(1,019)	(892)	(1,911)
At 31 December 2010	6,627	48,022	—	11,925	10,653	77,227
Net book value:						
At 31 December 2010	186,078	117,247	187,729	15,234	6,980	513,268

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(continued)*

2009

	Interests in leasehold land held for own use under operating lease	Buildings	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2009	46,738	125,048	59,361	14,975	14,017	260,139
Additions	—	—	49,619	8,170	2,462	60,251
Disposals	—	(9,697)	—	(1,632)	(871)	(12,200)
At 31 December 2009	46,738	115,351	108,980	21,513	15,608	308,190
Accumulated depreciation and amortisation:						
At 1 January 2009	3,728	30,629	—	6,632	7,941	48,930
Charge for the year	894	5,579	—	3,324	2,214	12,011
Written back on disposals	—	(485)	—	(1,144)	(725)	(2,354)
Impairment loss (note 6(c))	—	5,440	—	—	—	5,440
At 31 December 2009	4,622	41,163	—	8,812	9,430	64,027
Net book value:						
At 31 December 2009	42,116	74,188	108,980	12,701	6,178	244,163

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of carrying value of leasehold land is set out as follows:

	2010	2009
	RMB'000	*RMB'000*
Long leases	**24,597**	25,086
Medium-term leases	**161,481**	17,030
	186,078	42,116

All the leasehold land of the Group are located in the PRC.

The Group's property, plant and equipment with carrying value of RMB106,997,000 (2009: RMBNil) were pledged as securities for the Group's other loans. Details are set out in note 26.

15 INVESTMENT PROPERTIES

	Investment properties		
	Completed *RMB'000*	**Under development** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	245,200	9,384	254,584
Additions	—	401	401
(Decrease)/increase in fair value	(654)	3,115	2,461
Transfer from properties for sale	6,954	—	6,954
At 31 December 2009	251,500	12,900	264,400
Representing:			
Valuation - 2009	251,500	12,900	264,400
At 1 January 2010	251,500	12,900	264,400
Increase in fair value	3,673	—	3,673
Transfer	12,900	(12,900)	—
Transfer from properties for sale	8,827	—	8,827
At 31 December 2010	276,900	—	276,900
Representing:			
Valuation - 2010	276,900	—	276,900

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2010 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued on an open market value basis calculated by reference to net rental income allowance for reversionary income potential.

15 INVESTMENT PROPERTIES *(Continued)*

(b) The analysis of fair value of investment is set out as follows:

	2010 *RMB'000*	2009 *RMB'000*
In PRC		
— long leases	**189,500**	176,300
— medium-term leases	**87,400**	88,100
	276,900	264,400

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2010 *RMB'000*	2009 *RMB'000*
Within 1 year	**1,536**	1,500
After 1 year but within 5 years	**6,384**	6,264
After 5 years	**207**	1,863
	8,127	9,627

16 INTEREST IN SUBSIDIARIES

	2010 *RMB'000*	2009 *RMB'000*
Unlisted shares, at cost	**135,135**	135,135
Amounts due from subsidiaries	**3,701,748**	1,853,864
	3,836,883	1,988,999

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year.

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Anyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited	The British Virgin Islands and Hong Kong	US$10,000	—	95%	Investment holding	Private company
Central China Forest Peninsula (Henan) Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Forest Peninsula (Kaifeng) Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Hotel Management	Limited liability company
Central China New Land (Henan) Real Estate Company Limited	Henan, the PRC	RMB10,010,000	—	85%	Property development	Limited liability company
Central China Properties Development Limited	Hong Kong	HK$1	—	100%	Inactive	Private company
Central China Premier Service (Zhengzhou) Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Wine trading	Limited liability company
Central China Real Estate (Luoyang) Company Limited	Henan, the PRC	RMB673,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Central China Real Estate Group (China) Company Limited	Henan, the PRC	RMB2,360,000,000	—	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate He Bi Co. Ltd.	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US$13,289	—	100%	Investments holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK$1	—	100%	Investments holding	Private company
Central China Triumph Real Estate (Luoyang) Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Construction Premier Service Limited	Hong Kong	HK$1	—	100%	Inactive	Private company
Country Star Holdings Limited	Hong Kong	HK$1	—	95%	Investments holding	Private company
Henan Central China Commercial Properties Management Company Limited	Henan, the PRC	RMB80,000,000	—	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Heating Supply Company Limited	Henan, the PRC	RMB15,000,000	—	100%	Provision of heating and hot water	Limited liability company
Henan Central China Real Estate Company Limited *(note (a))*	Henan, the PRC	RMB390,000,000	—	100%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited	Henan, the PRC	RMB120,100,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Henan St. Andrews Real Estate Company Limited	Henan, the PRC	RMB8,000,000	—	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited	Henan, the PRC	RMB5,000,000	—	60%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited	Henan, the PRC	RMB150,000,000	—	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited	Henan, the PRC	RMB35,000,000	—	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US$14,618	100%	—	Investments holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited	Henan, the PRC	RMB150,000,000	—	60%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	80%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Wholly owned foreign enterprise
Luohe Central China Changjian Real Estate Company Limited	Henan, the PRC	RMB60,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Nanyang Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Xinxiang Central China Real Estate Company Limited	Henan, the PRC	RMB44,900,000	—	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited (note (b))	Henan, the PRC	RMB30,000,000	—	50%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited	Henan, the PRC	RMB58,000,000	—	60%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited	Henan, the PRC	RMB57,000,000	—	100%	Property development	Wholly owned foreign enterprise
Yuzhou New Plaza Construction & Development Company Limited	Henan, the PRC	RMB10,000,000	—	75%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited	Henan, the PRC	RMB59,690,720	—	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited	Henan, the PRC	RMB37,577,000	—	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited	Henan, the PRC	RMB28,000,000	—	100%	Property development	Wholly owned foreign enterprise

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Puyang Central China Real Estate Company Limited	Henan, the PRC	RMB40,500,000	—	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited	Henan, the PRC	RMB38,000,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited	Henan, the PRC	RMB10,537,000	—	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited	Henan, the PRC	RMB100,000,000	—	100%	Property development	Limited liability company
Universal Food Development (Henan) Company Limited	Henan, the PRC	RMB4,500,000	—	100%	Property development	Limited liability company
Shanghai Yujin Investments Consultancy Company Limited	Henan, the PRC	RMB1,000,000	—	100%	Investment holding	Limited liability company
Central China Real Estate Gold Dragon Company Limited	Henan, the PRC	RMB50,000,000	—	100%	Property development	Limited liability company
Xuchang Jinyue Real Estate Company Limited	Henan, the PRC	RMB30,000,000	—	70%	Property development	Limited liability company
Central China Real Estate Group (Sanmenxia) Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited	Henan, the PRC	RMB60,000,000	—	60%	Property development	Limited liability company
Central China Real Estate Group Jiaozuo Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company

(Expressed in Renminbi)

16 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Wugang Central China Real Estate Company Limited	Henan, the PRC	RMB10,000,000	—	100%	Property development	Limited liability company
Henan Yuanda Company Limited	Henan, the PRC	RMB47,877,400	—	100%	Property development	Limited liability company
Henan Central China Kanghui Real Estate Company Limited	Henan, the PRC	RMB100,000,000	—	60%	Property development	Limited liability company
Henan Jianzheng Real Estate Company Limited	Henan, the PRC	RMB20,000,000	—	100%	Property development	Limited liability company
Nanyang Central China Hotel Company Limited	Henan, the PRC	RMB30,000,000	—	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited	Henan, the PRC	RMB2,000,000	—	100%	Property development	Limited liability company
Ahead Properties Limited	Hong Kong	HK$1	—	100%	Investment holding	Limited liability company
Bumper Up Limited	The British Virgin Islands and Hong Kong	HK$1	—	100%	Investment holding	Limited liability company

Notes:

(a) 48.72% interests in Henan Central China Real Estate Company Limited is registered in the name of a trust company pursuant to a trust arrangement (see note 26(b)(ii)).

(b) Xinyang Central China Tianming Real Estate Company Limited ("CCRE Xinyang") is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.

(c) The English names of the PRC companies referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

17 INTERESTS IN ASSOCIATES

	2010 *RMB'000*	2009 *RMB'000*
Share of net assets	**21,747**	19,471
Amounts due from associates	**19,090**	—
	40,837	19,471

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year.

Details of the Group's interests in associates are set out as follows:

			Proportion of ownership interest			
Name of company	**Place of incorporation and operation**	**Registered capital**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**	**Legal form**
St. Andrews Golf Club (Zhengzhou) Company Limited	Henan, the PRC	RMB69,000,000	—	40%	Provision of golf facilities	Wholly owned foreign enterprise
Henan Yushang Property Development Company Limited	Henan, the PRC	RMB15,000,000	—	30%	Property development	Limited liability company

Summary financial information on associates

	Assets *RMB'000*	**Liabilities** *RMB'000*	**Equity** *RMB'000*	**Revenue** *RMB'000*	**Loss** *RMB'000*
2010					
100 per cent	390,492	332,400	58,092	13,777	(5,585)
Group's effective interest	125,872	104,125	21,747	4,133	(2,224)
2009					
100 per cent	83,417	34,740	48,677	6,678	(7,077)
Group's effective interest	33,367	13,896	19,471	2,671	(2,831)

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010 RMB'000	2009 RMB'000
Share of net assets	1,180,604	—
Amounts due from jointly controlled entities	1,561,556	—
	2,742,160	—

Amounts due from jointly controlled entities, except for an amount of RMB90,000,000 which is interest bearing at 6.67% per annum, are unsecured, interest-free and have no fixed terms of repayment but are not expected to be settled within one year.

Details of the Group's interests in jointly controlled entities are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Henan Central China Taihong Real Estate Limited	Henan, the PRC	RMB50,000,000	—	50%	Property development	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investment Co., Ltd	Henan, the PRC	RMB100,000,000	—	50%	Property development	Limited liability company
Henan United New Town Real Estate Company Limited	Henan, the PRC	RMB652,000,000	—	74.9%	Property development	Limited liability company
Central China Real Estate (Nanyang) Company Limited	Henan, the PRC	RMB579,590,000	—	51%	Property development	Limited liability company
Central China Real Estate (Pingdingshan) Company Limited	Henan, the PRC	RMB310,200,000	—	51%	Property development	Limited liability company

In addition to the above, during the year, the Group has entered into a trust arrangement with Bridge Trust Company Limited ("Bridge Trust"). Pursuant to the Strategic Cooperation Agreement, among others, (i) Bridge Trust has established the Bridge Trust-CCRE Group Real Estate Trust Investment Fund ("Bridge-CCRE Trust") with the trust capital of RMB669,387,000 in which RMB502,017,000 (502,017,000 units) are preferred units and RMB167,370,000 (167,370,000 units) are ordinary units; (ii) the Group has subscribed for the ordinary units of RMB167,370,000; and (iii) the Group has provided a guarantee of return of 7.5% per annum to the holders of the preferred units.

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The Bridge-CCRE Trust is managed by the Investment Committee. The directors are of the opinion that based on the structure of the Investment Committee, neither Bridge Trust (which acts agent of the Preferred Unit Holders) nor the Group has controlling power over the Bridge-CCRE Trust. In this regard, the directors consider that the Bridge-CCRE Trust is jointly controlled by Bridge Trust and the Group and therefore treated as jointly controlled entity on the financial statements of the Group.

The capital on the Bridge-CCRE Trust was initially advanced to the Group at 6.3% per annum for six months and subsequently invested in Henan United New Town Real Estate Company Limited, Central China Real Estate Nanyang Company Limited and Central China Real Estate Pingdingshan Company Limited, which were previously wholly owned subsidiaries of the Group. After the investment by the Bridge-CCRE Trust, these three companies are regarded as jointly controlled entities of the Group as neither the Bridge-CCRE Trust nor the Group has controlling power over the board of directors pursuant to the respective articles of association.

The deemed disposals of these three companies had the following effect on the Group's financial position:

	RMB'000
Properties for sales	(544,176)
Interest in jointly controlled entities	90,000
Amount due from jointly controlled entities	456,047
Trade and other payables and accruals	9,623
Cash and cash equivalents	(11,494)
Net cash outflow	(11,494)

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Summary financial information on jointly controlled entities - Group's effective interest:

	2010 RMB'000	2009 RMB'000
Non-current assets	600,914	—
Current assets	2,063,525	—
Current liabilities	(981,818)	—
Non-current liabilities	(502,017)	—
	1,180,604	—
Income	23	—
Expenses	(3,927)	—
Loss for the year	(3,904)	—

19 OTHER FINANCIAL ASSETS

	The Group	
	2010 RMB'000	2009 RMB'000
Unlisted equity securities, at cost		
— in the PRC	71,800	15,800

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2010 and 2009.

20 TRADING SECURITIES

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Listed equity securities at fair value in Hong Kong	**163,461**	—

The fair value of the trading securities at 31 December 2010 was measured using quoted prices in active markets for identical financial instruments, which is categorised into Level 1 valuation under HKFRS 7, Financial Instruments: Disclosures.

21 PROPERTIES FOR SALE

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**5,277,502**	4,104,937
Completed properties held for sale	**1,057,203**	1,142,509
	6,334,705	5,247,446

(a) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2010	2009
	RMB'000	*RMB'000*
In the PRC		
— long leases	**3,117,499**	2,785,515
— medium-term leases	**230,722**	15,816
	3,348,221	2,801,331

21 PROPERTIES FOR SALE *(CONTINUED)*

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	2010 RMB'000	2009 RMB'000
Properties held for future development and under development for sale	**2,164,860**	2,362,234

(c) The analysis of the amount of properties for sale recognised as an expense is as follows:

	2010 RMB'000	2009 RMB'000
Carrying amount of properties for sale sold	**2,876,932**	1,738,510

(d) Certain portion of the Group's properties for sale were pledged as securities for the Group's bank and other loans. Details are set out in notes 25 and 26.

(e) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for a period of 20 years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2010 RMB'000	2009 RMB'000
Within 1 year	**11,277**	9,240
After 1 year to 5 years	**39,416**	35,826
After 5 years	**93,118**	101,685
	143,811	146,751

The directors confirm that the Group intends to sell the properties together with the respective leases.

22 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills receivable	**100**	290	**—**	—
Trade receivables *(note (a))*	**40,737**	2,950	**—**	—
Other receivables	**203,260**	142,647	**—**	—
Amounts due from related companies *(note (b))*	**43,126**	112,637	**—**	—
Gross amount due from customers for contract work *(note (c))*	**3,939**	—	**—**	—
Derivative financial instruments *(notes 29 and 30)*	**36,902**	17,101	**36,902**	17,101
	328,064	275,625	**36,902**	17,101

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Current or less than 1 month overdue	**38,417**	443
1 to 3 months overdue	**156**	130
3 to 6 months overdue	**250**	250
6 months to 1 year overdue	**522**	786
More than 1 year overdue	**1,392**	1,341
	40,737	2,950

The Group's credit policy is set out in note 34(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 36.

22 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (continued)

(b) The amounts due from related companies of the Group included a balance of RMB42,774,000 (2009: RMB112,347,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company (see note 37(a)). The amount is unsecured, interest free and repayable on demand. The remaining amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(c) The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from/to customers for contract work at 31 December 2010, is RMB491,750,000 (2009: RMB436,048,000).

23 DEPOSITS AND PREPAYMENTS

At 31 December 2010, the balance included deposits and prepayments for leasehold land of RMB774,093,000 (2009: RMB833,550,000).

24 RESTRICTED BANK DEPOSITS

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Guarantee deposits in respect of:		
— mortgage loans related to property sale	**163,146**	181,985
— bills payable	**373,230**	265,004
— bank loans *(note 25(b))*	**—**	60,000
	536,376	506,989

25 BANK LOANS

(a) At 31 December 2010, the bank loans were repayable as follows:

	The Group			The Company	
	At 31 December 2010	At 31 December 2009 *(Restated)*	At 1 January 2009 *(Restated)*	**At 31 December 2010**	At 31 December 2009
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**1,423,859**	1,114,194	701,179	**—**	68,222
After 1 year but within 2 years	**324,416**	628,622	212,028	**—**	—
After 2 years but within 5 years	**168,000**	30,000	20,000	**—**	—
	492,416	658,622	232,028	**—**	—
	1,916,275	1,772,816	933,207	**—**	68,222

(b) At 31 December 2010, the bank loans were secured as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
— secured	**1,176,640**	1,656,594	**—**	—
— unsecured	**739,635**	116,222	**—**	68,222
	1,916,275	1,772,816	**—**	68,222

25 BANK LOANS *(CONTINUED)*

(b) At 31 December 2010, the bank loans were secured as follows: *(Continued)*

At 31 December 2010, assets of the Group secured against bank loans are analysed as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties for sale	**1,916,744**	1,852,163
Restricted bank deposits *(note 24)*	**—**	60,000
	1,916,744	1,912,163

(c) The effective interest rates of bank loans of the Group at 31 December 2010 were ranged from 4.70% - 9.18% (2009: 5.31% - 9.18%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. As at 31 December 2010, the non-current portion of term loans from banks repayable on demand amounted to RMB152,672,000 (31 December 2009: RMB132,040,000, 1 January 2009: RMB212,389,000) was classified as current liabilities of the Group upon the adoption of HK (Int) 5 (see note 3) during the year.

The Group regularly monitors its compliance with these covenants, is up to date with the schedules repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. In this regard, the non-current portion of the term loans is not expected to be settled within one year. Further details of the Group's management of liquidity risk are set out in note 34(c).

As at 31 December 2010, none of the covenants relating to drawn down facilities had been breached (2009: RMB Nil).

26 OTHER LOANS

(a) At 31 December 2010, other loans were repayable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**168,010**	95,640
After 1 year but within 2 years	**297,870**	119,010
After 2 years but within 5 years	**152,000**	253,870
	449,870	372,880
	617,880	468,520

(b) At 31 December 2010, the other loans were secured as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Other loans		
— secured *(note (i))*	**357,880**	391,880
— unsecured *(note (ii))*	**260,000**	76,640
	617,880	468,520

26 OTHER LOANS *(CONTINUED)*

(b) At 31 December 2010, the other loans were secured as follows: *(Continued)*

Notes:

(i) Secured other loans were secured by assets of the Group as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties for sales	**174,457**	250,439
Property, plant and equipment	**106,997**	—
	281,454	250,439

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (2009: RMB40,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB133,069,000 (2009: RMB141,262,000) at 31 December 2010.

(ii) Included in unsecured other loans is an amount of RMB190,000,000 (2009: RMB7,640,000) in relation to a trust arrangement with a trust company. Under the trust arrangement, the trust company injected paid-in capital to the subsidiary and the legal title of the share was transferred to the trust company. The Group committed to repurchase while the trust company has the obligation to sell such share within a pre-set period. The trust company does not entitle to any profit distribution from the subsidiary but receives fixed interest income periodically. Such paid-in capital is classified as other loans in the financial statements.

(iii) The effective interest rates of other loans of the Group at 31 December 2010 were ranged from 6.38%–14.00% (2009: 6.30%–14.00%) per annum.

27 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills payable	**373,230**	265,004	**—**	—
Trade payables *(note (a))*	**980,002**	806,226	**—**	—
Other payables and accruals	**904,945**	688,491	**49,467**	—
Amounts due to jointly controlled entities *(note (b))*	**355,783**	—	**—**	—
Amounts due to related companies *(note (b))*	**32**	32	**—**	—
Amounts due to non-controlling interests *(note (b))*	**123,342**	158,437	**—**	—
Gross amount due to customers for contract work *(note 22(c))*	**—**	36,380	**—**	—
Derivative financial instruments *(note 29)*	**91,175**	85,460	**91,175**	85,460
	2,828,509	2,040,030	**140,642**	85,460

At 31 December 2010, included in trade and other payables and accruals are retention payable of RMB198,796,000 (2009: RMB107,996,000) which are expected to be settled after more than one year.

Notes:

(a) An ageing analysis of trade payables are set out as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**781,206**	698,230
Due after 1 year	**198,796**	107,996
	980,002	806,226

(b) Amounts due to jointly controlled entities, related companies and non-controlling interests of the Group are unsecured, interest free and have no fixed terms of repayment.

28 RECEIPTS IN ADVANCE

Receipts in advance represent sale proceeds received from buyers in connection with pre-sale of properties.

29 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 (the "convertible bonds") and 76,097,561 warrants (the "warrants"). The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment.

Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments in accordance with the accounting policy set out in note 2(n) to the financial statements.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(f) to the financial statements.

29 CONVERTIBLE BONDS *(CONTINUED)*

The movements of different components of the convertible bonds/warrants are set out below:

	Liability component of the convertible bonds	Redemption call option	Redemption put option	Equity component of convertible bonds	Warrant reserve	Total
	(Note 29(a))	*(Notes 22 and 29(b))*	*(Notes 27 and 29(c))*	*(Note 29(d))*	*(Note 29(d))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Proceeds from issuance of the convertible bonds	546,305	(15,897)	87,768	43,298	11,943	673,417
Transaction costs	(1,661)	48	(267)	(132)	(37)	(2,049)
Net proceeds	544,644	(15,849)	87,501	43,166	11,906	671,368
Interest and transaction costs amortised	6,650	—	—	—	—	6,650
Change in fair value *(note 6(a))*	—	(1,253)	(2,043)	—	—	(3,296)
Exchange difference	(6)	1	2	—	—	(3)
At 31 December 2009	551,288	(17,101)	85,460	43,166	11,906	674,719
At 1 January 2010	551,288	(17,101)	85,460	43,166	11,906	674,719
Interest and transaction costs amortised	21,501	—	—	—	—	21,501
Change in fair value *(note 6(a))*	—	(18,511)	9,031	—	—	(9,480)
Exchange difference	(20,580)	1,032	(3,316)	—	—	(22,864)
At 31 December 2010	552,209	(34,580)	91,175	43,166	11,906	663,876

29 CONVERTIBLE BONDS *(CONTINUED)*

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 9.6% (2009: 9.6%) per annum.

At 31 December 2010, the liability component of convertible bonds, after considering the redemption put options held by the holders of the convertible bonds, was repayable as follows:

	The Group and the Company	
	2010	2009
	RMB'000	*RMB'000*
After one year but within two years	**552,209**	—
After two years but within five years	**—**	551,288
	552,209	551,288

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds.

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds.

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognised as the liability component of convertible bonds and the redemption call and put options.

The fair value of the redemption call and put options as at 31 December 2010 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorised into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the redemption call and put options were determined by an independent valuer, Savills Valuation and Professional Services Limited.

(Expressed in Renminbi)

29 CONVERTIBLE BONDS *(CONTINUED)*

(d) *(continued)*

The assumptions applied in determining the fair value of the redemption call and put options at 31 December 2010 using Binomial (Coz, Ross, Rubinstein) option pricing model are set out as follows:

	2010	2009
Share price *(HK$)*	**2.31**	2.22
Expected volatility	**62%**	62%
Expected dividends	**2.9%**	5%
Risk-free interest rate	**1.4%**	1.93%
Option life	**3.67 years**	4.67 years
Effective interest rate	**8.3%**	9%

30 SENIOR NOTES

On 20 October 2010, the Company issued secured senior notes with principal amount of US$300,000,000 due 2015 (the "senior notes"). The senior notes are interest-bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on 20 October of each of the years indicated below.

Period	**Redemption price**
2013	106.1250%
2014	103.0625%

30 SENIOR NOTES *(CONTINUED)*

In addition, at any time prior to 20 October 2013, the Company may at its option:

(a) redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

(b) redeem up to 35% of the aggregate principal amount of the senior notes with the funds generated from equity offering at a redemption price of 112.5% at the principal amount of the senior notes, plus accrued and unpaid interest, if any, to the redemption date.

The redemption options held by the Company are separately accounted for at fair value at the initial recognition date and 31 December 2010 as derivative financial instruments in accordance with the accounting policy set out in note 2(f) to the financial statements.

The movements of different components of senior notes are set out below:

	Liability component of the senior notes *(Note 30(a))* *RMB'000*	**Redemption call option** *(Notes 22 and 30(b))* *RMB'000*	**Total** *RMB'000*
Proceeds from issuance senior notes	2,024,595	(310)	2,024,285
Transaction costs	(52,484)	8	(52,476)
Net proceeds	1,972,111	(302)	1,971,809
Interest and transaction costs amortised	190	—	190
Change in fair value *(note 6(a))*	—	(2,072)	(2,072)
Exchange difference	(43,495)	52	(43,443)
At 31 December 2010	1,928,806	(2,322)	1,926,484

30 SENIOR NOTES *(CONTINUED)*

(a) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 12.79% per annum for the year ended 31 December 2010.

At 31 December 2010, the liability component of the senior notes was repayable as follows:

	The Group and the Company	
	2010	2009
	RMB'000	*RMB'000*
After two years but within five years	**1,928,806**	—

(b) Redemption call option represents the fair value of the Company's option to early redeem the senior notes.

The fair value of the redemption call option at its initial recognition date and at 31 December 2010 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorised into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the liability component of senior notes and the redemption call option were determined by an independent valuer, Savills Valuation and Professional Services Limited.

The assumptions applied in determining the fair value of the redemption call option at its initial recognition date and at 31 December 2010 are set out as follows:

	At 31 December 2010	At 20 October 2010
	RMB'000	*RMB'000*
Credit spread	**8.16%**	10.07%

(Expressed in Renminbi)

31 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Pre-IPO share option scheme

On 14 May 2008, the Company conditionally granted certain Pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange of Hong Kong Limited, i.e. 6 June 2008. Under the Pre-IPO Share Option Scheme, no Pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable with the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(b) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

The weighted average value per share option granted during the period estimated at the date of grant using binomial (Coz, Ross, Rubinstein) model was HK$0.8. The weighted average assumptions used are as follows:

Fair value at measurement date	HK$0.8
Share price	HK$1.7
Exercise price	HK$1.9
Expected volatility	68%
Option life	1 year from different vesting periods
Expected dividends	3.9%
Risk-free interest rate	2.6%

(Expressed in Renminbi)

31 EQUITY SETTLED SHARE-BASED TRANSACTION *(CONTINUED)*

(b) Share options granted on 25 May 2010 *(Continued)*

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(c) The number and the weighted average exercise price of share options are as follows:

	2010		2009	
	Exercise price *HK$*	Number of options	Exercise price *HK$*	Number of options
Outstanding at 1 January	2.75	30,050,000	2.75	31,400,000
Granted during the year	1.90	20,000,000	N/A	—
Lapsed during the year	2.75	(950,000)	2.75	(1,350,000)
Outstanding at 31 December	2.41	49,100,000	2.75	30,050,000
Exercisable at 31 December	2.75	17,460,000	2.75	6,010,000

The options outstanding at 31 December 2010 had a weighted average exercise price of HK$2.41 (2009: HK$2.75) and a weighted average remaining contractual life of 1.56 years (2009: 1.7 years).

No option were exercised during the year ended 31 December 2010 (2009: Nil).

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group			
	PRC Corporate Income Tax *RMB'000*	**PRC Land Appreciation Tax** *RMB'000*	**Withholding tax** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	29,740	27,082	22,500	79,322
Charged to the consolidated income statement *(note 7(a))*	184,021	51,585	—	235,606
Tax paid	(120,199)	(74,799)	(5,263)	(200,261)
At 31 December 2009	93,562	3,868	17,237	114,667
At 1 January 2010	**93,562**	**3,868**	**17,237**	**114,667**
Charged to the consolidated income statement *(note 7(a))*	**274,890**	**226,798**	**27,689**	**529,377**
Tax paid	**(264,686)**	**(143,809)**	**(4,237)**	**(412,732)**
Disposal of a subsidiary	**26**	**—**	**—**	**26**
At 31 December 2010	**103,792**	**86,857**	**40,689**	**231,338**

	2010 *RMB'000*	2009 *RMB'000*
Representing:		
Tax payable	**311,806**	157,141
Prepaid tax	**(80,468)**	(42,474)
	231,338	114,667

32 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(CONTINUED)*

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group		
	Revaluation of properties *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	(63,446)	3,309	(60,137)
(Charged)/credited to the consolidated income statement (note 7(a))	(283)	12,668	12,385
Exchange difference	—	3	3
At 31 December 2009	(63,729)	15,980	(47,749)
At 1 January 2010	**(63,729)**	**15,980**	**(47,749)**
Credited to the consolidated income statement (note 7(a))	**12,380**	**1,570**	**13,950**
At 31 December 2010	**(51,349)**	**17,550**	**(33,799)**

	2010 *RMB'000*	2009 *RMB'000*
Representing:		
Deferred tax assets	**18,260**	19,294
Deferred tax liabilities	**(52,059)**	(67,043)
	(33,799)	(47,749)

(c) Deferred tax assets not recognised

The Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB85,608,000 (2009: RMB98,959,000) at 31 December 2010, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within 5 years.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2010 No. of shares '000	2010 Amount HK$'000	2009 No. of shares '000	2009 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
RMB equivalent		**179,637**		179,637

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Reserves *(Continued)*

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 31.

(vi) Distributability of reserves

At 31 December 2010, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2010 was RMB1,263,961,000 (2009: RMB1,265,802,000). After the balance sheet date, the directors proposed a final dividend of HK$9.7 cents, equivalent to RMB8.23 cents (2009: HK$6.8 cents, equivalent to RMB6 cents) per ordinary share, amounting to RMB165,000,000 (2009: RMB120,000,000). This dividend has not been recognised as a liability at the balance sheet date.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Reserves *(Continued)*

(vii) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital (Note 33(a)) RMB'000	Share premium (Note 33(b)(i)) RMB'000	Exchange reserve (Note 33(b)(i)) RMB'000	Share-based compensation reserve (Note 33(b)(v)) RMB'000	Equity component of convertible bonds (Note 29) RMB'000	Warrant reserve (Note 29) RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2009	179,637	1,076,820	(6,587)	6,604	—	—	209,761	1,466,235
Changes in equity for 2009:								
Profit for the year	—	—	—	—	—	—	115,427	115,427
Exchange difference on translation of financial statements	—	—	(5,804)	—	—	—	—	(5,804)
Total comprehensive income for the year	—	—	(5,804)	—	—	—	115,427	109,623
Dividends approved in respect of the previous year	—	—	—	—	—	—	(193,834)	(193,834)
Issue of convertible bonds with warrants	—	—	—	—	43,166	11,906	—	55,072
Equity settled share-based payment	—	—	—	8,343	—	—	—	8,343
At 31 December 2009	179,637	1,076,820	(12,391)	14,947	43,166	11,906	131,354	1,445,439
Balance at 1 January 2010	**179,637**	**1,076,820**	**(12,391)**	**14,947**	**43,166**	**11,906**	**131,354**	**1,445,439**
Changes in equity for 2010:								
Profit for the year	—	—	—	—	—	—	**157,376**	**157,376**
Exchange difference on translation of financial statements	—	—	**(48,407)**	—	—	—	—	**(48,407)**
Total comprehensive income for the year	—	—	**(48,407)**	—	—	—	**157,376**	**108,969**
Dividends approved in respect of the previous year	—	—	—	—	—	—	**(117,953)**	**(117,953)**
Equity settled share-based payment	—	—	—	**7,143**	—	—	—	**7,143**
At 31 December 2010	**179,637**	**1,076,820**	**(60,798)**	**22,090**	**43,166**	**11,906**	**170,777**	**1,443,598**

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010 **RMB'000**	2009 RMB'000
Final dividend proposed after the balance sheet date of HK$9.7 cents (equivalent to RMB8.23 cents) per ordinary share (2009: HK$6.8 cents (equivalent to RMB6 cents) per ordinary share)	**165,000**	120,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010 **RMB'000**	2009 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$6.8 cents (equivalent to RMB5.90 cents) per ordinary share (2009: HK$11 cents (equivalent to RMB9.69 cents) per ordinary share)	**117,953**	193,834

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

33 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(d) Capital management *(Continued)*

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Company. Net debt is calculated as total bank and other loans, convertible bonds and senior notes less cash and cash equivalents and restricted bank deposits secured against bank loans.

The gearing ratio at 31 December 2010 and 2009 was as follows:

	The Group		
	At 31 December 2010	At 31 December 2009 (Restated)	At 1 January 2009 (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
— Bank loans	**1,423,859**	1,114,194	701,179
— Other loans	**168,010**	95,640	123,950
	1,591,869	1,209,834	825,129
Non-current liabilities			
— Bank loans	**492,416**	658,622	232,028
— Other loans	**449,870**	372,880	36,790
— Convertible bonds	**552,209**	551,288	—
— Senior notes	**1,928,806**	—	—
	3,423,301	1,582,790	268,818
Total debt	**5,015,170**	2,792,624	1,093,947
Less: Cash and cash equivalents	**(3,370,335)**	(2,364,987)	(927,721)
Restricted bank deposits secured against bank loans	**—**	(60,000)	(100,000)
Net debt	**1,644,835**	367,637	66,226
Total equity	**3,771,684**	3,319,693	3,089,922
Gearing ratio	**43.6%**	11.1%	2.1%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, other loans, convertible bonds and senior notes disclosed in notes 25, 26, 29 and 30 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2010, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit and total equity by approximately RMB14,734,000 (2009: decrease the Group's profit and total equity by RMB3,086,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2009.

(b) Credit risk

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Credit risk *(Continued)*

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Liquidity risk *(Continued)*

	At 31 December 2010				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Term loans subject to repayment on demand clauses: scheduled repayments	169,635	173,895	20,441	153,454	—
Other bank loans	1,746,640	1,847,918	1,332,025	344,356	171,537
Other loans	617,880	721,893	232,484	329,511	159,898
Convertible bonds	552,209	765,317	31,794	733,523	—
Senior notes	1,928,806	3,143,674	242,506	242,506	2,658,662
Trade and other payables and accruals	2,828,509	2,828,509	2,629,713	198,796	—
Tax payable	311,806	311,806	311,806	—	—
	8,155,485	9,793,012	4,800,769	2,002,146	2,990,097
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment		(4,260)	149,194	(153,454)	—
		9,788,752	4,949,963	1,848,692	2,990,097

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34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Liquidity risk *(Continued)*

	At 31 December 2009 (Restated)				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Term loans subject to repayment on demand clauses: scheduled repayments	411,532	428,705	289,091	4,327	135,287
Other bank loans	1,361,284	1,434,354	757,084	664,853	12,417
Other loans	468,520	549,339	126,381	157,454	265,504
Convertible bonds	551,288	827,282	32,997	32,997	761,288
Trade and other payables and accruals	2,040,030	2,040,030	1,932,034	36,304	71,692
Tax payable	157,141	157,141	157,141	—	—
	4,989,795	5,436,851	3,294,728	895,935	1,246,188
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment		(17,173)	122,441	(4,327)	(135,287)
		5,419,678	3,417,169	891,608	1,110,901

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Liquidity risk *(Continued)*

	At 1 January 2009 (Restated)				
	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*
Term loans subject to repayment on demand clauses: scheduled repayments	212,389	221,106	8,179	212,927	—
Other bank loans	720,818	780,440	533,209	226,781	20,450
Other loans	160,740	170,711	133,013	37,698	—
Trade and other payables and accruals	1,940,923	1,940,923	1,850,926	37,781	52,216
Tax payable	106,842	106,842	106,842	—	—
	3,141,712	3,220,022	2,632,169	515,187	72,666
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment		(8,717)	204,210	(212,927)	—
		3,211,305	2,836,379	302,260	72,666

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Foreign exchange risk

The Group is exposed to currency risk primarily through bank deposits and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars and United States Dollars.

The following table details the Group's exposure at 31 December 2010 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2010		2009	
	United States Dollars	**Hong Kong Dollars**	United States Dollars	Hong Kong Dollars
	'000	***'000***	*'000*	*'000*
Cash and cash equivalents	**31,873**	**1,155**	145	2,753
Bank loans	**—**	**—**	—	(68,043)
Senior notes	**(292,296)**	**—**	—	—
Inter-company borrowings	**(30,000)**	**(60,000)**	—	—
Gross exposure arising from recognised assets and liabilities	**(290,423)**	**(58,845)**	145	(65,290)
Notional amount of forward exchange contract	**—**	**—**	—	68,043
Overall net exposure	**(290,423)**	**(58,845)**	145	2,753

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Foreign exchange risk *(Continued)*

In addition to the above, the Group's subsidiary with functional currency of Hong Kong Dollars has a receivable of RMB350,000,000 (2009: RMB Nil) from the a PRC subsidiary of the Group.

A reasonably possible increase of 5% (2009: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase the Group's profit and total equity by RMB30 million (2009: RMB Nil). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant.

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and that all other variables, in particular interest rates, remain constant.

35 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements are as follows:

	2010	2009
	RMB'000	*RMB'000*
Authorised but not contracted for	**11,805,438**	6,690,626
Contracted but not provided for	**1,957,446**	1,758,903
	13,762,884	8,449,529

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.

35 COMMITMENTS *(CONTINUED)*

(b) Commitments for operating leases

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**4,164**	655
After 1 year but within 5 years	**7,097**	1,200
	11,261	1,855

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

36 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 31 December 2010 is as follows:

	2010 ***RMB'000***	2009 *RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**3,060,798**	2,472,712

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group has not applied for individual building ownership certificates for these purchasers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

37 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, major related party transactions entered by the Group are as follows:

	Note	**2010** ***RMB'000***	2009 *RMB'000*
Sales of properties	(a)	**—**	93,978
Rental expenses	(b)	**336**	461
Interest expenses	(c)	**25,285**	7,366

37 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) In 2009, the Group sold commercial properties at a consideration of RMB93,978,000 to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. No properties were sold to that company in 2010. The unsettled amount in respect of sale of properties to that company at 31 December 2010 amounted to RMB42,774,000 (2009: RMB112,347,000) (note 22(b)). The outstanding amount is unsecured, interest free and recoverable on demand.

(b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr Wu Po Sum has significant interest.

(c) The amounts represented interest expenses in relation to advances from non-controlling interests of a subsidiary and a jointly controlled entity which is interest bearing at 12% and 6.3% per annum respectively. Both advances were settled during the year.

38 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisitions of subsidiaries

During the year, the Group has acquired certain subsidiaries which hold property development projects. Acquisition of these subsidiaries enables the Group to expand its land banks. Acquisitions of major subsidiaries by the Group during the year are summarised as follows:

Date of acquisition	Name of subsidiaries acquired	Percentage of equity interest acquired	Consideration
			RMB'000
14 May 2010	Central China Real Estate Xinxiang Jili Company Limited	60%	71,100
1 July 2010	Henan Yuanda Company Limited	100%	176,528
30 September 2010	Xuchang Jin Yue Real Estate Company Limited	70%	50,246

38 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS *(CONTINUED)*

(a) Acquisitions of subsidiaries *(Continued)*

The acquisitions of these subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount *RMB'000*	Adjustments *RMB'000*	Recognised values on acquisitions *RMB'000*
Property, plant and equipment	40	—	40
Deposits and prepayment	9,100	—	9,100
Properties for sale	140,521	249,454	389,975
Cash and cash equivalents	10,010	—	10,010
Trade and other payables	(42,316)	—	(42,316)
Non-controlling interests	(27,000)	(41,935)	(68,935)
Net identified assets and liabilities	90,355	207,519	297,874
Total consideration paid			297,874
Total cash and cash equivalents acquired			(10,010)
Net cash outflow			287,864

The above subsidiaries contributed an aggregate turnover of RMBNil and loss attributable to the equity shareholders of the Company of RMB2,574,000 to the Group for the year ended 31 December 2010. Should the acquisitions had occurred on 1 January 2010, the consolidated turnover and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2010 would have been RMB4,516,351,000 and RMB542,334,000 respectively.

38 ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS *(CONTINUED)*

(b) Acquisitions of non-controlling interests

During the year, the Group has acquired additional interests in certain subsidiaries which hold property development projects. The acquisitions of additional interests in these subsidiaries enable the Group to maximise its benefits in the respective projects. Acquisitions of non-controlling interests by the Group during the year are summarised as follows:

(i) On 2 March 2010, the Group acquired additional 3.32% equity interest in Henan Central China Sun City Real Estate Company Limited ("Central China Sun City") at a consideration of RMB5,295,000. Subsequent to the acquisition, the Group's equity interest in Central China Sun City increased from 96.68% to 100%.

(ii) On 24 August 2010, the Group acquired additional 25% equity interest in Luohe Central China Changjian Real Estate Company Limited ("Luohe Changjian") at a consideration of RMB28,984,000. Subsequent to the acquisition, the Group's equity interest in Luohe Changjian increased from 75% to 100%.

(iii) On 12 October 2010, the Group acquired additional 35% equity interest in Shangqiu Jianye Huarun Zhiye Company Limited ("Shangqiu Huarun") at a consideration of RMB102,000,000. Subsequent to the acquisition, the Group's equity interest in Shangqiu Huarun increased from 65% to 100%.

The combined carrying amount of non-controlling interests at the dates of the acquisitions was RMB46,797,000 and the excess of the total consideration over the carrying amount of the non-controlling interests of RMB89,482,000 are recognised in other capital reserve in accordance with the accounting policy set out in note 2(c).

39 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the 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 mainly include those related to property development activities.

(a) Impairment provision for buildings and construction in progress

As explained in note 2(h), the Group makes impairment provision for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Provision for properties for sale

As explained in note 2(k), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

39 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(CONTINUED)*

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) PRC Corporate Income Tax and PRC Land Appreciation Tax

As explained in note 7, the Group is subject to PRC Corporate Income Tax and PRC Land Appreciation Tax under both authorised taxation method or audited taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

39 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(CONTINUED)*

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(g) Valuation of investment properties

All investment properties of the Group are revalued as at the balance sheet date by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(h) Estimation of fair value of derivative financial instruments

Redemption call and put options embedded to convertible bonds and senior notes of the Group are classified as derivative financial instruments and stated at fair value at each balance sheet date. The fair value of these options is measured based on the assumptions set out in notes 29 and 30. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

(Expressed in Renminbi)

40 NON-ADJUSTING POST-BALANCE SHEET EVENT

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 33(c)(i).

41 COMPARATIVE FIGURES

As a result of the application of HK (Int) 5, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

A summary of the consolidated results and of the consolidated assets, liabilities and minority interests of the Group for the last five financial years prepared on the basis as hereunder stated is as set out below:

CONSOLIDATED RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**4,516,351**	2,739,831	3,226,996	1,821,663	1,261,265
Profit before taxation	**1,095,486**	651,352	959,383	305,545	185,646
Income tax	**(515,427)**	(223,221)	(304,454)	(134,977)	(52,891)
Profit for the year	**580,059**	428,131	654,929	170,568	132,755
Attributable to:					
Equity holders of the Company	**544,887**	405,326	653,301	164,988	141,013
Non-controlling interests	**35,172**	22,805	1,628	5,580	(8,258)
	580,059	428,131	654,929	170,568	132,755
Earnings per share *(RMB cents)*					
— Basic	**27.24**	20.27	32.67	8.25	7.05
— Diluted	**26.23**	20.15	32.67	8.25	7.05

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets	**3,663,225**	563,128	506,804	513,729	434,254
Current assets	**11,769,942**	9,583,525	6,735,546	5,044,793	3,404,310
Total assets	**15,433,167**	10,146,653	7,242,350	5,558,522	3,838,564
Liabilities					
Current liabilities	**8,186,123**	5,177,127	3,820,164	3,634,537	2,515,360
Non-current liabilities	**3,475,360**	1,649,833	332,264	449,184	513,088
Total liabilities	**11,661,483**	6,826,960	4,152,428	4,083,721	3,028,448
Net assets	**3,771,684**	3,319,693	3,089,922	1,474,801	810,116
Equity					
Total equity attributable to equity shareholders of the Company	**3,495,818**	3,124,357	2,940,132	1,330,287	736,958
Non-controlling interests	**275,866**	195,336	149,790	144,514	73,158
Total equity	**3,771,684**	3,319,693	3,089,922	1,474,801	810,116

Notes: (1) The summary of the consolidated results of the Group for the years ended 31 December 2006 and 2007 and the summary of the consolidated assets, liabilities and equity as at 31 December 2006 and 2007 were extracted from the Company's prospectus dated 26 May 2008 (the "Prospectus"). Such summary was prepared as if the group reorganisation had been completed throughout these financial years.

(2) In order to comply with HK (Int) 5, Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause, in 2010, certain bank loans which give the lender the unconditional right to call the loan at any time are classified as current liabilities. The policy was applied retrospectively and figures for 2008 and 2009 have been restated. For the purpose this summary of financial information, no restatements are made for 2006 and 2007.