# 禹洲地產股份有限公司
# YUZHOU PROPERTIES COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1628

Annual Report 2010

# CONTENTS

# Corporate Information

| | |
|---|---|
| **Executive Directors** | Mr. Lam Lung On *(Chairman)*<br>Ms. Kwok Ying Lan *(Vice Chairman)*<br>Mr. Huang Zhibin<br>Mr. Lin Longzhi<br>Mr. Lin Conghui |
| **Independent Non-executive Directors** | Mr. Gu Jiande<br>Mr. Lam Kwong Siu<br>Mr. Wee Henny Soon Chiang |
| **Audit committee** | Mr. Wee Henny Soon Chiang *(Chairman)*<br>Mr. Gu Jiande<br>Mr. Lam Kwong Siu |
| **Remuneration committee** | Mr. Gu Jiande *(Chairman)*<br>Mr. Lam Lung On<br>Mr. Wee Henny Soon Chiang |
| **Nomination committee** | Mr. Gu Jiande *(Chairman)*<br>Mr. Lam Lung On<br>Mr. Wee Henny Soon Chiang |
| **Qualified accountant and company secretary** | Mr. Chiu Yu Kang |
| **Authorized representatives** | Mr. Lam Lung On<br>Ms. Kwok Ying Lan |
| **Registered office** | Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands |
| **Principal administration and management center in the PRC** | 39 West Hubin Road<br>Xiamen<br>Fujian<br>People's Republic of China |
| **Principal place of business in Hong Kong** | Units 4905-06, 49th Floor<br>The Center<br>99 Queen's Road Central<br>Central<br>Hong Kong |
| **Company's website** | www.xmyuzhou.com.cn |
| **Principal share registrar and transfer office** | Butterfield Fulcrum Group (Cayman) Limited |
| **Hong Kong Share Registrar** | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716, 17th Floor, Hopewell Centre,<br>183 Queen's Road East, Wanchai, Hong Kong |
| **Auditor** | Ernst & Young |
| **Legal Advisors** | Paul, Hastings, Janofsky & Walker (as to Hong Kong law)<br>Conyers Dill & Pearman (as to Cayman Islands law) |
| **Compliance advisor** | Guotai Junan Capital Limited |
| **Principal Bankers** | Industrial and Commercial Bank of China<br>China Construction Bank Corporation<br>Agricultural Bank of China<br>Bank of China (Hong Kong) |

# Financial Highlights

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 20 October 2009, is set out below:

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **RESULTS** | | | | | |
| REVENUE | **4,265,558** | 1,991,801 | 1,759,803 | 1,083,729 | 92,570 |
| Cost of sales | **(2,488,175)** | (1,003,672) | (1,010,236) | (828,563) | (50,465) |
| Gross profit | **1,777,383** | 988,129 | 749,567 | 255,166 | 42,105 |
| Other income and gains | **18,402** | 5,410 | 6,499 | 329,699 | 10,398 |
| Selling and distribution costs | **(64,426)** | (48,038) | (42,398) | (41,382) | (7,401) |
| Administrative expenses | **(106,225)** | (57,213) | (61,396) | (52,699) | (27,632) |
| Other expenses | **(3,789)** | (21,955) | (24,357) | (2,480) | (1,593) |
| Fair value gains on investment properties | **276,015** | 932,094 | 108,088 | 73,396 | 840 |
| Finance costs | **(39,187)** | (1,158) | (12,854) | (1,299) | — |
| PROFIT BEFORE TAX | **1,858,173** | 1,797,269 | 723,149 | 560,401 | 16,717 |
| Tax | **892,868** | (703,237) | (354,053) | (182,886) | (4,783) |
| PROFIT FOR THE YEAR | **965,305** | 1,094,032 | 369,096 | 377,515 | 11,934 |
| Attributable to: | | | | | |
| Owners of the Company | **963,601** | 1,101,042 | 292,178 | 376,898 | 8,160 |
| Non-controlling interests | **1,704** | (7,010) | 76,918 | 617 | 3,774 |
| | **965,305** | 1,094,032 | 369,096 | 377,515 | 11,934 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS** | | | | | |
| TOTAL ASSETS | **14,592,592** | 11,141,799 | 7,273,465 | 7,351,760 | 4,303,147 |
| TOTAL LIABILITIES | **(9,768,563)** | (7,312,382) | (6,260,225) | (6,572,945) | (3,995,181) |
| NON-CONTROLLING INTERESTS | **(256,625)** | (124,173) | (134,144) | (107,494) | (45,921) |
| | **4,567,404** | 3,705,244 | 879,096 | 671,321 | 262,045 |

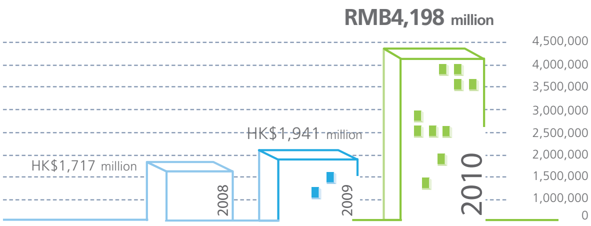
# Financial Highlights

## Income Statement Highlights

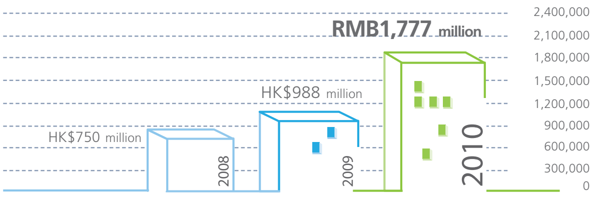
For the year ended 31 December 2010

- Recognised revenue: RMB4,265.6 million (+RMB2,273.8 million or +114.2%)
- Contracted sales: RMB5,217.3 million (+RMB1,364.8 million or +35.4%)
- GFA completed: 496,998 sq.m (+301,501 sq.m or +54.2%)
- Core profit: RMB756.6 million (+RMB355.2 million or +88.5%)
- Core earnings per share: RMB0.32 (+RMB0.11 or +52.4%)
- Dividend per share: HKD0.11 (+HK3.5 cents or +46.7%)

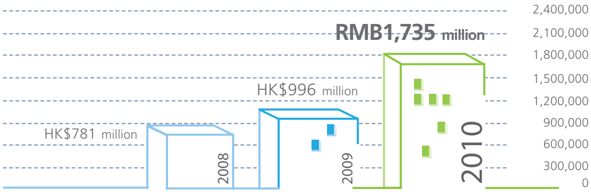
## Property Sales



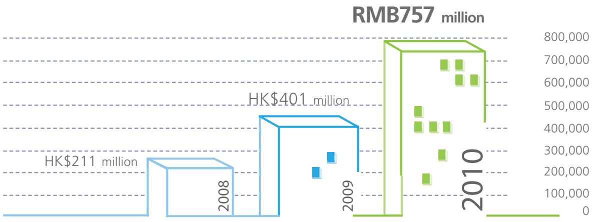

## Gross Profit




## EBITDA




## Core Profit

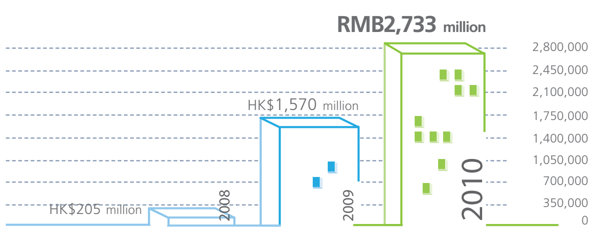


## Statement of Financial Position Highlights

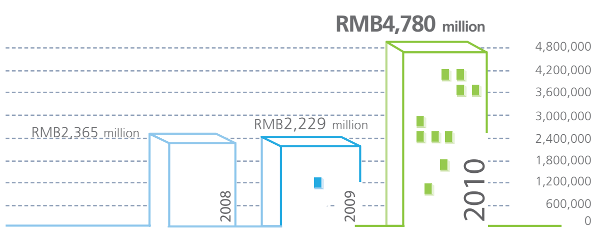
As at 31 December 2010

- Total Assets: RMB14,592.6 million (+RMB3,450.8 million or +31.0%)
- Total Liabilities: RMB9,768.6 million (+RMB2,456.2 million or +33.6%)
- Total Equity: RMB4,824.0 million (+RMB994.6 million or +26.0%)
- Cash and Bank Balances: RMB2,732.7 million (+RMB1,160.9 million or +73.9%)
- Total Debts: RMB4,779.8 million (+RMB2,550.7 million or +114.4%)

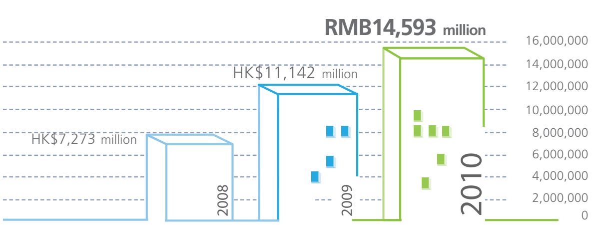
## Cash Position



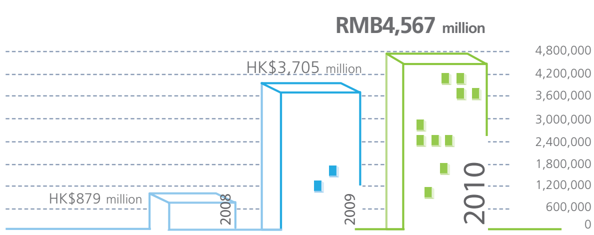

## Total Debts




## Total Assets



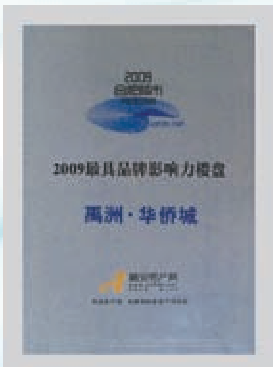

## Shareholders' Equity



# Major Events of 2010


## January

On 15 January 2010, "Yuzhou Ji Tu" (禹洲及圖) was awarded the Well-known Trademark by the State Administration for Industry & Commerce.



## February

In February 2010, Hefei – Yuzhou Huaqiao City (now named "Yuzhou Skyline") was awarded "2009 Innovative Properties of Hefei" (2009合肥創新樓盤) of The 6th China Properties Popularity List (《第六屆中國地產人氣榜》), "Best Properties of Living Environment" (最佳人居環境樓盤) of Sina 2009 Properties in Hefei (《新浪2009年度合肥風雲樓盤評選》) and other awards and recognitions.


## March

On 30 March 2010, Yuzhou Properties announced its annual results for 2009. The core profit increased significantly by 90% to RMB401 million, out-performed the profit forecast indicated in the prospectus.

## April

In April 2010, Yuzhou Properties donated RMB5 million to the earthquake-stricken area for the construction of Beichuan Middle School (北川中學) and was awarded a certificate of honor by All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會).


## May

On 11 May 2010, Mr. Lam Lung On, Chairman of Yuzhou Properties, was appointed as an adjunct professor of University of Science and Technology of China.


## June

On 25 June 2010, Yuzhou Properties was awarded the "Outstanding Real Estate Enterprise in China" (資本中國傑出房地產企業) of The 5th Capital Outstanding China Enterprise Award (第五屆資本中國傑出企業成就獎) of Hong Kong.

# Major Events of 2010


## July

In July 2010, Yuzhou Properties entered into an agreement with China Life Trustees Limited for the issue of bonds, which bear an interest rate of 10% per annum, in the aggregate principal amount of HK$1,000 million. This bond issue demonstrated China Life's recognition of and support to Yuzhou Properties' strong development strength, and laid a solid foundation for our future development.

## August

In August 2010, the construction of Beichuan Middle School was completed, where the building named "Qiaoxin Tower"(僑心塔) was funded by RMB5 million donated by Mr. Lam Lung On, Chairman of Yuzhou Properties. Mr. Chen Zhiliang, Special Assistant to the President of Yuzhou Properties, was invited to attend the Autumn Opening Ceremony of Beichuan Middle School on behalf of Mr. Lam Lung On, witnessed the historical moment with the caring people from all circles of the society.


## September

On 26 September 2010, the sales center of Yuzhou Huandong International (禹洲 • 環東國際) was put into service. It embodies a sensible design featuring a simple but luxurious modern hall tailor-made by famous designers, which is originating from its large scale design, and attracted lots of public attention.

## October

On 8 October 2010, as the ultimate winner of the land auction held on the same date in Xiamen, Yuzhou Properties won the bid for two parcels of land with aggregate GFA of 510,000 sq.m.. On 25 October, Yuzhou Properties acquired the site of Tianjin Jinjing (Gua) 2010-086 with the total site area and GFA of over 60,000 sq.m. and approximately 130,000 sq.m. respectively, at a consideration of RMB137 million, to position itself in the center of Bohai Rim Region.

## November

In November 2010, Yuzhou Huaqiaocheng Properties Co was awarded the GB/T 19001-2008/ISO 9001:2008 certification by China Quality Mark Certification.


## December

On 9 December 2010, Yuzhou Properties successfully issued US$200 million (equivalent to approximately HK$1.56 billion) senior notes, with a maturity of five years and bearing a coupon rate of 13.5%, which enhanced the Group's financial strength and laid a solid foundation for launching the product diversification strategy and long-term strategic development of the Company. On 17 December 2010, the Company held a banquet for celebrating the successful issue of US$200 million bonds, at which BOC International, Nomura International and Royal Bank of Scotland extended their congratulations.

# Chairman's Statement

To Shareholders:

I am pleased to present the annual results of Yuzhou Properties Company Limited ("Yuzhou Properties" or the "Company") and its subsidiaries ("the Group") on behalf of the board of directors (the "Board") of the Company for the financial year ended 31 December 2010. Year 2010 was a year of speedy development for Yuzhou Properties since its listing and also a year when the Company actively planned and soundly expanded its business in Yangtze River Delta Region (長三角地區) and Bohai Rim Region (環渤海地區).

As of 31 December 2010, turnover and gross profit of the Group amounted to approximately RMB4,265.56 million and RMB1,777.38 million, respectively, representing an increase of 114.2% and 79.9% respectively, as compared with the corresponding period of the previous year. Core profit attributable to shareholders was approximately RMB756.59 million and the basic core earnings per share were RMB32 cents, representing an increase of 88.5% and 52.4%, respectively, as compared with the corresponding period of the previous year.

## Dividend

To reciprocate the continuous support and trust of its shareholders, and taking into account the needs for the Group's future development, the Board has proposed to declare a final dividend of HK11 cents per share, representing an increase of 46.7% as compared with 2009 and a payout ratio of 29.7% of core profit for the year of 2010, which is consistent with the Group's dividend payout policy that the payout ratio is approximately 30% since its listing.

## Business Review

The year 2010 was the Group's first completed financial year since its listing on the Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange"). During the period, contracted sales, turnover and core profit all reached new records since the Group was established in 1994. The Group will continue to consolidate its advantageous position in the West Strait Economic Zone by sourcing land with high quality so as to strengthen its leadership in this zone and steadily enter Yangtze River Delta Region and strategically position itself in Bohai Rim Region.

Yuzhou Square

Yuzhou City Plaza

In 2010, the central government introduced a series of control measures for the property market, which resulted in prolonged adjustment of the market. These measures were designed to control and curtail property transactions for investment and speculation purposes, though they also resulted in restraining part of the demand for self-occupation purposes. Consequently, there was a significant drop in transaction volume of the property market, particularly in first and second tier cities, during the second half of the year. In the backdrop of prudent monetary policy measures launched by the government, the property market cannot rule out further pressure from some more new control measures in 2011. In light of the prevailing macro-economic environment and changes of the market, the Group has timely adjusted its business strategies and recorded a remarkable sales performance.

During the period, the Group reached its adjusted annual sales target as its projects recorded good sales. As of 31 December 2010, the Group completed a total GFA of 496,998 sq.m. and commenced construction of a total GFA of 1,930,744 sq.m.. The major on-going sale projects included Yuzhou World Trade Center, Phase I of Yuzhou Skyline (previously known as Yuzhou Huaqiao City), Yuzhou Golden Seacoast, Phase I of Yuzhou University City and Yuzhou Galaxy Garden; the newly-launched projects included Phase II of Yuzhou University City, Yuzhou Castle above City, Yuzhou Gushan No. One, Phase II of Yuzhou Oriental Venice and Yuzhou Land Dream. In 2011, it is expected that the Group will have an aggregate GFA under construction of 2,600,000 sq.m. and a saleable GFA of 1,012,113 sq.m.. Four projects are planned to be launched, namely Yuzhou Golf, Phase II of Yuzhou Skyline, Yuzhou Shoreline and Yuzhou Sunshine Garden.

## Land Reserves

During the period, the Group actively seized the opportunity for acquisition and strategically increased quality land reserves of approximately 5.44 million sq.m. with low land cost, of which the GFA of approximately 4.18 million sq.m. are with primary land development qualification. These lands are mainly located in the West Strait Economic Zone, Yangtze River Delta Region and Bohai Rim Region, accounting for 52%, 4% and 44% respectively.

In June 2010, Yuzhou Properties won the bid for a parcel of land with GFA of approximately 60,000 sq.m. near Tongan Industrial Estate, Xiamen at a consideration of RMB94 million. The project is planned for residential purpose temporarily named as Sunshine Garden. The Company also obtained the primary development qualification for a site of the complex project in Quanzhou at low cost. The land has an aggregate planned GFA of approximately 2.24 million sq.m.. Upon completion, the project will become the largest complex project in the West Strait Economic

Zone. The Group is expected to acquire the land at a land cost of approximately RMB300 per sq.m.. In addition, Yuzhou Properties successfully won the bid for two parcels of land near Xia Men Tong'an Movie & TV City through public land auction at total considerations of RMB506 million and RMB364 million, respectively in October 2010. In 2010, numerous project acquisition in Xiamen and Quanzhou further strengthened the development of the Group in the West Strait Economic Zone.

During the period, Yuzhou Properties acquired the entire interest in Shanghai Xiersi General Merchandise Co., Ltd. for RMB261.5 million in June 2010, thereby acquiring a land plot with an aggregate planned GFA of approximately 110,000 sq.m. for commercial use in Huinan Town, Pudong New Area in Shanghai owned by Xiersi at an average land cost of RMB2,367 per sq.m.. The commercial land will be developed into a large-scale shopping center.

In September 2010, Yuzhou Properties gained its foothold in Bohai Rim Region by successfully winning the bid for three parcels of land with an aggregate GFA of over 300,000 sq.m. in Tianjin through public land auction at a total consideration of approximately RMB369.56 million. In October 2010, Yuzhou Properties successfully won the bid for a parcel of land located in Tianjin through public land auction at a total consideration of approximately RMB137.82 million, which further strengthened its position in Bohai Rim Region. On 20 December 2010, Yuzhou Properties further obtained the primary land development qualification of a parcel of land with a site area of approximately 2 million sq.m. in Pinggu District, Beijing and held a signing ceremony with the local government, which laid a solid foundation for the Company to tap into Beijing and consolidate its development in the center of Bohai Rim Region.

Acquisition of new sites continually at low costs during the year has resulted in average land cost at a low level of approximately RMB1,620 per sq.m., which is far below the average current market price. In addition, we have participated in two large projects under primary development. These projects are expected to contribute significantly to the future earnings of the Group.

As of 31 December 2010, the aggregate saleable GFA of the Group's land reserves was over 4.91 million sq.m., of which saleable GFA of completed and unsold properties amounted to approximately 150,000 sq.m., saleable GFA of projects under development amounting to approximately 1.95 million sq.m. and the GFA of projects held for future development amounting to approximately 2.81 million sq.m.. In addition, we have two projects granted primary development qualification with expected aggregate GFA no less than 4 million sq.m..

## Appointment of New Chief Executive Officer

Mr. Huang Zhibin joined the Company and was appointed as the chief executive officer and executive director in January 2011. We are honored to have him with us. He has been engaged in real estate planning, development and management for more than 17 years. He has a profound understanding of the real estate market in the West Strait Economic Zone, and acquired expertise in law-related issues. Undoubtedly, his joining in the Company has enhanced the strength of the management team of Yuzhou Properties, enabling the Company to develop into a quality listed company with professionalism and standardization.

## Corporate Social Responsibilities

Pursuing its corporate mission of "Serve the community and requite the community"(服務社會，回報社會), the Group has been actively committed to its social responsibilities since its incorporation. Alongside the Company's development, we always keep this in our mind. Yuzhou Properties has placed as much emphasis upon fulfilling its social responsibilities of being a good corporate citizen. We have actively participated in various charity programs, such as Project Hope and other charitable activities like those concerning cultural education, relief activities, environmental protection, medical healthcare and urban transportation. We have actively participated in and organized relief activities to aid the earthquake-stricken people in Yushu, Qinghai. The Group donated RMB2 million to disaster-hit Nanping at a special evening party titled "Standing Together for Relief of Min (Fujian province) in Hard Times" ("風雨同舟情暖八閩") for aiding the flood-stricken Fujian Province, which was jointly organized by United Front Work Department of Fujian Provincial Party Committee (福建省委統戰部), Propaganda Department of Fujian Provincial Party Committee (省委宣傳部), International Federation of Red Cross Society of China, Fujian Branch (省紅十字會), Fujian Provincial Charity Federation (省慈善總會) and Fujian Federation of Industry and Commerce (省工商聯) in June 2010. This manifested the commitment to corporate social responsibilities and mission by offering a bit of help for the flood victims to rebuild their homes.

## Property Management

Property management and after-sale services have always been the focus of the Group's business and services as the basis of our after-sale services and branch enhancement Huaqiao City Property Management Co., Ltd. (華僑城物業管理公司), a subsidiary of the Company, is committed to providing residents with safe, comfortable, convenient and high quality property management services, and will continue to improve the standard of services on such basis and constantly strive to provide property management services up to the international and professional standard, in accordance with our customers' demands. This helps us provide necessary supporting services for the project development activities and sustain a comprehensive development of the Group in the future.

## Investor Relations

The Group has always placed emphasis on the interaction and communication with shareholders and investors. During the period, Morgan Stanley, the sole sponsor for the listing of the Company, organized a roadshow by the senior management of the Group in April 2010. BOC International, Nomura International and Royal Bank of Scotland, joint lead managers for the issue of senior notes by the Group, further organized an international roadshow by the senior management of the Group in November 2010, and made visits to and engagement with domestic and overseas investors. In addition, the management periodically attended various domestic and overseas investor seminars and investor meetings for multilateral and/or one-to-one communication with the investors. The management also actively organized and hosted numerous visits for domestic and overseas investors and analysts for our projects, thereby ensuring a timely and visual understanding of the latest development and future strategic planning of the Group by its investors.

## Investor Meetings Attended by Yuzhou Properties in 2010 and 2011

| Organizer | Name of the meeting | Venue | Time |
|---|---|---|---|
| BOC International | The Eighth BOCI Investors' Forum (第八屆中銀國際投資者會議) | Qingdao | 11-16 May 2010 |
| Morgan Stanley | 2010 Hong Kong Investor Meeting (2010香港投資者會議) | Hong Kong | 13-14 May 2010 |
| J. P. Morgan | J. P. Morgan 2010 Annual Meeting for China (摩根大通2010年中國年會) | Beijing | 8-11 June 2010 |
| Goldman Sachs, Gao Hua Securities | 2010 Annual Meeting of China's Investment Frontier (2010年中國投資前沿年會) | Beijing | 1-2 November 2010 |
| Bank of America-Merrill Lynch | China Investment Summit (中國投資峰會) | Beijing | 1-5 November 2010 |
| Yuanta Securities | Cross-Strait Communication Forum (海峽交流論壇) | Taipei | 8-10 December 2010 |
| Deutsche Bank | Deutsche Bank Annual Thematic Meeting for China (德銀中國主題年會) | Beijing | 10-13 January 2011 |
| UBS BANK | The Eleventh UBS BANK Seminar for the Greater China – Sunrise Glow Over China (第十一屆瑞銀大中華研討會–朝霞裡的中國) | Shanghai | 17-21 January 2011 |

# Development Strategies

The Group has formulated mid-term and long-term development strategies based on its judgment on the outlook of property market. Pursing our philosophy of "To build a town with faithfulness, to offer a home with love" (以誠建城，以愛築家), we conduct our business, in a manner to earn the confidence of our stakeholders and enhance our resources and competitive edge of our brands. The Group puts efforts to consolidate its dominant position in the West Strait Region, and further strengthen its position in the West Strait Economic Zone. Meanwhile, we also aim at gradual expansion in the economic zone of Yangtze River Delta Region, further building our presence in the Bohai Rim Region, so as to achieve the strategic objective of a nation-wide development of our operations. Based on the overall development needs, we continue to identify suitable projects with good prospects. On the other hand, we shall continue to seize market opportunities to replenish our high-quality land reserves timely to promote our sustainable development.

With the continued expansion of our business, our targeted saleable GFA started in 2011 are approximately 1.01 million sq.m.. We expect that our targeted GFA sold and the corresponding sales amount in 2011 will witness an increase as compared with 2010.

The Group entered into an agreement with China Life Trustees Limited, a company of the China Life Insurance (Overseas) Company Limited, in July 2010, for the issue of bonds in the aggregate principal amount of HK$1,000 million to specific subscribers. The bonds will mature in three years and bear an interest rate of 10% per annum. The Group successfully issued US$200 million (equivalent to approximately HK$1.56 billion) senior notes, with a maturity of five years and bearing a coupon interest rate of 13.5% in December 2010. These two successful financing activities further enhanced the liquidity of the Group, providing advantageous funding support for land acquisitions, and also laid a solid foundation for launching the product diversification strategy and long-term strategic development of the Group.

## Outlook

As China's economy continues to grow, regional economies will become more balanced, and the level of urbanization is continuously increasing. The Group will continue to pursue our prudent development strategies in accordance with the macroeconomy, ensuring the shareholders and investors of the Company to be rewarded as the Company's business continues to grow in the future with diversified product portfolios, high-quality land reserves at low lost, healthy financial position and sound and long-term development. The Company will continue to provide our customers with properties of even higher performance-to-price ratio so as to make greater contributions to the society.

## Appreciation

The efforts and contributions made by the Group's entire staff are essential for the Yuzhou Properties' development. I would like to express our sincere gratitude for the continuous support and trust from our shareholders, investors, business partners and customers on behalf of the Board. The entire staff of Yuzhou Properties is determined to forge ahead in unity and make steady progress to bring greater return for the shareholders.

**Lam Lung On**
*Chairman*
Hong Kong, 30 March 2011

# Management Discussion and Analysis

Yuzhou Gushan No. One

# Business Review

In 2010, the Mainland property market maintained its uptrend momentum since 2009. In order to cool down the markets, the central government introduced a series of austerity measures for the property market, which resulted in prolonged adjustment of the market. These measures were designed to control and curtail property transactions for investment and speculation purposes, though they also resulted in restraining part of the demand for self-occupation purposes. Consequently, there was a significant drop in transaction volume of the property market, particularly in first and second tier cities, during the second half of the year. In the backdrop of prudent monetary policy measures launched by the government, the property market is subject to further pressure from more cooling measures in 2011. In light of the prevailing macro-economic environment and developing trends of the market, the Group has taken timely measures to respond to these market or potential changes. The management system has been proactively reformed for adopting effective strategies for project development and marketing.

## Overall Performance

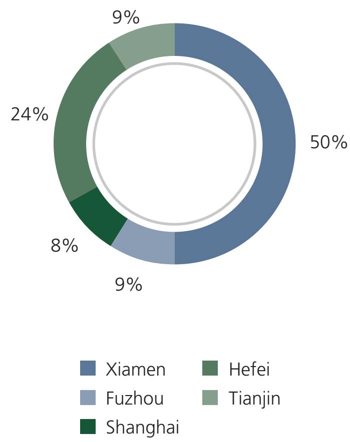
During the year, turnover of the Group was RMB4,265.56 million, representing a significant increase of 114.2% as compared with the previous year. Gross profit was RMB1,777.38 million, representing a significant increase of 79.9% as compared with the previous year. Gross profit margin was 41.7%. Profit attributable to shareholders was RMB963.60 million and basic earnings per share was RMB40 cents. Core profit attributable to shareholders amounted to RMB756.59 million while core earnings per share was RMB32 cents. The Board proposed a final dividend of HK$264.00 million (HK11 cents per share) for the year ended 31 December 2010.

## Land Reserves

The Group possesses quality land reserves at low cost. As at 31 December 2010, the aggregate GFA of the Group's land reserves was 4.92 million sq.m., located in the West Strait Economic Zone, the Yangtze River Delta Region and Bohai Rim Region, with an average land cost of approximately RMB1,620 per sq.m.. In view of the primary land development qualification of two projects obtained by the Company, the Group believes that its land reserves currently held and managed are sufficient for future development over a period of five to six years.

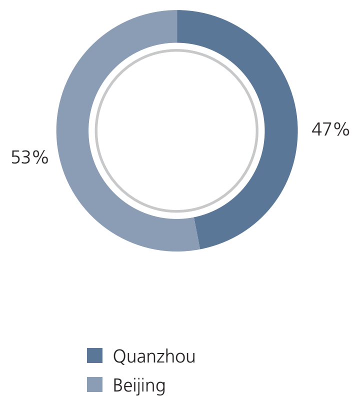
**Saleable GFA of Land Reserves (sq.m.)**
*As at 31 December 2010*

| Region | Area (sq.m.) |
|---|---|
| **West Strait Economic Zone** | |
| Xiamen | 2,475,701 |
| Fuzhou | 435,425 |
| Sub-total | 2,911,126 |
| **Yangtze River Delta Region** | |
| Shanghai | 391,143 |
| Hefei | 1,165,936 |
| Sub-total | 1,557,079 |
| **Bohai Rim Region** | |
| Tianjin | 449,793 |
| Sub-total | 449,793 |
| Total | 4,917,998 |




**Primary Land Development Qualification (sq.m.)**
*As at 31 December 2010*

| Region | Area (sq.m.) |
|---|---|
| **West Strait Economic Zone** | |
| Quanzhou | 2,238,000* |
| Sub-total | 2,238,000 |
| **Bohai Rim Region** | |
| Beijing | 1,946,676** |
| Sub-total | 1,946,676 |
| Total | 4,184,676 |



Yuzhou Gushan No. One

During the year, the Group acquired 10 new parcels of quality land with an aggregate saleable GFA of 1,259,307 sq.m., at an average land cost of approximately RMB1,548 per sq.m., which is far below the market level. The new parcels of land acquired are located in Shanghai, Tianjin and Xiamen respectively, and are expected to provide satisfactory returns to the Group in the next two to three years. In addition, the Group also signed up for two primary land development projects, which are located in Quanzhou and Beijing during the year. The two projects are expected to be completed in primary developments in one or two years and provide satisfactory return to the Group.

* *It represents the aggregate GFA agreed under the framework agreement*
** *It represents the site area under the framework agreement*

Particulars of these parcels of land are as set out in the following table:

| **Name of Project** | **City** | **GFA** (sq.m.) | **Land cost** (RMB'000) | **Average land cost** (RMB/sq.m.) |
|---|---|---|---|---|
| **West Strait Economic Zone** | | | | |
| Sunshine Garden (originally Tongan site) | Xiamen | 59,290 | 94,000 | 1,585 |
| Group Realty T2010P04 | Xiamen | 322,000 | 505,600 | 1,570 |
| Group Realty T2010P05 | Xiamen | 190,600 | 364,000 | 1,910 |
| Sub-total | | 571,890 | 963,600 | 1,685 |
| **Yangtze River Delta Region** | | | | |
| Yuzhou Commercial Plaza (Xiersi) | Shanghai | 110,460 | 261,500 | 2,367 |
| Yuzhou Financial Tower (Kangyi) | Shanghai | 28,670 | 75,000 | 2,616 |
| Hai Tian Commercial Plaza (Lingang Nankai) | Shanghai | 98,494 | 142,255 | 1,444 |
| Sub-total | | 237,624 | 478,755 | 2,015 |

(To be continued)

Yuzhou Gushan No. One

| Name of Project | City | GFA (sq.m.) | Land cost (RMB'000) | Average land cost (RMB/sq.m.) |
|---|---|---|---|---|
| **Bohai Rim Region** | | | | |
| Tuanbo Commercial Site No. 2010-48 | Tianjin | 70,547 | 47,116 | 668 |
| Tuanbo Commercial Site No. 2010-49 | Tianjin | 108,903 | 121,245 | 1,113 |
| Jinghai Residential Site No. 2010-85 | Tianjin | 142,432 | 201,200 | 1,413 |
| Jinghai Residential Site No. 2010-86 | Tianjin | 127,911 | 137,822 | 1,077 |
| Sub-total | | 449,793 | 507,383 | 1,128 |
| Total | | 1,259,307 | 1,949,738 | 1,548 |

| Name of Primary Land Development Project | City | GFA (sq.m.) |
|---|---|---|
| Quanzhou site | Quanzhou | 2,238,000 |
| Beijing site | Beijing | 1,946,676 |
| Total | | 4,184,676 |

## Sale of Properties

Recognized area sold and recognized sales of each project in 2010 are set out in the following table:

| Name of Project | City | Saleable GFA (sq.m.) | Amount (RMB'000) | Average Selling Price (RMB) |
|---|---|---|---|---|
| **West Strait Economic Zone** | | | | |
| Yuzhou World Trade Center | Xiamen | 52,975 | 742,793 | 14,022 |
| Yuzhou Golden Seacoast | Xiamen | 115,864 | 1,009,387 | 8,712 |
| Yuzhou Galaxy Garden (Champagne City) | Xiamen | 38,752 | 347,873 | 8,977 |
| Phase I of Yuzhou University City | Xiamen | 191,259 | 805,663 | 4,212 |
| Others | Xiamen | 7,488 | 50,249 | 6,711 |
| Sub-total | | 406,338 | 2,955,965 | 7,275 |
| **Yangtze River Delta Region** | | | | |
| Phase III of Yuzhou Jinqiao International | Shanghai | 58,127 | 906,054 | 15,587 |
| Phase II of Yuzhou Jinqiao International | Shanghai | 6,894 | 117,194 | 16,999 |
| Phase I of Yuzhou Skyline | Hefei | 56,923 | 218,824 | 3,844 |
| Sub-total | | 121,944 | 1,242,072 | 10,186 |
| Total | | 528,282 | 4,198,037 | 7,947 |

In 2010, the Group recognized sales amount and area sold of RMB4,198.04 million and approximately 528,282 sq.m., representing a significant increase of 116% and 183% respectively as compared with 2009. The average selling price per sq.m. decreased from RMB10,403 in 2009 to RMB7,947 in 2010. Among the recognized sales, Xiamen booked RMB2,955.97 million, an increase of 12.5% as compared with 2009. The total area sold in Xiamen was 406,338 sq.m., representing an increase of 175% as compared with 2009. Recognized sales in Shanghai amounted to RMB1,023.25 million, an increase of 64% as compared with 2009. The total area sold in Shanghai was 65,021 sq.m., representing an increase of 67% as compared with 2009. The recognized sales and recognized area sold in Hefei amounted to RMB218.82 million and 56,923 sq.m., respectively, representing 5% and 11% of the total recognized sales and recognized total area sold, respectively. The Group did not recognize any sales in Hefei in 2009.

Contracted sales and area of each project in 2010 are set out in the following table:

| Name of Project | City | Saleable GFA (sq.m.) | Amount (RMB'000) | Average Selling Price (RMB) |
|---|---|---|---|---|
| **West Strait Economic Zone** | | | | |
| Yuzhou World Trade Center | Xiamen | 20,932 | 394,113 | 18,828 |
| Yuzhou Golden Seacoast | Xiamen | 40,457 | 668,835 | 16,532 |
| Yuzhou Galaxy Garden (Champagne City) | Xiamen | 10,469 | 68,331 | 6,527 |
| Phase I of Yuzhou University City | Xiamen | 7,792 | 62,276 | 7,992 |
| Phase II of Yuzhou University City (Huandong International) | Xiamen | 84,074 | 561,676 | 6,681 |
| Yuzhou Castle above City (Diyuan Manor) | Xiamen | 97,317 | 1,569,180 | 16,124 |
| Yuzhou Gushan No. One | Fuzhou | 22,550 | 571,417 | 25,340 |
| Yuzhou Oriental Venice | Fuzhou | 20,752 | 432,742 | 20,853 |
| Others | Xiamen | 14,483 | 104,276 | 7,200 |
| Sub-total | | 318,826 | 4,432,846 | 13,904 |
| **Yangtze River Delta Region** | | | | |
| Phase IV of Yuzhou Jinqiao International (Land Dream) | Shanghai | 5,488 | 108,739 | 19,814 |
| Phase III of Yuzhou Jinqiao International | Shanghai | 10,358 | 290,458 | 28,042 |
| Phase I and Phase II of Yuzhou Jinqiao International (residual part) | Shanghai | 4,828 | 181,153 | 37,521 |
| Phase I of Yuzhou Skyline | Hefei | 41,533 | 204,078 | 4,914 |
| Sub-total | | 62,207 | 784,428 | 12,610 |
| Total | | 381,033 | 5,217,274 | 13,692 |

In 2010, contracted sales area of the Group was approximately 380,000 sq.m., a decrease of 23% as compared with 2009, and the contracted sales was approximately RMB5,217.27 million, an increase of 35% as compared with 2009. Of the contracted sales, the amount for Xiamen was RMB3,428.69 million, an increase of 32% as compared with 2009. The total contracted sales area in Xiamen was 275,524 sq.m., a decrease of 27% as compared with 2009. During the year, the Group maintained its leading position in the Xiamen market. It has become the largest residential property developer in Xiamen in terms of contracted area sold, with a residential property market share of 9.5%. The contracted sales in Shanghai was RMB580.35 million, a decrease of 43% as compared with 2009. The total contracted sales area in Shanghai was 20,674 sq.m., a decrease of 68% as compared with 2009. The contracted sales in Hefei was RMB204.08 million, representing an increase of 11% as compared with 2009. The total contracted sales area in Hefei was 41,533 sq.m., representing a decrease of 10% over 2009.

## Property Investment

**Phase I and Phase II of World Trade Center (Xiamen)**

The revenue of World Trade Center during the year was derived from the shopping mall and amounted to RMB29.53 million (2009: RMB25.01 million), representing an increase of 18.1%. During the year, the mall at Phase I of World Trade Center continued to maintain a high occupancy rate of approximately 100% (2009: 100%). The occupancy rate of Phase II of World Trade Center was 84% (2009: 60%), as it had just commenced operations in 2009. However, we expect the occupancy rate of this project to increase to the level of Phase I of World Trade Center in the future. The mall not only managed to retain its existing tenants but also attracted certain renowned brands such as PCD Stores and Walmart as new tenants.

**Yuzhou Golden Seacoast (Xiamen)**

The Yuzhou World Trade Plaza (禹洲 • 世貿生活廣場) project has a saleable area of approximately 40,000 sq.m. which comprises Phase I and Phase II. Solicitation of retail tenants will be carried out in phases. The plaza will be our commercial flagship in Hai Cang District with large-scale complexes, supermarkets and department stores. Initial business solicitation for the commercial section is in progress as delivery of the residential units of the project had just completed in the current year. We expect that Yuzhou World Trade Plaza will generate a considerable increase in rental income for the Group in the future.

**Phase I and Phase II of Yuzhou Jinqiao International (Shanghai)**

Yuzhou Jinqiao International is designed as a one-stop commercial complex of saleable area with approximately 16,000 sq.m. and features certain famous brands. Business solicitation for Phase I and Phase II, comprising a saleable area of approximately 8,500 sq.m., had been carried out throughout 2009 and operations had commenced. The rental income was RMB2.28 million for the year ended 31 December 2010.

## Hotel Operation

The Group continues to expand the hotel business in a sound and prudent manner so as to build a diversified property portfolio. We believe the expansion into the hotel industry would widen sources and stability of revenue, and reduce the risks of over-reliance on any particular real estate segment. The hotel project of the Group is still under development and construction. There was no income generated from hotel operations during the year.

## Property Management

The Group aims at providing quality property management services to, and creating a warm and harmonious community for, our respected residents. The Group is committed to continuously improving the living environment and enhancing service quality in order to maintain high level of customer satisfaction.

In 2010, the property management service companies of the Group recorded property management fee income of RMB33.87 million, representing an increase of 30.7% as compared with 2009. As at 31 December 2010, the aggregate GFA managed by the property management service companies of the Group in the Mainland China was approximately 1.53 million sq.m., and these companies serviced more than 14,600 owners.

## Gross Profit

The gross profit of the Group increased by 79.9% from RMB988.13 million in 2009 to approximately RMB1,777.38 million in 2010. The gross profit margin decreased from 49.6% in 2009 to 41.7% in 2010. It was mainly due to a decrease in average selling price resulting from the changes of the project portfolio. The ratio of land cost to average selling price was maintained at a reasonably low level of 17.7%, and this ratio is expected to remain at a low level in the coming years.

## Selling and Distribution Costs

Selling and distribution costs of the Group increased by 34.1% from approximately RMB48.04 million in 2009 to approximately RMB64.43 million in 2010. It was mainly due to the extensive promotional programs for new property projects. Substantial investment for advertising in the market increased the costs of advertising by 5.2%, from approximately RMB26.67 million in 2009 to approximately RMB28.07 million in 2010. In addition, pre-sale of new property projects, Yuzhou Huandong International and Yuzhou Castle Above City, commenced in 2010, which also led to a rise in selling and marketing costs during the year.

## Administrative Expenses

Administrative expenses of the Group increased by 85.7% from approximately RMB57.21 million in 2009 to approximately RMB106.23 million in 2010. It was partly because of the costs incurred from the issue of US$ senior notes by the Group.

## Fair Value Gains on Investment Properties

Fair value gains on investment properties decreased from RMB932.09 million in 2009 to RMB276.02 million in 2010. It was mainly due to completion of investment properties, namely Phase II of Yuzhou World Trade Center, Phase I of Yuzhou Golden Seacoast and the Mall at Phase II of Yuzhou Jinqiao International. Values of these projects were accounted for on the fair value basis, instead of cost, in 2009, while only Phase III of Yuzhou Jinqiao International and Phase II of Yuzhou Golden Seacoast were completed during the year.

## Profit Attributable to Shareholders

Profit attributable to shareholders decreased by 12.5% from approximately RMB1,101.04 million in 2009 to approximately RMB963.60 million in 2010. Core profit attributable to shareholders increased by 88.5% from approximately RMB401.39 million in 2009 to RMB756.59 million. The decrease in profit attributable to shareholders for the year was only due to the decrease in fair value gains on investment properties, which was the Group's one-off gains, while performance of the Group's core profit was still strong.

# Financial Review

## Borrowings

The Group will continue to comply with the prudent financial policies. As at 31 December 2010, the Group had bank loans and bonds balance of RMB4,779.77 million, with maturities as follows:

| **Maturity** | **2010 (RMB'000)** | 2009 (RMB'000) |
|---|---|---|
| Within 1 year | **1,038,023** | 783,000 |
| 1 to 2 years | **294,400** | 196,050 |
| 2 to 5 years | **3,142,347** | 875,000 |
| Over 5 years | **305,000** | 375,000 |
| Total | **4,779,770** | 2,229,050 |

As at 31 December 2010, the bank borrowings of the Group was RMB2,659.42 million, and was secured by the investment properties and properties under development of the Group with an aggregate carrying value of RMB5,151.01 million.

## Gearing Ratio

As at 31 December 2010, the net current assets of the Group increased by 113.1% to RMB5,397.76 million as compared with 2009. The current ratio rose from 1.47 times in 2009 to 1.98 times in 2010. As at 31 December 2010, the net debt to equity ratio (bank loans less cash on hand and divided by total equity) of the Group improved to a rather low level of 42.4% (2009: 17.2%), which was at a low level among its peers in the industry. This provides leeway for the Group to comfortably increase its debt for business expansion during the consolidation phase of the real estate market.

## Finance Expenses

During the year, the total cost of borrowings of the Group was RMB178.27 million, an increase by RMB55.60 million as compared with 2009, of which RMB139.08 million were capitalised as cost of projects, representing an increase of RMB17.57 million as compared with 2009.

## Currency Risk

The proportions of bank borrowings, bonds, senior notes balance and cash balance of the Group in terms of currencies were as follows:

| | **Bank Borrowings, Senior Notes and Bonds Balance** (RMB'000) | **Cash Balance** (RMB'000) |
|---|---|---|
| HK$ | 849,979 | 147,350 |
| RMB | 2,659,423 | 1,322,591 |
| US$ | 1,270,368 | 1,262,728 |
| Total | 4,779,770 | 2,732,669 |

Operations of the Group are almost wholly conducted in RMB. Apart from the cash at bank, bonds and senior notes denominated in foreign currencies, the Group is not directly facing any other material risk from foreign exchange fluctuations.

## Contingent Liabilities

The Group provides buy-back guarantees to banks, which offered mortgages to domestic properties buyers in the Mainland China of the Group. As at 31 December 2010, undue buy-back guarantees amounted to RMB3,205.72 million (2009: RMB2,379.72 million).

## Return on Equity

For the year ended 31 December 2010, return on equity represented profit attributable to shareholders divided by the average of equity attributable to shareholders of the Company at beginning and end of the period. Return on equity in 2010 was 23.3%.

## Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2010** | 2009 |
|---|---|---|
| Profit attributable to shareholders of the Company (RMB'000) | **963,601** | 1,101,042 |
| Less: fair value gains on investment properties, net of deferred tax (RMB'000) | **207,012** | 699,650 |
| Core profit attributable to shareholders of the Company (RMB'000) | **756,589** | 401,392 |
| Weighted average number of ordinary shares in issue ('000) | **2,400,000** | 1,898,630 |
| Basic earnings per share (RMB per share) | **0.40** | 0.58 |
| Core earnings per share (RMB per share) | **0.32** | 0.21 |

As no shares with potential dilutive effect were issued during the year ended 31 December 2010, diluted earnings per share was the same as basic earnings per share. The core profit attributable to shareholders of the Company is the profit attributable to shareholders of the Company excluding fair value gains on investment properties net of deferred tax.

## Commitment

As at 31 December 2010, the Group had commitments in respect of development expenditure on real estate of approximately RMB1,393.97 million (approximately RMB1,275.33 million in 2009). The Group also committed to the payment of land premium in respect of land acquisition of approximately RMB1,698.00 million (approximately RMB1,907.9 million in 2009).

## Use of Proceeds

After deducting the underwriting fees and expenses payable in the Global Offering, the net proceeds of the Company from the Global Offering on 2 November 2009 was approximately RMB1,390 million. Particulars of the use of these net proceeds are as followed:

| **Use of Proceeds Raised**<br>**Project Type** | **Amount raised**<br>(RMB in million) | **Amount used as of 15 March 2011**<br>(RMB in million) |
|---|---|---|
| Land, construction and other costs relating to projects of Yuzhou International Hotel, Yuzhou Square (Previously named as "Yuzhou Gangyi Square"), Yuzhou Gushan No. One and Oriental Venice | 389 | 389 |
| Finance for new projects | 973 | 973 |
| General working capital | 28 | 28 |
| | 1,390 | 1,390 |

## Human Resources

The Group is led by an experienced and professional management team. Since the establishment of the Group in 1994, the Group has been undergoing rapid development and expansion under the leadership of the Board. Senior management has on average 16 years' experience in properties development industry and over 10 years' experience for most of the senior executives. The Group has also recruited overseas talents with professional qualifications to join our management team. With the strong leadership and international insight of the management as well as effective execution, together with strict implementation of the best international practices according to the actual situation of the Company, the Group has become one of the strongest real estate developers in the PRC within a short period of time.

We believed that the competence of human resources, particularly the senior executives and professional project management team, is of critical importance to maintaining the strong competitive strengths of the Group. The Group aims to achieve and exceed the international standard of outstanding performance through compliance with the best international practice in respect of strict management system and corporate governance.

As at 31 December 2010, the Group had a total staff of 1,247. For the year ended 31 December 2010, the total staff costs (including directors' fees) amounted to RMB30.99 million (RMB26.25 million in 2009).

**Saleable GFA of Land Reserves (sq.m.)**
As at 31 December 2010

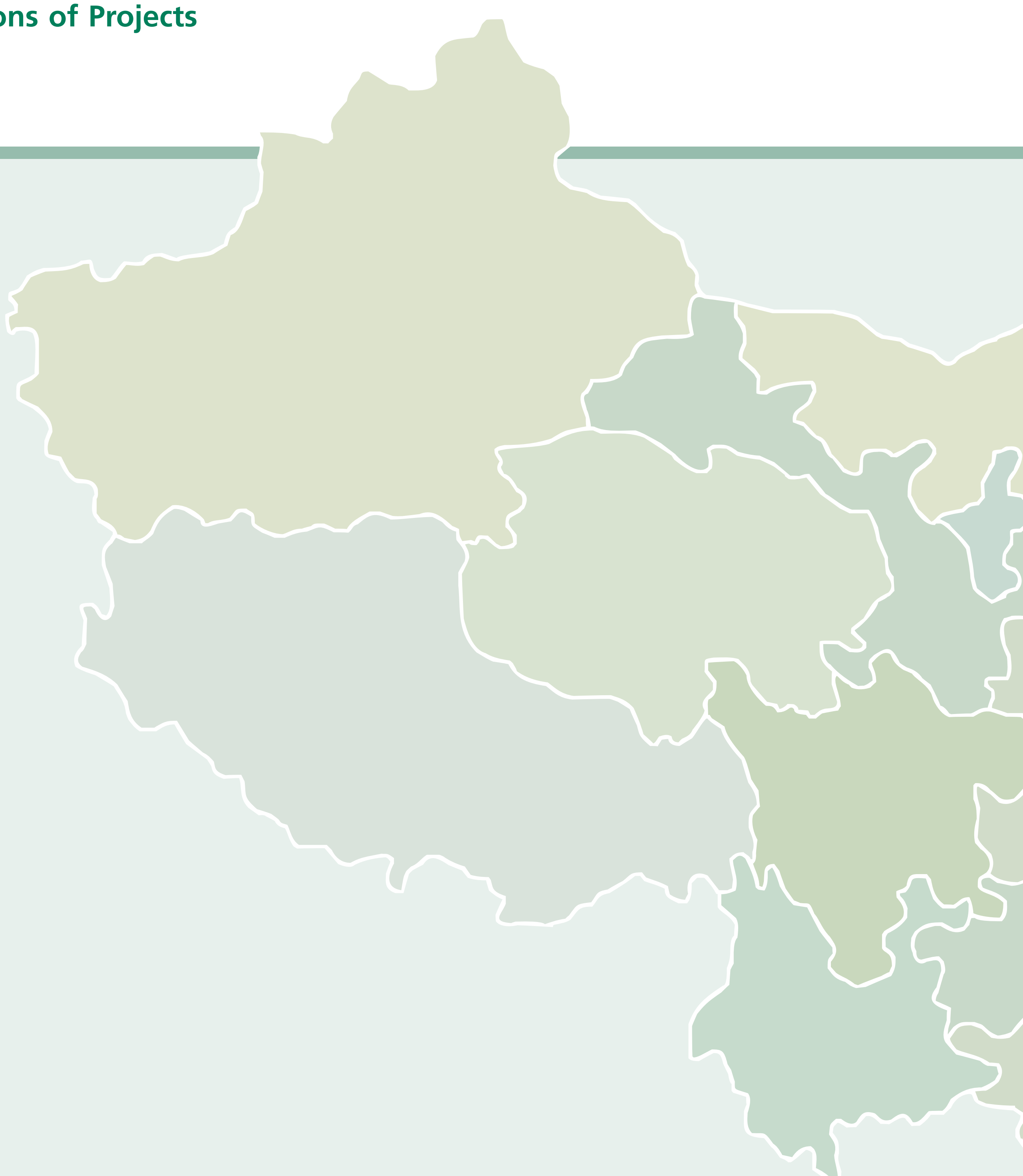
| Region | Area (sq.m.) |
|---|---|
| **West Strait Economic Zone** | |
| Xiamen | 2,475,701 |
| Fuzhou | 435,425 |
| Sub-total | 2,911,126 |
| **Yangtze River Delta Region** | |
| Shanghai | 391,143 |
| Hefei | 1,165,936 |
| Sub-total | 1,557,079 |
| **Bohai Rim Region** | |
| Tianjin | 449,793 |
| Sub-total | 449,793 |
| Total | 4,917,998 |

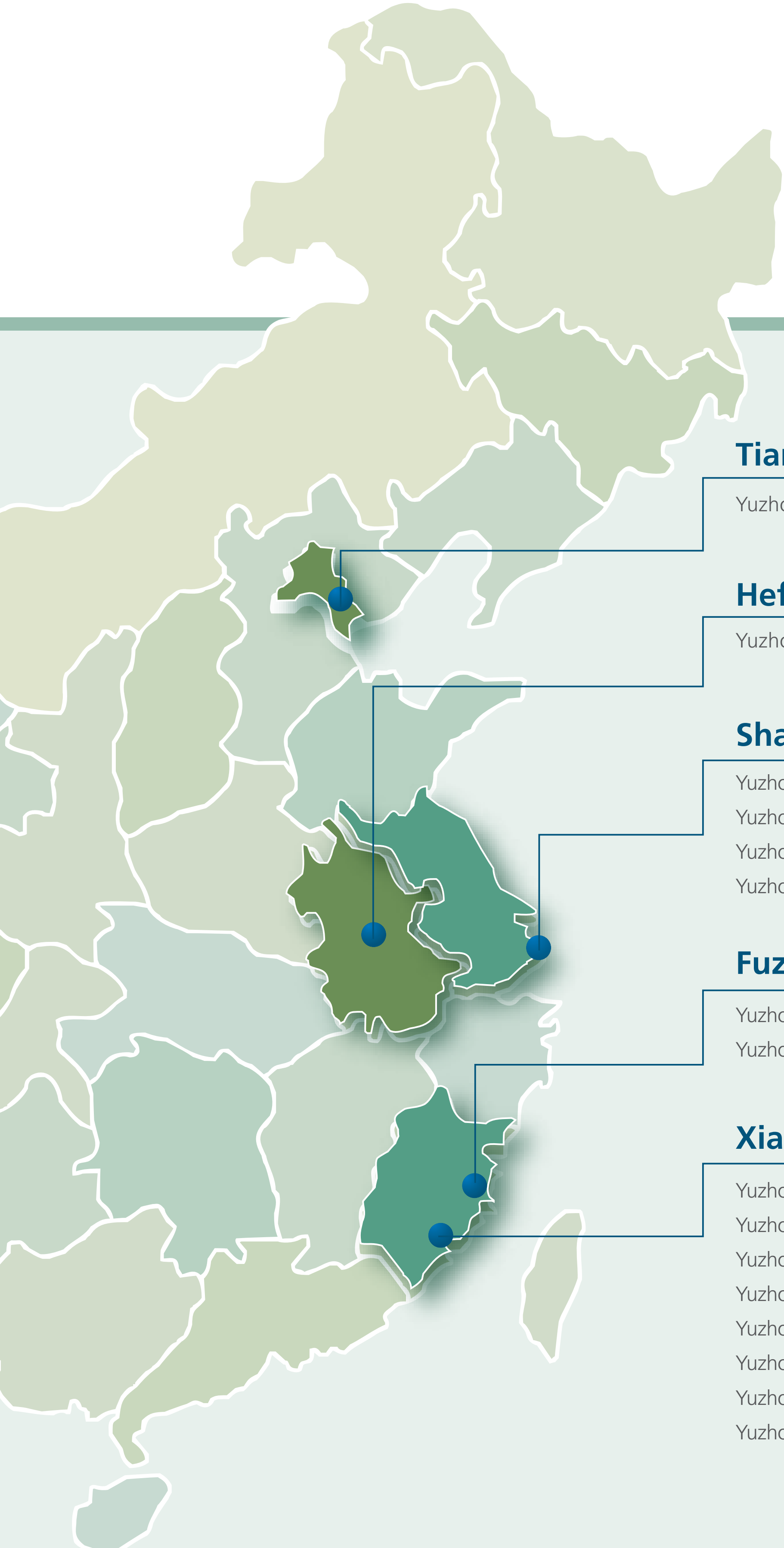
**Primary Land Development Qualification (sq.m.)**
As at 31 December 2010

| Region | Area (sq.m.) |
|---|---|
| **West Strait Economic Zone** | |
| Quanzhou | 2,238,000* |
| Sub-total | 2,238,000 |
| **Bohai Rim Region** | |
| Beijing | 1,946,676** |
| Sub-total | 1,946,676 |
| Total | 4,184,676 |

* It represents the aggregate GFA agreed under the framework agreement
** It represents the site area under the framework agreement

## Locations of Projects





## Tianjin 天津

Yuzhou Zunfu (禹洲 • 尊府)

## Hefei 合肥

Yuzhou Skyline (禹洲 • 天境)

## Shanghai 上海

Yuzhou Jinqiao International (禹洲 • 金橋國際)
Yuzhou Jinshan Project (禹洲 • 金山項目)
Yuzhou Kangqiao (禹洲 • 康橋)
Yuzhou Commercial Plaza (禹洲 • 商業廣場)

## Fuzhou 福州

Yuzhou Gushan No. One (禹洲 • 鼓山一號)
Yuzhou Oriental Venice (禹洲 • 東方威尼斯)

## Xiamen 廈門

Yuzhou Castle above City (禹洲 • 城上城)
Yuzhou World Trade Center (禹洲 • 世貿中心)
Yuzhou Central Coast (禹洲 • 中央海岸)
Yuzhou Shoreline (禹洲 • 尊海)
Yuzhou Sunshine Garden (禹洲 • 陽光花城)
Yuzhou University City (禹洲 • 大學城)
Yuzhou Pacific Creek Uptown (禹洲 • 溪堤尚城)
Yuzhou Golf (禹洲 • 高爾夫)

## Xiamen – Yuzhou World Trade Center ( 廈門　禹洲 • 世貿中心 )

With total site area and GFA of approximately 19,454 sq.m. and approximately 204,476 sq.m. respectively.

**Project description**

- It comprises the World Trade Center of 66,000 sq.m. and two 43-storey high-rise buildings, being the first city complex project and the highest landmark of commercial and residential complex in Xiamen.
- It is adjacent to the train station and BRT of Xiamen, embracing the perfect geographical advantages of pouring crowds and flourishing logistics.
- The World Trade Center is the first mega shopping mall in Xiamen with an annual turnover of almost RMB1 billion.

## Xiamen – Yuzhou Castle above City ( 廈門　禹洲 • 城上城 )

With total site area and GFA of 52,715 sq.m. and 193,767 sq.m. respectively.

**Project description**

- It is located at the administration center of Huli District, Xiamen City.
- Situated in Wuyuan Bay Region, which is known as the "Reception Hall of Xiamen", it comprises over 10 low-rise residential buildings, shops and office buildings.
- It is adjacent to Xiamen's transportation hub, which allows quick access to anywhere beyond the strait of Xiamen by way of the New Long-distance Bus Station, BRT of Xiamen, Jimei Bridge and Huli Avenue and to different places at home and abroad by way of Gaoqi International Airport and XiaJin Ferry Terminal.
- It has been on hot sale since its launch in July 2010. Nearly 90% of units were sold as of 31 December 2010, ranking 7th in terms of residential property sales volume in Xiamen for 2010.
- As of 31 March 2011, the accumulative contracted sales amounted to approximately RMB1,730 million with the contracted sales area of 107,767 sq.m.. The average contracted sales price was RMB16,089 per sq.m..

## Xiamen – Yuzhou Shoreline ( 廈門　禹洲 • 尊海 )

With total site area and GFA of 107,622 sq.m. and 4,731.84 million sq.m. respectively.

**Project description**

- With a plot ratio of 2.796 and a green rate of 41%, the project is planned to comprise low-density residential units, high-rise residential buildings, a commercial complex and a kindergarten.
- It is located at the center of Xiamen Haicang CBD, offering a panoramic view of the sea, lake and forestry. Its design takes fully into account the sea view and the lake view to create a magnificent and lavish landscape.
- The project is currently under construction and is expected to be launched in the second half of 2011.

## Xiamen – Yuzhou Central Coast ( 廈門　禹洲 • 中央海岸 )

With total site area and GFA of approximately 120,000 sq.m. and 7,000 million sq.m. respectively.

**Project description**

- It is integrated with residential and commercial premises and SOHO offices and is located at the first row of Jimei Coast in Xiamen, facing the Dongdu Port (東渡港) across the strait of Xiamen.
- It is situated at the center of the transportation hub and close to education facilities, banks, hospitals and other facilities with unlimited potential for appreciation.
- The project is currently under planning and approval, and is expected to be launched in the second half of 2011.

## Xiamen – Yuzhou University City ( 廈門　禹洲 • 大學城 )

With total site area and GFA of 90,750 sq.m. and 480,252 sq.m. respectively.

**Project description**

- The project comprises 13 high-rise buildings ranging from 18-storey to 35-storey and will be developed in two phases. Phase II, under another name of Yuzhou Huandong International (禹洲•環東國際), is adjacent to Jiageng Gymnasium (嘉庚體育館), the largest gymnasium in Fujian Province, and Jimei University, commanding marvellous views of the sea and the beauty of green mountains.
- It stands along the planned route of the light railway project of Xiamen with the support of Xiamen West Station, Shenyang-Haikou Expressway and Jimei Bridge.
- Since its launch in October 2010, more than 1,200 units have been sold, ranking 3rd in terms of residential property sales volume in Xiamen for 2010. Currently, Yuzhou University City Phase I has completed its delivery, while the hot sale of Phase II – Yuzhou Huandong International is underway.
- As of 31 March 2011, the accumulative contracted sales amounted to RMB1,550 million with the contracted sales area of 292,323 sq.m.. The average contracted sales price was approximately RMB5,309 per sq.m..

## Xiamen – Yuzhou Sunshine Garden ( 廈門　禹洲 • 陽光花城 )

With total site area and GFA of 22,868 sq.m. and 59,290 sq.m. respectively.

**Project description**

- It comprises 9 blocks of residential buildings, dominated by small and medium sized units ranging from 42.52 to 102.46 sq.m..
- The complex is planned to include basketball courts and other facilities. The atmosphere will be conducive to active, delightful and warm community lives, particularly for the young and the middle-aged.
- The project is currently under construction, and is expected to be launched for sale in August 2011.

## Xiamen – Yuzhou Pacific Creek Uptown (廈門　禹洲 • 溪堤尚城)

With total site area and GFA of approximately 280,000 sq.m. and approximately 512,600 sq.m. respectively.

**Project description**

- It is located north to Tong'an Movie & TV City, south to Beichen Hill (北辰山), with abundant landscaped areas. The project is planned to be developed into a European style township offering an exotic and elegant atmosphere that guarantee a leisurely lifestyle, making it the "backyard garden" of Xiamen.
- The project comprises properties of various configurations such as detached villas, town houses, garden villas and high-rises. The town is planned to comprise facilities such as a wetland park, a spa for healthy living, featured food streets and an art museum to cater to all entertainment, living and physical activity needs of the residents.
- The project is currently under planning and adjustment, and is expected to be launched in the last quarter of 2011.

## Xiamen – Yuzhou Golf ( 厦門　禹洲 • 高爾夫 )

With total site area and GFA of 55,986 sq.m. and 89,956 sq.m. respectively.

**Project description**

- The unique golf villas with a panoramic view of 194km coastline – the only one in West Strait Economic Zone.
- Next door to Xiamen Orient Golf Club, conveniently access to the unreplicated resources.
- Well-located in the Local Municipal Government with well-established living and commercial pantities.
- Crowned as "2010 International Green Living Environment".

## Fuzhou – Yuzhou Gushan No. One ( 福州　禹洲 • 鼓山一號 )

With total site area and GFA of 234,160 sq.m. and 87,576 sq.m. respectively.

**Project description**

- It is situated at the mid-level of Gu Shan, the 4A National Scenic Spot. The project is located east to Fuzhou City, south to the scenic Minjiang, west to the panoramic view of Fuzhou City and north to several main avenues of the city, enjoying an exclusive geographical advantage.
- It is planned to have approximately 300 detached and semi-detached villas with a plot ratio of merely 0.28 and building density of 13%.
- The project was launched in August 2010 and is currently on hot sale.

## Fuzhou – Yuzhou Oriental Venice (福州　禹洲•東方威尼斯)

With total site area and GFA of 706,397 sq.m. and approximately 365,512 sq.m. respectively.

**Project description**

- It is situated at the northern coast of Wulong River (烏龍江), Fuzhou, along the amazing coastline of 1,750 meters, overlooking the Five Tiger Mountain (五虎山) which sits on the opposite river banks. The project is surrounded on three sides by Wulong River and links to the protogenic water vein of Wulong River, offering a natural environment for living.
- The project is being developed in three phases with a water surface area of approximately 100,000 sq.m. upon completion. It is designed to have a total of over 20 isles and peninsulas. The water channeling in the villa area will be streaming from the source of the Wulong River.
- Phase II was launched in September 2010 and is currently on hot sale.

## Hefei – Yuzhou Skyline (合肥 禹洲•天境)

With total site area and GFA of approximately 446,757 sq.m. and approximately 1,230,259 sq.m. respectively.

**Project description**

- It is located at the intersection of New Municipal and Cultural Zone (政務文化新區), Economic and Technology Development Zone (經濟技術開發區) and High and New Technology Development Zone (高新技術開發區) in Hefei, adjacent to the municipal government, embracing a prime geographical advantage.
- The project is being developed in three phases. The GFA of Phase I is approximately 176,000 sq.m.. Since its launch in November 2009, more than 70% of residential units have already been sold.
- Phase II – Yuzhou Skyline was launched for public sale on 20 March 2011. 74 units were sold within an hour and the total sales was RMB42.87 million.
- As of 31 March 2011, the accumulative contracted sales amounted to RMB520 million with the contracted sales area of 111,411 sq.m.. The average contracted sales price was RMB4,641 per sq.m..

## Shanghai – Yuzhou Jinqiao International ( 上海　禹洲 • 金橋國際 )

With total site area and GFA of approximately 49,783 sq.m. and approximately 234,484 sq.m. respectively.

**Project description**

- The project is developed in four phases and is planned to comprise a total of 2,837 units. Phase I, II and III have now been sold and delivered.
- The GFA of Phase IV – Yuzhou Land Dream is 50,243 sq.m.. The project comprises two high-rises of 19-storey and 26-storey. It is planned to be a SOHO and well-decorated hotel-style apartment.
- Phase IV – Yuzhou Land Dream was launched for public sale in December 2010.

## Shanghai – Yuzhou Jinshan Project ( 上海　禹洲 • 金山項目 )

With total site area and GFA of approximately 211,418 sq.m. and approximately 209,777 sq.m. respectively.

**Project description**

- It was acquired at a consideration of RMB280 million with average land cost of about RMB1,400 per sq.m..
- It is easily accessible as it is situated north to Tingfeng Road, Zhujing County, Jinshan District, Shanghai, at the border of Shanghai and Zhejiang Province.
- It is temporarily planned to be developed into villas, and with hotel-style apartments and commercial buildings.

## Shanghai – Yuzhou Kangqiao ( 上海　禹洲 • 康橋 )

With total site area and GFA of 12,955 sq.m. and 49,241 sq.m. respectively.

**Project description**

- It is located at the junction of two main roads, Hunan Road (滬南路) and Kangqiao Road (康橋路), geographically situated between the central and outer zone of Shanghai with easy access to various public transports.
- It is adjacent to the town government office in the central area of Kangqiao, with almost 20 of world's top 500 enterprises having their offices in the area.
- The project is planned for residential purpose.

## Shanghai – Yuzhou Commercial Plaza ( 上海　禹洲 • 商業廣場 )

With total site area and GFA of approximately 40,911 sq.m. and 110,460 sq.m. respectively.

**Project description**

- It is located alongside of Hunan Road (滬南公路) in the new city district of Huinan Town, Pudong New Area, Shanghai.
- It is designed to be a first-class commercial shopping plaza in Huinan district and one of the landmarks for shopping and entertainment in Huinan district, Pudong, Shanghai.
- The project site is for commercial use, and the project is planned for commercial and office purposes.

## Tianjin – Yuzhou Zunfu ( 天津　禹洲 • 尊府 )

With total site area and GFA of approximately 261,200 sq.m. and approximately 449,793 sq.m. respectively.

**Project description**

- It was acquired at a base price of RMB510 million in a tender, auction or listing for sale with an average land cost of merely RMB1,130 per sq.m..
- It is adjacent to Tianjin South Station of Beijing-Shanghai High-speed Rail and next to Tuanbo Lake, embracing beautiful scenery.
- The project is planned for residential purpose and for pre-sale in early 2012.

| Projects | Site Area (sq.m.) | Location | Unit Land Cost (RMB/sq.m.) | Address | Total GFA Completed (sq.m.) | Total GFA Under Development (sq.m.) | GFA Held for Future Development (sq.m.) | Total GFA (sq.m.) |
|---|---|---|---|---|---|---|---|---|
| **Completed Projects** | | | | | | | | |
| Yuzhou Overseas City | 27,703 | Xiamen | 830 | North of the Junction of Hexiang West Road and Hubin West Road, Siming District | 239,627 | – | – | 239,627 |
| Yuzhou Shuilian Manor | 12,909 | Xiamen | 910 | West of Jinshang Road North | 29,126 | – | – | 29,126 |
| Yuzhou Hai Tian Plaza | 6,316 | Xiamen | 396 | Xiagang Yongfugong, Siming District | 65,104 | – | – | 65,104 |
| Yuzhou Harbour City | 20,089 | Xiamen | 761 | Hubin North Road, Siming District | 191,649 | – | – | 191,649 |
| Yuzhou New City | 25,610 | Xiamen | 647 | Haotou, Dongdu, Huli District | 93,473 | – | – | 93,473 |
| Yuzhou Garden | 27,345 | Xiamen | 586 | Jinshang Road, Huli District | 92,888 | – | – | 92,888 |
| Galaxy Garden | 26,367 | Xiamen | 1,718 | Fanghu, Huli District | 93,925 | – | – | 93,925 |
| Yuzhou New Manor | 45,619 | Xiamen | 493 | No. 414-417, Nanshan Road, Huli District | 118,892 | – | – | 118,892 |
| Yuzhou World Trade Center | 19,454 | Xiamen | 845 | No.75, Xiahe Road | 204,476 | – | – | 204,476 |
| Yuzhou Golden Seacoast | 70,793 | Xiamen | 1,611 | West of Xinggang Road, Haicang District | 245,073 | – | – | 245,073 |
| **Projects Under Development** | | | | | | | | |
| Yuzhou University City | 90,750 | Xiamen | 949 | Tongji Road, Xike Town, Tongan District | 231,404 | 248,848 | – | 480,252 |
| Yuzhou International Hotel | 60,018 | Xiamen | 1,175 | East of Huli Avenue, South of Huandao East Road, Huli District | – | 125,221 | – | 125,221 |
| Yuzhou Castle above City | 52,715 | Xiamen | 1,609 | Fanghu, Huli District | – | 193,767 | – | 193,767 |
| Yuzhou Square | 3,333 | Xiamen | 2,417 | North of Minggong Building, Hubin South Road, Siming District | – | 60,251 | – | 60,251 |
| Yuzhou Golf | 55,986 | Xiamen | 1,490 | Maqing Road, Haicang District, Xiamen City | – | 89,956 | – | 89,956 |
| Yuzhou Shoreline | 107,622 | Xiamen | 3,436 | Area of 05-11, East of Xinggang Road and North of Jiaosong Road, Haicang District | – | 473,184 | – | 473,184 |
| Yuzhou Jinqiao International | 49,738 | Shanghai | 1,242 | No.333 Jingang Road, Pudong New Area, Shanghai | 164,541 | 69,943 | – | 234,484 |
| Yuzhou Skyline (Previously known as Yuzhou Huaqiao City) | 446,757 | Hefei | 377 | West of Songlin Road, Northeast of Planning Road, Ranfang Village,Taohua Town, Feixi County | 70,000 | 481,083 | 679,176 | 1,230,259 |
| Oriental Venice | 706,397 | Fuzhou | 2,568 | Longjiang Village, Chengmen Town, Cangshan District | 77,954 | 67,000 | 220,558 | 365,512 |
| Yuzhou Gushan No. One | 234,160 | Fuzhou | 1,831 | Niushan Village, Yangli, Gushan Town, Jinan District | – | 87,576 | – | 87,576 |
| **Projects Held for Future Development** | | | | | | | | |
| Yuzhou F1 Plaza | 15,652 | Xiamen | 3,087 | South of West Lianqian Road, West of Yundingzhong Road | – | – | 97,200 | 97,200 |
| Yuzhou Central Coast | 123,240 | Xiamen | 2,557 | Area of 11-10, East of Xingbin Road and North of Xingdong Road, Jimei District | – | – | 700,000 | 700,000 |
| Yuzhou Sunshine Garden | 22,868 | Xiamen | 1,585 | North of Wulv Road, West of Tongsheng Road, Tongan Industrial Zone | – | – | 59,290 | 59,290 |
| Yuzhou Pacific Creek Uptown (Previously known as Tong'an Movie & TV City Land Parcel) | 284,414 | Xiamen | 1,696 | Area of 12-07, North of Movie & TV City, South Wuxian Area, Tongan District | – | – | 512,600 | 512,600 |
| Yuzhou Kangqiao | 12,955 | Shanghai | 3,554 | No 1033, Kangqiao Road, Kangqiao Town, Shanghai | – | – | 49,241 | 49,241 |
| Yuzhou Commercial Plaza | 40,911 | Shanghai | 2,367 | No 9868 Hunan Road, Nanhui Industrial Park, Pudong New Area, Shanghai | – | – | 110,460 | 110,460 |
| Yuzhou Financial Tower | 6,818 | Shanghai | 2,616 | Qiu 3/6, Qiu 2, No 9 Street, Jinqiao Export Processing Zone, Pudong New Area, Shanghai City | – | – | 28,670 | 28,670 |
| Lingang College Site | 50,628 | Shanghai | 1,444 | Site A0403, College Community, Lingang New Town, Shanghai | – | – | 99,663 | 99,663 |
| Tianjin Tuanbo Site (Sites 48 & 49) | 126,027 | Tianjin | 896 | Commercial Site 2010-48 and Residential Site 2010-49, Tuanbo Area, Tianjin | – | – | 179,450 | 179,450 |
| Tianjin Jinghai Site (Sites 85 & 86) | 135,173 | Tianjin | 1,246 | South of Beihua Road, East of Guihua Chunxi Avenue, Jinghai New Town, Tianjin City | – | – | 270,343 | 270,343 |
| **Total** | 2,908,367 | | | | 1,918,132 | 1,896,829 | 3,006,651 | 6,821,612 |
| **Projects with Primary Land Development Qualification** | | | | | | | | |
| Yuzhou City Plaza | 906,413 | Quanzhou | N/A | No 1 Yingbin Avenue, Chengnan Industrial Zone, Huian | – | 2,238,000 | 2,238,000 | 2,238,000 |
| Yuzhou Beijing Project | 1,946,676 | Beijing | N/A | Within the Planning Area in Mafang Town, Pinggu District, Beijing | – | – | N/A | N/A |
| **Total** | 2,853,089 | | | | – | – | N/A | N/A |

| Total Saleable GFA (sq.m.) | Total Sold Saleable GFA: Sold and Delivered Saleable GFA (sq.m.) | Total Sold Saleable GFA: Pre-sold Saleable GFA (sq.m.) | Total Sold Saleable GFA: Total Sold GFA (sq.m.) | Total unsold Saleable GFA: Held for Sale Only (sq.m.) | Total unsold Saleable GFA: Held for Investment Only (sq.m.) | Total unsold Saleable GFA: Total unsold GFA (sq.m.) | Land Reserve (sq.m.) | Interest in the Project (%) | Attributable GFA (sq.m.) |
|---|---|---|---|---|---|---|---|---|---|
| 236,745 | 235,644 | – | 235,644 | – | 1,101 | 1,101 | 1,101 | 100% | 1,101 |
| 27,325 | 27,146 | 179 | 27,325 | – | – | – | 179 | 100% | 179 |
| 64,575 | 61,993 | – | 61,993 | 1,721 | 861 | 2,582 | 2,582 | 100% | 2,582 |
| 186,013 | 186,013 | – | 186,013 | – | – | – | – | 60% | – |
| 90,770 | 86,412 | 96 | 86,508 | 262 | 4,000 | 4,262 | 4,358 | 100% | 4,358 |
| 92,119 | 89,684 | 280 | 89,964 | 463 | 1,692 | 2,155 | 2,435 | 100% | 2,435 |
| 91,689 | 80,068 | 3,036 | 83,104 | 8,585 | – | 8,585 | 11,621 | 100% | 11,621 |
| 118,652 | 118,590 | – | 118,590 | 62 | – | 62 | 62 | 100% | 62 |
| 182,640 | 104,550 | 14,162 | 118,712 | 14,828 | 49,100 | 63,928 | 78,090 | 100% | 78,090 |
| 223,679 | 171,565 | 2,742 | 174,307 | 17,722 | 31,650 | 49,372 | 52,114 | 100% | 52,114 |
| 458,621 | 191,259 | 69,347 | 260,606 | 188,957 | 9,058 | 198,015 | 267,362 | 100% | 267,362 |
| 102,142 | – | – | – | – | 102,142 | 102,142 | 102,142 | 100% | 102,142 |
| 189,222 | – | 88,178 | 88,178 | 85,889 | 15,155 | 101,044 | 189,222 | 98% | 185,438 |
| 57,861 | – | – | – | – | 57,861 | 57,861 | 57,861 | 100% | 57,861 |
| 89,956 | – | – | – | 89,956 | – | 89,956 | 89,956 | 100% | 89,956 |
| 436,526 | – | – | – | 422,126 | 14,400 | 436,526 | 436,526 | 100% | 436,526 |
| 230,955 | 126,677 | 3,081 | 129,758 | 46,016 | 55,181 | 101,197 | 104,278 | 100% | 104,278 |
| 1,222,859 | 56,923 | 24,718 | 81,641 | 1,043,918 | 97,300 | 1,141,218 | 1,165,936 | 100% | 1,165,936 |
| 355,431 | 56,467 | 45,910 | 102,377 | 237,321 | 15,733 | 253,054 | 355,432 | 80% | 284,346 |
| 79,993 | – | 4,139 | 4,139 | 75,854 | – | 75,854 | 79,993 | 60% | 47,996 |
| 73,200 | – | – | – | 73,200 | – | 73,200 | 73,200 | 100% | 73,200 |
| 535,000 | – | – | – | 510,000 | 25,000 | 535,000 | 535,000 | 100% | 535,000 |
| 59,290 | – | – | – | 59,290 | – | 59,290 | 59,290 | 100% | 59,290 |
| 512,600 | – | – | – | 432,100 | 80,500 | 512,600 | 512,600 | 100% | 512,600 |
| 49,241 | – | – | – | 49,241 | – | 49,241 | 49,241 | 100% | 49,241 |
| 110,460 | – | – | – | – | 110,460 | 110,460 | 110,460 | 100% | 110,460 |
| 28,670 | – | – | – | 28,670 | – | 28,670 | 28,670 | 100% | 28,670 |
| 98,494 | – | – | – | 63,217 | 35,277 | 98,494 | 98,494 | 100% | 98,494 |
| 179,450 | – | – | – | 179,450 | – | 179,450 | 179,450 | 100% | 179,450 |
| 270,343 | – | – | – | 270,343 | – | 270,343 | 270,343 | 100% | 270,343 |
| 6,454,521 | 1,592,991 | 255,868 | 1,848,859 | 3,899,191 | 706,471 | 4,605,662 | 4,917,998 | | 4,811,131 |
| 2,238,000 | – | – | – | 2,014,200 | 223,800 | 2,238,000 | | | |
| N/A | – | – | – | N/A | N/A | N/A | | | |
| N/A | – | – | – | N/A | N/A | N/A | | | |

## Board of Directors

The Board of Directors consists of eight Directors, of whom five are executive Directors and the remaining three are independent non-executive Directors. The Directors are appointed for a term not exceeding three years. The power and duties of our Board of Directors include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association.

## Executive Directors

**Lam Lung On** (林龍安), aged 46, was appointed as the Chairman of our Board and our Executive Director on 9 October 2009. He founded our Group in December 1994. He is also a member of the remuneration committee and the nomination committee of our Company. Since December 1994, Mr. Lam has held positions including but not limited to chairman, vice chairman, director and general manager in most of our subsidiaries and is primarily responsible for formulating our development strategies and supervising our project planning, financing, design and marketing. He has over sixteen years of experience in residential, commercial and hotel property development and investment. Mr. Lam is an adjunct professor and an executive member of the Council of Jimei University in Xiamen. In 2006, Mr. Lam became an honorary citizen of Xiamen accredited by the mayor of Xiamen. He has been a member of the 9th Standing Committee of the All-China Federation of Returned Overseas Chinese, the 9th Central Committee of the China Democratic National Construction Association, the 7th Standing Committee of the Fujian Provincial Federation of Returned Overseas Chinese and the Standing Committee of the 11th Xiamen Municipal Committee of Chinese People's Political Consultative Conference. Mr. Lam also serves as executive deputy chairman of the 3rd Council of the China Federation of Overseas Chinese Entrepreneurs, deputy chairman of the 14th Xiamen Municipal Federation of Returned Overseas Chinese, life honorary chairman of the Hong Kong Federation of Fujian Associations, life honorary chairman of the 8th Hong-Kong Xiamen Friendship Union and deputy chairman of the 11th Committee of the Xiamen General Chamber of Commerce. Mr. Lam graduated from the University of Science and Technology of China with a master's degree in Engineering in November 1996. Mr. Lam is the spouse of Ms. Kwok Ying Lan, our Executive Director, and the brother-in-law of Mr. Lin Longzhi, our Executive Director and Mr. Lin Conghui, our Executive Director. Mr. Lam has not held any directorship in any other public listed companies in the past three years. Mr. Lam worked for Xiamen Land Development Company, a state-owned enterprise, before he founded our Group.

**Kwok Ying Lan** (郭英蘭), aged 40, was appointed as our Executive Director on 9 October 2009. She is also the Vice Chairman of our Board. Since joining our Group in April 1997, Ms. Kwok has held positions including but not limited to chairman, director and general manager in most of our subsidiaries and is primarily responsible for overseeing our Purchasing Department. Ms. Kwok has over thirteen years of experience in property development and financial management. Ms. Kwok has been an executive director of the Xiamen Association of Enterprises with Foreign Investment. She is the spouse of Mr. Lam Lung On, our Executive Director, and the sister-in-law of Mr. Lin Longzhi and Mr. Lin Conghui, our Executive Directors. Ms. Kwok has not held any directorship in any other public listed companies in the past three years. Ms. Kwok worked for China Construction Bank Xiamen Branch, a state-owned bank, before she joined our Company.

**Huang Zhibin** (黃志斌), aged 40, was appointed as our Executive Director on 20 January 2011. He is also our President and Chief Executive Officer. Mr. Huang joined the Group on 1 January 2011 and is primarily responsible for formulating and implementing our development strategies, systems and reviewing and approving the overall schemes of operating management, strategic cooperation, market expansion and special projects based on the operating requirements and strategic objectives of the Board of Directors. Mr. Huang has over sixteen years experience in real estate development and has long since served as president of large-scale real estate development companies in China. Mr. Huang holds a master's degree in law of Xiamen University and is currently a PhD candidate in law of Wuhan University in China. Mr. Huang has not held any directorships in any other public listed companies in the past three years.

**Lin Longzhi** (林龍智), aged 42, was appointed as our Executive Director on 9 October 2009. He is also our Vice General Manager. Since joining our Group in December 1997, Mr. Lin has held positions including but not limited to chairman, director and general manager in most of our subsidiaries and is primarily responsible for the supervision of daily operations of our Office of General Affairs, Human Resources Department, Initial Development Department, Customer Services Department and Legal Department. Mr. Lin has almost thirteen years of experience in property development and investment. Mr. Lin has been a member of the 12th Xiamen Municipal People's Congress and an executive director of the 4th Standing Committee of the Xiamen Real Estate Association. He also serves as a member of the Standing Committee of the Chinese People's Political Consultative Conference of Quangang District, Xiamen, and deputy chairman of the Xiamen Association of Enterprises with Foreign Investment. Mr. Lin is the younger brother of Mr. Lam Lung On, our Executive Director, the brother-in-law of Ms. Kwok Ying Lan, our Executive Director and the brother-in-law of Mr. Lin Conghui, who is also our Executive Director. Mr. Lin has not held any directorship in any other public listed companies in the past three years.

**Lin Conghui** (林聰輝), aged 40, was appointed as our Executive Director on 9 October 2009. Since joining our Group in July 1998, Mr. Lin has held positions including but not limited to chairman and director in most of our subsidiaries and is primarily responsible for our Group's quality control, budget formation, approval and review. Mr. Lin has over twelve years of experience in project management. He graduated from Tongji University with a diploma in Architecture Engineering in January 2006. Mr. Lin is the brother-in-law of Mr. Lam Lung On, Ms. Kwok Ying Lan and Mr. Lin Longzhi, our Executive Directors. Mr. Lin has not held any directorship in any other public listed companies in the past three years.

## Independent Non-executive Directors

**Gu Jiande** (辜建德), aged 68, was appointed as an independent non-executive Director on 9 October 2009. He is also a member of the audit committee and the chairman of the remuneration committee and the nomination committee of our Company. He has been an independent non-executive director of Xiamen International Trade Group Corp., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (600755), since May 2009. He has been an independent non-executive director of Xiamen International Airport Co., Ltd., a PRC incorporated company listed on the Shanghai Stock Exchange (600897), since May 2008. He was the president of Jimei University from May 1997 to September 2009, and is an executive member and secretary-general of the Council of Jimei University. Mr. Gu has been awarded Special Government Allowance by State Council of the People's Republic of China since October 1993 recognizing his outstanding contribution to the national higher education; Tan Kah Kee Outstanding Contribution Awards by Chiyu Tan Kah Kee Education Fund in October 2002; second prize of Scientific and Technical Development of Fujian Province and Xiamen City by Fujian provincial People's Government in 1992 and Xiamen Municipal People's Government in 1995, respectively; the second prize of Institute of Higher Learning Scientific and Technical Achievement by Department of Education of Fujian Province in June 1984. Mr. Gu is the author of a number of publications and articles on various natural science and social science publications, including *Ordinary Differential Equations* (Xiamen University Press, August 1993); *Systems Engineering and Forecasting of Talents Demand* (Xiamen University Press, November 1991); *Forecasting of Talents Demand in Fujian* (Xiamen University Press, September 1991); *Economic and Social Development and Demand for Talents in Fujian* (Xiamen University Press, April 1991); *Stability and Boundary of a Class of Generalized Continuous Hopfield Neural Network* (Dalian Maritime University Press, August 1996); *Stability and Boundedness of a Class of Second Order Ordinary Differential Equations* (Journal of Xiamen University (Natural Science), August 1993); *The Stability of the Large Scale Systems of a Class of Differential Equation with Delay* (Theory of Ordinary Differential Equation and its Applications, Science Press, October 1992); *Estimation of Delayed Quantity of a Class of Differential Equation with Delay* (Journal of Xiamen University (Natural Science), March 1991); and *Motion Stability of Linear Large Scale Systems* (Control Theory & Applications, 2nd Phase, 1985). Mr. Gu graduated from Peking University with an undergraduate certificate in mathematics in August 1966.

**Lam Kwong Siu** (林廣兆), aged 76, was appointed as an independent non-executive Director on 9 October 2009. He is also a member of the audit committee of our Company. He has more than fifty years of banking experience. In addition, Mr. Lam has held the following positions in the banking sector:

- a non-executive director of Bank of China International Limited (formerly known as BOCI Capital Limited) since July 2002;
- an independent non-executive director of CITIC Ka Wah Bank Limited (formerly known as The Hong Kong Chinese Bank, Limited) since January 2002;
- the vice chairman of BOC International Holdings Limited, a wholly-owned subsidiary of the Bank of China Ltd since October 2001; and
- an independent non-executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited) since 1996. CITIC International Financial Holdings Limited is a Hong Kong incorporated company which was listed on the Hong Kong Stock Exchange (00183) until the withdrawal of its listing in November 2008.

Mr. Lam has served the following companies in the capacity of:

- an independent non-executive director of Xinyi Glass Holdings Limited, a Cayman Islands incorporated company listed on the Hong Kong Stock Exchange (00868) since August 2004;
- an independent non-executive director of Fujian Holdings Ltd., a Hong Kong incorporated company listed on the Hong Kong Stock Exchange (00181) since December 2003;
- an independent non-executive director of China Overseas Land & Investment Ltd., a Hong Kong incorporated company listed on the Hong Kong Stock Exchange (00688) since September 2003;
- an independent non-executive director of Wing On Travel (Holdings) Limited (formerly known as Ananda Wing On Travel (Holdings) Limited), a Bermuda incorporated company listed on the Hong Kong Stock Exchange (01189) until January 2003; and
- an independent non-executive director of Lai Fung Holdings Limited, a Cayman Islands incorporated company listed on the Hong Kong Stock Exchange (01125) from June 1999 to July 2001.

Mr. Lam was awarded the HKSAR Silver Bauhinia Star in 2003. He was a delegate of the Hong Kong Special Administrative Region of the PRC to the 10th National People's Congress. He currently serves as the honorary chairman of the Hong Kong Federation of Fujian Associations, life honorary chairman of the Hong Kong Fukien Chamber of Commerce, deputy chairman of the Fujian Hong Kong Economic Co-operation, life honorary chairman of the Chinese General Chamber of Commerce, adviser of the Hong Kong Chinese Enterprises Association and the honorary president of the Chinese Bankers Club of Hong Kong.

**Wee Henny Soon Chiang** (also known as Wee Toon Kian) (黃循強), aged 64, was appointed as an independent non-executive Director on 9 October 2009. He is also the chairman of the audit committee, and a member of the remuneration committee and the nomination committee of our Company. He has more than thirty years of experience in public accounting practice. Mr. Wee was an independent non-executive director of The Quaypoint Corporation Limited (formerly known as Techwayson Holdings Limited), a Cayman Islands incorporated company listed on the Hong Kong Stock Exchange (02330), from September 2001 to November 2006. He is the founder of Henny Wee & Co., a firm of Certified Public Accountants (Practising) registered at Hong Kong Institute of Certified Public Accountants in February 1988. Mr. Wee is the partner of Henny Wee & Co. since 1988. He worked at Glass Radcliffe Chan & Wee as a partner. Mr. Wee received a bachelor's degree in Commerce from the University of Newcastle, New South Wales, Australia, in March 1971. He became an Associate Member of the Institute of Chartered Accountants (Australia) in July 1975, and a Certified Public Accountant (Practising) of the Hong Kong Society of Accountants, now known as the Hong Kong Institute of Certified Public Accountants, since 1988.

## Senior Management

**Fu Chunyu** (傅春宇), aged 42, is our Assistant General Manager. Mr. Fu has more than nine years of relevant experience in property and engineering design and management. He joined our Group in February 2009. He reports directly to our General Manager and is responsible for formulating our development strategies, advising our General Manager on major decisions of the Company, management of the Construction Management Department and Project Audit Department and supervising the projects of our subsidiaries in Shanghai, Fuzhou and Hefei as well as overseeing the preparatory work in relation to our new investment projects. Prior to joining our Group, Mr. Fu has served as the vice president of marketing operations at North Carolina Chinese Business Association, a non-profit organization located in Raleigh, North Carolina, U.S., from January 2008 to November 2008. He has worked as a quality assurance engineer in Motricity Inc. in Durham, North Carolina, U.S., from January 2005 to May 2008. From May 2002 to October 2004, he has served as a software developer in Web Commerce Group in Raleigh, North Carolina, U.S. From August 1999 to January 2001, Mr. Fu has worked as a design architect in DLR Group in Seattle, Washington, U.S. From December 1993 to August 1997, he has worked as an architect and computer-aided-design manager in Prodecon Architects in Singapore. From August 1989 to December 1993, he has worked as a design architect in China Northeast Architectural Design & Research Institute Co., Ltd. in Xiamen. Mr. Fu received a master's degree in Business Administration from Duke University on 30 December 2007, a master's degree in Computer Engineering from the North Carolina State University on 18 May 2002, a master's degree in Architecture from the North Carolina State University on 15 May 1999 and a bachelor's degree in Science from Tongji University in July 1989.

**Chiu Yu Kang** (邱于賡), aged 33, is our Chief Financial Officer and Company Secretary. Mr. Chiu joined our Company in October 2008 and is responsible for our Group's strategic planning, corporate finance activities, investor relations and oversight of financial reporting procedures, company secretary matters, internal controls and compliance with the requirements under the Listing Rules with regard to financial reporting, company secretarial and other related issues. Prior to joining our Group, Mr. Chiu worked in an international C.P.A. firm. Mr. Chiu has over nine years of experience in auditing, accounting and financial management. Mr. Chiu graduated with a master's degree in Economics and a bachelor's degree in Business Administration from the University of Hong Kong. He is a member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

**Lin Yuhua** (林宇華), aged 39, is our Assistant General Manager and is in charge of the Audit and Legal Affairs Department, Information Management Department and Administrative Management Department. Ms. Lin joined our Group in May 2001. Ms. Lin has nearly sixteen years of relevant experience in financial management. Ms. Lin graduated from Xiamen University with a diploma in Business Management in July 2001. She has been a member of the Chinese Institute of Certified Public Accountants since September 2005 and was recognized as a senior accountant by Fujian Professional Senior Practising Accountants Review Committee in May 2007. She was qualified as an International Finance Manager by the International Financial Management Association in December 2006, and was qualified as an International Certified Internal Auditor in November 2008.

**Huang Wenhui** (黃文輝), aged 41, is the Head of Investment and General Manager of our Investment Department. Mr. Huang joined our Company in November 2009 and is responsible for formulation of our Group's development planning, investment strategies and investment plans, implementation of specific investment affairs as well as investment control, etc. Prior to joining our Group, Mr. Huang worked in a governmental agency of land acquisition and reserves with responsibility of land market affairs, and later served as general manager of a real estate company. Mr. Huang has over nineteen years experience in land market and operating management of real estate. Mr. Huang graduated from Xiamen University with a bachelor's degree in statistics and holds qualification certificates of real estate economist, real estate appraiser and the qualification certificate of land auctioneer issued by Ministry of Land and Resources.

**Wang Zhijun** (王治軍), aged 44, is the General Manager of our Project Management Department and the Vice General Manager of the Shanghai Company. Mr. Wang joined our Group in December 2002 and served as the Vice General Manager of the Shanghai Company with the responsibility of project planning and design, supporting work in early stage, invitation of tenders for projects, project management and cost control, etc. He served as the General Manager of the Project Management Department of the Group on 1 January 2011 and is responsible for the project engineering and quality management of the Group. Prior to joining our Group, Mr. Wang worked in a foreign funded real estate company. Mr. Wang has over twenty one years experience in real estate development and project management. Mr. Wang graduated from Wuhan University of Technology with a bachelor's degree in industrial and civil construction engineering and holds certificates of senior engineer, class 1 registered architect and registered supervising engineer.

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

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise property development, property investment, the provision of management services and hotel operation. There were no significant changes in the nature of the Group's principal activities during the year.

## Results and Dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 67 to 130.

The directors recommend the payment of a final dividend of HK11 cents per ordinary share in respect of the year to shareholders on the register of members on 24 May 2011. This recommendation has been incorporated in the financial statements as an allocation of share premium within the equity section of the statement of financial position.

## Use of Proceeds from the Company's Initial Public Offering

The proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange in November 2009, after deduction of related issuance expenses, amounted to approximately RMB1.39 billion. For the details of the use of proceeds, please refer to page 27 of management discussion and analysis.

## Financial Highlight

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and the prospectus of the Company dated 20 October 2009, is set out on page 3. 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 Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 131.

## Senior Notes

The Company issued US$200 million senior notes, with a maturity of five years and bearing a coupon interest rate of 13.5% on 9 December 2010. The Company intends to use the net proceeds to repay certain of the Group's existing loans, fund the acquisition of land for residential and commercial property development (including through the acquisition of equity interests in entities that own development sites or assets) and for general corporate purposes. For the details of the senior notes of the Company, please refer to note 26 to the financial statements.

## Bonds Issue

The Company issued 10% bonds in an aggregate principal value of HK$1 billion with a maturity of three years to China Life Trustees Limited on 8 July 2010 and 8 November 2010 respectively. The purpose of the proceeds from such issue is to provide financial support to the expansion of the Group's property development business. For the details of the bonds of the Company, please refer to note 26 to the financial statements.

## Pre-emptive Rights

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

## Purchase, Redemption or Sale of Listed Securities of the Company

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

## Reserves

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

## Distributable Reserves

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to RMB1,831,029,000, of which RMB224,394,000 has been proposed as a final dividend for the year.

## Charitable Contributions

During the year, the Group made charitable contributions totalling RMB9,935,000 (2009: RMB1,133,000).

## Major Customers and Suppliers

In the year under review, no sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for over 30% of the total sales for the year and of the total purchases for the year, respectively.

## Directors

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

### Executive Directors:

Mr. Lam Lung On *(Chairman)*
Ms. Kwok Ying Lan *(Vice Chairman)*
Mr. Huang Zhibin *(President and Chief Executive Officer)* *(appointed on 20 January 2011)*
Mr. Lin Longzhi
Mr. Lin Conghui

### Independent Non-executive Directors:

Mr. Gu Jiande
Mr. Lam Kwong Siu
Mr. Wee Henny Soon Chiang

On 20 January 2011, Mr. Huang Zhibin was appointed as an Executive Director of the Company.

In accordance with article 84 of the Company's articles of association, Mr. Lam Lung On, Mr. Gu Jiande and Mr. Lam Kwong Siu will retire by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company. The independent non-executive directors are appointed for periods of three years.

The Company has received annual confirmations of independence from Messrs. Gu Jiande, Lam Kwong Siu and Wee Henny Soon Chiang, and as at the date of this report still considers them to be independent.

## Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 48 to 53 of the annual report.

## Directors' Service Contracts

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

## Directors' Remuneration

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

## Directors' Interests in Contracts

Save as disclosed in note 37 to the financial statements, no director had an interest, either 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 during the year.

## Management Contracts

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

## Directors' Interests in Shares

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

### Long Positions in Ordinary Shares of the Company:

| Name of director | *Note* | Directly benefically owned | Through spouse | Total | Percentage of the Company's issued share capital |
|---|---|---|---|---|---|
| Mr. Lam Lung On | *(a)* | 900,000,000 | 900,000,000 | 1,800,000,000 | 75.0 |
| Ms. Kwok Ying Lan | *(a)* | 900,000,000 | 900,000,000 | 1,800,000,000 | 75.0 |

*(a) Ms. Kwok Ying Lan and Mr. Lam Lung On are married to each other.*

Save as provided above, none of the directors have any interests in the share capital of the Company or its associated corporations.

## Substantial Shareholders' Interests in Shares

At 31 December 2010, the interests of relevant persons (other than the directors of the Company) in the share capital of the Company, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

### Long Positions in Ordinary Shares of the Company:

| Name of shareholders | *Note* | Others | Total | Percentage of the Company's issued share capital |
|---|---|---|---|---|
| China Life Insurance (Group) Company | *(a)* | 526,795,000 | 526,795,000 | 21.95 |
| China Life Insurance (Overseas) Company Limited | *(a)* | 526,795,000 | 526,795,000 | 21.95 |
| China Life Trustees Limited | *(a)* | 526,795,000 | 526,795,000 | 21.95 |

*(a) Among those shares, 504,000,000 shares were pledged to the bonds issued to China Life Trustees Limited.*

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report, being the latest practicable date prior to the date of this report.

## Audit Committee

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the consolidated financial statements and results of the Group for the year ended 31 December 2010.

## Directors' Interests in a Competing Business

In order to ensure compliance with the non-competition undertakings given by each of Mr. Lam Lung On and Ms. Kwok Ying Lan (the "Controlling Shareholders"), the independent non-executive Directors have (i) reviewed the compliance with the Deed of Non-competition Undertakings dated 9 October 2009 by the Controlling Shareholders; and (ii) reviewed and approved the decision as to whether to take up any business opportunity which was referred to the Group by the Controlling Shareholders and their associates during the period.

To completely eliminate competition between the retail property leasing business owned by Mr. Lam Lung On, the Chairman and Executive Director, Ms. Kwok Ying Lan, the Executive Director and their associates (the "Lam Family Group") and our Company's leasing business, the Lam Family Group sold all the retail properties to independent third parties on an arm's length basis on 30 April 2010 and the respective signed sale and purchase agreement was reviewed by independent non-executive Directors on 14 May 2010.

After the sale of the Lam Family Group's retail property leasing business, the controlling shareholders of our Company and their associates do not engage in any other business which may compete, directly or indirectly, with the business of our Group.

## Auditors

The financial statements have been audited by the Company's auditors, Ernst & Young, who will retire and, being eligible, will offer themselves for reappointment at the forthcoming annual general meeting. There has been no change of the auditors of the Company since the listing of the Company's shares on the Hong Kong Stock Exchange on 2 November 2009.

ON BEHALF OF THE BOARD

**Lam Lung On**
*Chairman*

Hong Kong
30 March 2011

The Company is committed to achieving and maintaining high standards of corporate governance, which it believes is essential for the growth of the Company and its subsidiaries (together the "Group") and for safeguarding and maximizing the interests of the shareholders.

The Company has been in compliance with the provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during the year.

## 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 its directors (the "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 during the year.

## Board of Directors

The board of directors of the Company (the "Board") is established in accordance with the provisions of Rule 3.10 of the Listing Rules. The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Under the leadership of the chairman of the Board (the "Chairman"), the Board is responsible for formulating and overseeing the overall strategies and policies of the Company, approving the annual budget and business plans, as well as assessing the Company's performance and supervising the work of the management. Implementation and execution of Board policies and strategies and daily administrative matters are delegated to the executive Directors and management of the Company.

The Board is comprised of five executive directors and three independent non-executive directors up to the date of this report. The executive directors are Mr. Lam Lung On, Ms. Kwok Ying Lan, Mr. Huang Zhibin, Mr. Lin Longzhi and Mr. Lin Conghui whereas the independent non-executive directors are Mr. Gu Jiande, Mr. Lam Kwong Siu and Mr. Wee Henny Soon Chiang. The Chairman is Mr. Lam Lung On.

Pursuant to the provision of Rule 3.13 of the Listing Rules, the Company has received the confirmation statements of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent.

Mr. Lam Lung On is the spouse of Ms. Kwok Ying Lan and the elder brother of Mr. Lin Longzhi, and the brother-in-law of Mr. Lin Conghui. Save as disclosed above, there is no family or other material relationship among the members of the Board. The biographical details of the Directors are set out on pages 48 to 51 of this report.

Board meetings will be held at least four times a year at approximately quarterly intervals upon the listing of the Company and any ad hoc meeting will be held when necessary. Before a board meeting is convened, notice will be given and relevant information will be provided to the Directors pursuant to the Listing Rules and the Code.

During the year, the Company held four Board meetings which included two meetings to approve interim and annual results and to propose interim and final dividends.

## Chairman and Chief Executive Officer

The roles of the Chairman and the General Manager are segregated and not exercised by the same individual.

Mr. Lam Lung On, being the Chairman and founder of the Group, 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. Huang Zhibin, being the General Manager of the Company, is responsible for the daily management of the business of the Company, implementation of policies, business objectives and plans as formulated and adopted by the Board and is accountable to the Board for the overall operation of the Group.

## Non-executive Directors

Each of the three independent non-executive directors of the Company has entered into a letter of appointment with the Company for a specific term of three years with effect from the Listing Date.

## Remuneration Committee

The Company established a remuneration committee on 9 October 2009 with terms of reference in compliance with the Code. The remuneration committee of the Company (the "Remuneration Committee") consists of three members, comprising two of independent non-executive Directors, Mr. Gu Jiande and Mr. Wee Henny Soon Chiang, and one executive Director, Mr. Lam Lung On. The chairman of the Remuneration Committee is Mr. Gu Jiande. The primary duties of the Remuneration Committee are to determine the policy and structure for the remuneration of all executive directors, to evaluate the performance of executive directors and senior management, to review incentive schemes and directors' service contracts and to fix the remuneration packages for all directors and senior management, and to make recommendations to the Board of the remuneration of independent non-executive directors. For the year ended 31 December 2010, no committee meeting has been held by the Company.

## Audit Committee

The Company established an audit committee on 9 October 2009 with terms of reference in compliance with the Code. The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Gu Jiande, Mr. Lam Kwong Siu and Mr. Wee Henny Soon Chiang. The chairman of the Audit Committee is Mr. Wee Henny Soon Chiang, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee is to assist the Board in considering how the Board should apply financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The primary duties of the Audit Committee include:

- to make recommendations to the Board on the appointment, reappointment and removal of external auditor, and to consider the remuneration and terms of such appointment;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor the integrity of the financial statements, the annual and interim reports and to review any significant financial reporting judgments contained in them;
- 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 review and approve connected transactions and provide advice and comments to the Board;
- to ensure that the management has fulfilled its duty to maintain an effective internal control system; and
- to consider other matters as the Board may from time to time determine.

The Audit Committee will meet at least twice annually, or more frequently if circumstances require. At least once a year the Audit Committee shall meet with the external and internal auditors without executive directors present. For the year ended 31 December 2010, the Company held four Audit Committee meetings. Subsequent to our balance sheet date, the Audit Committee has reviewed the system of internal controls and the financial statements for the year ended 31 December 2010 with recommendation to the Board for approval.

## Nomination Committee

The Company established a nomination committee on 9 October 2009 with terms of reference in compliance with the Code. The nomination committee consists of three members, comprising two of independent non-executive Directors, Mr. Gu Jiande and Mr. Wee Henny Soon Chiang, and one executive Director, Mr. Lam Lung On. The chairman of the nomination committee is Mr. Gu Jiande. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as Directors, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company. For the year ended 31 December 2010, no nomination committee meeting has been held by the Company.

## Attendance of Directors and Members of Board Committees

| | Number of attendance/ meetings held in 2010 | |
|---|---|---|
| | **The Board** | **Audit Committee** |
| **Executive Directors** | | |
| Mr. Lam Lung On *(Chairman)* | **4/4** | – |
| Ms. Kwok Ying Lan *(Vice Chairman)* | **4/4** | – |
| Mr. Lin Longzhi | **4/4** | – |
| Mr. Lin Conghui | **4/4** | – |
| **Independent Non-executive Directors** | | |
| Mr. Gu Jiande | **4/4** | 3/3 |
| Mr. Lam Kwong Siu | **3/4** | 1/3 |
| Mr. Wee Henny Soon Chiang | **4/4** | 3/3 |

## Auditor's Remuneration

For the year ended 31 December 2010, the total fee paid/payable to the external auditors of the Company, Ernst & Young, in respect of audit and non-audit services is set out below:

| | For the year ended 31 December 2010 RMB'000 |
|---|---|
| Annual audit services | 2,125 |
| Other non-audit services | 1,588 |

## Internal Controls

The Board has the responsibility to maintain and review the Company's internal control system to ensure the Company's assets and shareholders' interests are safeguarded. The Board also reviews the internal control and risk management systems to ensure their effectiveness.

The Company's management has developed internal control policies and procedures for various business activities of the Group, which are implemented by the Group's divisions and subsidiaries in their respective scope of business.

For the year ended 31 December 2010, the Board has conducted an annual review of the effectiveness of the Group's internal control system, by reviewing the effectiveness of material controls to assure that major business and operational risks are identified and managed through the Audit Committee with assistance of the internal audit department of the Company. The risks faced by the Company have been identified and evaluated by interviewing and questionnaire survey on Directors and management, and adequately managed by internal control activities embedded in the Group's operational process and governance structure.

## Directors' Responsibility on the Financial Statements

The Board, supported by the accounts department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cause significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibility of the external auditor of the Company on the financial statements of the Company and the Group are set out in the independent auditors' report on pages 65 to 66.

ERNST & YOUNG
安 永

**To the shareholders of Yuzhou Properties Company Limited**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Yuzhou Properties Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 67 to 130, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditors' Responsibility

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

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

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

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

## Opinion

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

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

# Consolidated Income Statement

*Year ended 31 December 2010*

| | Notes | **2010 RMB'000** | 2009 RMB'000 |
|---|---|---|---|
| REVENUE | 5 | **4,265,558** | 1,991,801 |
| Cost of sales | | **(2,488,175)** | (1,003,672) |
| Gross profit | | **1,777,383** | 988,129 |
| Other income and gains | 5 | **18,402** | 5,410 |
| Selling and distribution costs | | **(64,426)** | (48,038) |
| Administrative expenses | | **(106,225)** | (57,213) |
| Other expenses | | **(3,789)** | (21,955) |
| Fair value gains on investment properties | 15 | **276,015** | 932,094 |
| Finance costs | 7 | **(39,187)** | (1,158) |
| PROFIT BEFORE TAX | 6 | **1,858,173** | 1,797,269 |
| Income tax expense | 10 | **(892,868)** | (703,237) |
| PROFIT FOR THE YEAR | | **965,305** | 1,094,032 |
| Attributable to: | | | |
| Owners of the Company | 11 | **963,601** | 1,101,042 |
| Non-controlling interests | | **1,704** | (7,010) |
| | | **965,305** | 1,094,032 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 13 | | |
| – Basic (RMB per share) | | **0.40** | 0.58 |
| – Diluted (RMB per share) | | **0.40** | 0.58 |

Details of the dividend proposed for the year are disclosed in note 12 to the financial statements.

# Consolidated Statement of Comprehensive Income

*Year ended 31 December 2010*

| | **2010** **RMB'000** | 2009 RMB'000 |
|---|---|---|
| PROFIT FOR THE YEAR | **965,305** | 1,094,032 |
| Exchange difference on translation of foreign operations | **57,991** | (5,929) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **1,023,296** | 1,088,103 |
| Attributable to: | | |
| Owners of the Company | **1,020,806** | 1,098,074 |
| Non-controlling interests | **2,490** | (9,971) |
| | **1,023,296** | 1,088,103 |

# Consolidated Statement of Financial Position

*31 December 2010*

| | Notes | **2010 RMB'000** | 2009 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **181,388** | 166,633 |
| Investment properties | 15 | **2,890,747** | 2,422,070 |
| Prepaid land lease payments | 16 | **452,730** | 512,463 |
| Deferred tax assets | 28 | **186,418** | 76,614 |
| Total non-current assets | | **3,711,283** | 3,177,780 |
| CURRENT ASSETS | | | |
| Prepaid land lease payments | 16 | **559,955** | 404,148 |
| Properties under development | 18 | **3,595,735** | 3,585,106 |
| Completed properties held for sale | 19 | **484,369** | 688,704 |
| Prepayments for acquisition of land | | **2,781,641** | 1,319,735 |
| Prepayments, deposits and other receivables | 20 | **675,165** | 367,987 |
| Prepaid corporate income tax | | **14,389** | 15,844 |
| Prepaid land appreciation tax | | **37,386** | 10,714 |
| Restricted cash | 22 | **13,223** | 1,755 |
| Cash and cash equivalents | 22 | **2,719,446** | 1,570,026 |
| Total current assets | | **10,881,309** | 7,964,019 |
| CURRENT LIABILITIES | | | |
| Receipts in advance | 23 | **1,910,434** | 3,211,798 |
| Trade payables | 24 | **914,147** | 703,488 |
| Other payables and accruals | 25 | **384,138** | 181,202 |
| Interest-bearing bank and other borrowings | 26 | **1,038,023** | 783,000 |
| Due to a related party | 21 | **–** | 1,787 |
| Tax payable | | **460,067** | 213,556 |
| Provision for land appreciation tax | 27 | **776,741** | 335,597 |
| Total current liabilities | | **5,483,550** | 5,430,428 |
| NET CURRENT ASSETS | | **5,397,759** | 2,533,591 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **9,109,042** | 5,711,371 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 26 | **3,741,747** | 1,446,050 |
| Deferred tax liabilities | 28 | **543,266** | 435,904 |
| Total non-current liabilities | | **4,285,013** | 1,881,954 |
| Net assets | | **4,824,029** | 3,829,417 |

| | Notes | **2010 RMB'000** | 2009 RMB'000 |
|---|---|---|---|
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | 29 | **211,528** | 211,528 |
| Reserves | 30(a) | **4,131,482** | 3,335,070 |
| Proposed final dividend | 12 | **224,394** | 158,646 |
| | | **4,567,404** | 3,705,244 |
| **Non-controlling interests** | | **256,625** | 124,173 |
| Total equity | | **4,824,029** | 3,829,417 |

**Lam Lung On**
*Director*

**Kwok Ying Lan**
*Director*

# Consolidated Statement of Changes in Equity

*Year ended 31 December 2010*

| | | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Issued capital RMB'000 (Note 29) | Share premium RMB'000 | Statutory surplus reserve RMB'000 (Note 30 (a)(ii)) | Merger reserve RMB'000 (Note 30 (a)(i)) | Exchange fluctuation reserve RMB'000 | Other reserve RMB'000 (Note 30 (a)(iv)) | Retained profits RMB'000 | Proposed final dividend RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2009 | | 1 | – | 43,027 | 28 | 34,392 | (16,328) | 817,976 | – | 879,096 | 134,144 | 1,013,240 |
| Profit for the year | | – | – | – | – | – | – | 1,101,042 | – | 1,101,042 | (7,010) | 1,094,032 |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | – | – | (2,968) | – | – | – | (2,968) | (2,961) | (5,929) |
| Total comprehensive income for the year | | – | – | – | – | (2,968) | – | 1,101,042 | – | 1,098,074 | (9,971) | 1,088,103 |
| Arising from group reorganisation | | (1) | (359,346) | – | – | – | – | – | – | (359,347) | – | (359,347) |
| Loan capitalisation issue of shares | | 71,073 | 642,273 | – | – | – | – | – | – | 713,346 | – | 713,346 |
| Capitalisation issue of shares | | 87,573 | (87,573) | – | – | – | – | – | – | – | – | – |
| Issue of shares in connection with the listing | | 52,882 | 1,374,934 | – | – | – | – | – | – | 1,427,816 | – | 1,427,816 |
| Share issue expenses | | – | (53,713) | – | – | – | – | – | – | (53,713) | – | (53,713) |
| Deemed distribution to the then equity owners | 30(a)(iii) | – | – | – | (28) | – | – | – | – | (28) | – | (28) |
| Transfer from retained profits | | – | – | 12,908 | – | – | – | (12,908) | – | – | – | – |
| Proposed final dividend | 12 | – | – | – | – | – | – | (158,646) | 158,646 | – | – | – |
| At 31 December 2009 | | 211,528 | 1,516,575* | 55,935* | –* | 31,424* | (16,328)* | 1,747,464* | 158,646 | 3,705,244 | 124,173 | 3,829,417 |

| | | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Issued capital RMB'000 (Note 29) | Share premium RMB'000 | Statutory surplus reserve RMB'000 (Note 30 (a)(ii)) | Merger reserve RMB'000 (Note 30 (a)(i)) | Exchange fluctuation reserve RMB'000 | Other reserve RMB'000 (Note 30 (a)(iv)) | Retained profits RMB'000 | Proposed final dividend RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2010 | | 211,528 | 1,516,575 | 55,935 | – | 31,424 | (16,328) | 1,747,464 | 158,646 | 3,705,244 | 124,173 | 3,829,417 |
| Profit for the year | | – | – | – | – | – | – | 963,601 | – | 963,601 | 1,704 | 965,305 |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | – | – | 57,205 | – | – | – | 57,205 | 786 | 57,991 |
| Total comprehensive income for the year | | – | – | – | – | 57,205 | – | 963,601 | – | 1,020,806 | 2,490 | 1,023,296 |
| Capital injection of non-controlling shareholders | | – | – | – | – | – | – | – | – | – | 129,962 | 129,962 |
| Final 2009 dividend declared | 12 | – | – | – | – | – | – | – | (158,646) | (158,646) | – | (158,646) |
| Proposed final dividend | 12 | – | (224,394) | – | – | – | – | – | 224,394 | – | – | – |
| At 31 December 2010 | | 211,528 | 1,292,181* | 55,935* | –* | 88,629* | (16,328)* | 2,711,065* | 224,394 | 4,567,404 | 256,625 | 4,824,029 |

* These reserve accounts comprise the consolidated reserves of RMB4,131,482,000 (2009: RMB3,335,070,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

*Year ended 31 December 2010*

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | **1,858,173** | 1,797,269 |
| Adjustments for: | | | |
| Finance costs | 7 | **39,187** | 1,158 |
| Bank interest income | 5 | **(8,818)** | (2,084) |
| Depreciation | 6 | **5,058** | 4,856 |
| Amortisation of prepaid land lease payments | 6 | **16,492** | 10,886 |
| Loss on disposal of items of property, plant and equipment | | **979** | – |
| Gain on disposal of investment properties | | **(2,351)** | – |
| Fair value gains on investment properties | 15 | **(276,015)** | (932,094) |
| | | **1,632,705** | 879,991 |
| Payment of land lease premiums | | **(559,404)** | (125,264) |
| (Increase)/decrease in properties under development | | **760,988** | (8,454) |
| Decrease in completed properties held for sale | | **161,845** | 147,719 |
| Increase in prepayments for acquisition of land | | **(1,647,605)** | (1,319,735) |
| Increase in prepayments, deposits and other receivables | | **(177,216)** | (120,790) |
| Increase/(decrease) in receipts in advance | | **(1,301,364)** | 1,395,586 |
| Increase/(decrease) in trade payables | | **210,659** | (104,134) |
| Increase/(decrease) in other payables and accruals | | **202,936** | (39,036) |
| Cash generated from operations | | **(716,456)** | 705,883 |
| Interest received | | **8,818** | 2,084 |
| Interest paid | | **(178,267)** | (122,665) |
| PRC corporate income tax paid | | **(187,277)** | (24,118) |
| PRC land appreciation tax paid | | **(45,595)** | (178,778) |
| Net cash flows from/(used in) operating activities | | **(1,118,777)** | 382,406 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | **(20,792)** | (6,192) |
| Additions of investment properties | | **(150,596)** | (46,425) |
| Decrease/(increase) in restricted cash | | **(11,468)** | 6,423 |
| Proceeds from disposal of investment properties | | **2,775** | – |
| Net cash flows used in investing activities | | **(180,081)** | (46,194) |

# Consolidated Statement of Cash Flows (continued)

*Year ended 31 December 2010*

| | Note | **2010 RMB'000** | 2009 RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank and other borrowings | | **3,541,456** | 1,683,440 |
| Repayment of bank and other borrowings | | **(990,736)** | (1,818,893) |
| Proceeds from issue of shares in connection with the listing | | **–** | 1,427,816 |
| Decrease in amounts due from related parties | | **–** | 20,056 |
| Decrease in amounts due to related parties | | **(1,787)** | (215,482) |
| Deemed distribution to the then equity owners | | **–** | (28) |
| Share issue expenses | | **–** | (53,713) |
| Dividend paid | | **(158,646)** | – |
| Net cash flows from financing activities | | **2,390,287** | 1,043,196 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **1,091,429** | 1,379,408 |
| Cash and cash equivalents at beginning of year | | **1,570,026** | 196,547 |
| Effect of foreign exchange rate changes, net | | **57,991** | (5,929) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | **2,719,446** | 1,570,026 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 22 | **2,719,446** | 1,570,026 |

# Statement of Financial Position

*31 December 2010*

| | Notes | **2010 RMB'000** | 2009 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **1,167** | – |
| Investments in subsidiaries | 17 | **32,300** | 1 |
| Total non-current assets | | **33,467** | 1 |
| CURRENT ASSETS | | | |
| Due from subsidiaries | 17 | **2,759,684** | 2,221,569 |
| Prepayments, deposits and other receivables | 20 | **798** | 256 |
| Cash and cash equivalents | 22 | **1,336,323** | 60,249 |
| Total current assets | | **4,096,805** | 2,282,074 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | 25 | **3,736** | 21,600 |
| Due to a related party | 21 | **–** | 882 |
| Due to subsidiaries | 17 | **38,087** | 7,326 |
| Total current liabilities | | **41,823** | 29,808 |
| NET CURRENT ASSETS | | **4,054,982** | 2,252,266 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **4,088,449** | 2,252,267 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 26 | **2,120,347** | – |
| Net assets | | **1,968,102** | 2,252,267 |
| EQUITY | | | |
| Issued capital | 29 | **211,528** | 211,528 |
| Reserves | 30(b) | **1,532,180** | 1,882,093 |
| Proposed final dividend | 12 | **224,394** | 158,646 |
| Total equity | | **1,968,102** | 2,252,267 |

**Lam Lung On**
*Director*

**Kwok Ying Lan**
*Director*

## 1.1 Corporate Information

Yuzhou Properties Company Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development, property investment, property management and hotel operations in the People's Republic of China (the "PRC" or "Mainland China").

## 1.2 Basis of Presentation

To rationalise the corporate structure in preparation for the listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent a group reorganisation (the "Reorganisation"), further details of which are set out in the Company's prospectus dated 20 October 2009.

Pursuant to the Reorganisation, the Company became the holding company of the companies then comprising the Group on 9 October 2009. Since the Company and the companies then comprising the Group were under common control both before and after the completion of the Reorganisation, the Reorganisation was accounted for using merger method accounting.

The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2009 include the results and cash flows of all companies then comprising the Group, as if the then group structure had been in existence throughout the year ended 31 December 2009, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2008 has been prepared to present the state of affairs of the Group as if the then group structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at the respective dates.

In the opinion of the directors of the Company, the consolidated financial statements in respect of the year ended 31 December 2009 prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

## 2.1 Basis of Preparation

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

### Basis of consolidation

#### Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

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

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

#### Basis of consolidation prior to 1 January 2010

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

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

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

## 2.2 Changes in Accounting Policy and Disclosures

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

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

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

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

### (a) HKFRS 3 (Revised) *business combinations* and HKAS 27 (Revised) *consolidated and separate financial statements*

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

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

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

## 2.2 Changes in Accounting Policy and Disclosures (Continued)

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

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

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

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

The Group has reassessed its leases in Mainland China, previously as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

## 2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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

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

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

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

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

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

## 2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

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

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

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

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

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

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

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

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

## 2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

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

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

## 2.4 Summary of Significant Accounting Policies

### Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

### Impairment of non-financial assets

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

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

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Related parties

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

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

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

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

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

### Property, plant and equipment and depreciation

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

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

| | |
|---|---|
| Leasehold land and buildings | Over the shorter of lease terms and 20 years |
| Leasehold improvements | Over the shorter of lease terms and 5 years |
| Furniture, fixtures and office equipment | 2 to 5 years |
| Motor vehicles | 2 to 5 years |

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

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

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

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Investment properties

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

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

### Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Properties under development

Properties under development are intended to be held for sale after completion.

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

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

### Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and cash equivalents, restricted cash and other receivables.

#### Subsequent measurement

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

#### Loans and receivables

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Impairment of financial assets

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

#### Financial assets carried at amortised cost

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

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

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

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Derecognition of financial assets

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

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

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

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

### Financial liabilities

#### Initial recognition and measurement

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

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

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

#### Subsequent measurement

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

#### Loans and borrowings

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

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Financial liabilities (Continued)

#### Financial guarantee contracts

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

### Derecognition of financial liabilities

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

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

### Offsetting of financial instruments

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

### Cash and cash equivalents

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

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

### Provisions

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

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Income tax

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

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

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

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

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

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

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

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

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

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

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

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Revenue recognition

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

(a) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the completed properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured;

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

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Other employee benefits

#### Pension scheme

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

The employees of the Group's subsidiaries in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

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

## 2.4 Summary of Significant Accounting Policies (Continued)

### Dividends

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

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

### Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is Hong Kong dollars. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

## 3. Significant Accounting Judgements and Estimates

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

### Judgements

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

#### Operating lease commitments – Group as lessor

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

#### Classification between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### Classification between investment properties and properties held for sale

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

## 3. Significant Accounting Judgements and Estimates (Continued)

### Estimation uncertainty

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

#### Valuation of properties under development and properties held for sale

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

#### Allocation of construction cost on properties under development

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

#### PRC corporate income tax ("CIT")

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

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

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

#### Deferred tax assets

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

#### Fair value of investment properties

Investment properties are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the reporting date are used.

## 4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation;

(c) the property management segment engages in the provision of management services to properties;

(d) the hotel operation segment engages in the development and operation of hotels; and

(e) the others segment comprises corporate income and expense items.

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

Segment assets exclude deferred tax assets, prepaid corporate income tax, prepaid land appreciation tax, restricted cash and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, provision for land appreciation tax and deferred tax liabilities as these liabilities are managed on a group basis.

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

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

## 4. Operating Segment Information (Continued)

**Year ended 31 December 2010**

| | Property development RMB'000 | Property investment RMB'000 | Property management RMB'000 | Hotel operation RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Sales to external customers | 4,198,037 | 33,654 | 33,867 | – | – | 4,265,558 |
| Other revenue | 5,926 | – | 239 | – | 3,419 | 9,584 |
| Total | 4,203,963 | 33,654 | 34,106 | – | 3,419 | 4,275,142 |
| **Segment results** | 1,595,484 | 288,845 | 5,960 | (446) | (1,301) | 1,888,542 |
| *Reconciliation:* | | | | | | |
| Interest income | | | | | | 8,818 |
| Finance costs | | | | | | (39,187) |
| Profit before tax | | | | | | 1,858,173 |
| Tax | | | | | | (892,868) |
| Profit for the year | | | | | | 965,305 |
| **Segment assets** | 18,234,162 | 3,816,173 | 144,209 | 771,491 | 2,724,494 | 25,690,529 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment receivables | | | | | | (14,068,799) |
| Corporate and other unallocated assets | | | | | | 2,970,862 |
| Total assets | | | | | | 14,592,592 |
| **Segment liabilities** | 10,396,515 | 599,876 | 78,796 | 8,732 | 6,193,599 | 17,277,518 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment payables | | | | | | (14,068,799) |
| Corporate and other unallocated liabilities | | | | | | 6,559,844 |
| Total liabilities | | | | | | 9,768,563 |
| **Other segment information:** | | | | | | |
| Depreciation and amortisation | 20,370 | 470 | 342 | – | 368 | 21,550 |
| Capital expenditure | 751,487 | 155,437 | 193 | 8,026 | 1,348 | 916,491* |
| Fair value gains on investment properties | – | 276,015 | – | – | – | 276,015 |

* Capital expenditure consists of additions to property, plant and equipment, additions to investment properties under construction and additions to prepaid land lease payments.

## 4. Operating Segment Information (Continued)

**Year ended 31 December 2009**

| | Property development RMB'000 | Property investment RMB'000 | Property management RMB'000 | Hotel operation RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Sales to external customers | 1,940,884 | 25,008 | 25,909 | – | – | 1,991,801 |
| Other revenue | 3,272 | – | 10 | 1 | 43 | 3,326 |
| Total | 1,944,156 | 25,008 | 25,919 | 1 | 43 | 1,995,127 |
| **Segment results** | 866,726 | 945,582 | 4,137 | (278) | (19,824) | 1,796,343 |
| *Reconciliation:* | | | | | | |
| Interest income | | | | | | 2,084 |
| Finance costs | | | | | | (1,158) |
| Profit before tax | | | | | | 1,797,269 |
| Tax | | | | | | (703,237) |
| Profit for the year | | | | | | 1,094,032 |
| **Segment assets** | 8,697,057 | 3,854,678 | 64,896 | 409,060 | 1,076,233 | 14,101,924 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment receivables | | | | | | (4,635,078) |
| Corporate and other unallocated assets | | | | | | 1,674,953 |
| Total assets | | | | | | 11,141,799 |
| **Segment liabilities** | 6,433,055 | 660,606 | 69,040 | 7,460 | 1,561,405 | 8,731,566 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment payables | | | | | | (4,635,078) |
| Corporate and other unallocated liabilities | | | | | | 3,215,894 |
| Total liabilities | | | | | | 7,312,382 |
| **Other segment information:** | | | | | | |
| Depreciation and amortisation | 15,377 | 60 | 104 | – | 201 | 15,742 |
| Capital expenditure | 321,936 | 46,425 | 309 | 3,514 | 540 | 372,724* |
| Fair value gains on investment properties | – | 932,094 | – | – | – | 932,094 |

* Capital expenditure consists of additions to property, plant and equipment, additions to investment properties under construction and additions to prepaid land lease payments.

## 5. Revenue, Other Income and Gains

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

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

| | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| **Revenue** | | |
| Sales of properties | **4,198,037** | 1,940,884 |
| Rental income | **33,654** | 25,008 |
| Property management fees | **33,867** | 25,909 |
| | **4,265,558** | 1,991,801 |
| **Other income and gains** | | |
| Bank interest income | **8,818** | 2,084 |
| Rental income from properties held for sale | **3,194** | 2,723 |
| Others | **6,390** | 603 |
| | **18,402** | 5,410 |

## 6. Profit Before Tax

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

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| Cost of properties sold | | **2,471,694** | 983,790 |
| Amortisation of prepaid land lease payments | 16 | **16,492** | 10,886 |
| Depreciation | 14 | **5,058** | 4,856 |
| Loss on disposal of items of property, plant and equipment | | **979** | – |
| Gain on disposal of investment properties | | **(2,351)** | – |
| Minimum lease payments under operating leases for land and buildings | | **3,225** | 1,337 |
| Auditors' remuneration | | **2,125** | 1,770 |
| Employee benefit expense (including directors' remuneration (note 8)) | | | |
| Wages and salaries | | **28,318** | 24,411 |
| Retirement benefit scheme contributions | | **2,676** | 1,843 |
| | | **30,994** | 26,254 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties | | **8,229** | 4,335 |

## 7. Finance Costs

An analysis of finance costs is as follows:

| | Group | |
|---|---|---|
| | **2010** **RMB'000** | 2009 RMB'000 |
| Interest on bank loans wholly repayable within five years | **126,970** | 100,319 |
| Interest on bank loans wholly repayable beyond five years | **17,001** | 15,123 |
| Interest on other loans | **34,296** | 7,223 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **178,267** | 122,665 |
| Less: Interest capitalised | **(139,080)** | (121,507) |
| | **39,187** | 1,158 |

## 8. Directors' Remuneration

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

| | Group | |
|---|---|---|
| | **2010** **RMB'000** | 2009 RMB'000 |
| Fees | **513** | 87 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **3,860** | 3,800 |
| Pension scheme contributions | **46** | 46 |
| | **3,906** | 3,846 |
| | **4,419** | 3,933 |

## 8. Directors' Remuneration (Continued)

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

| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Retirement benefit scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Lam Lung On | – | 1,600 | 10 | 1,610 |
| Ms. Kwok Ying Lan | – | 1,600 | 10 | 1,610 |
| Mr. Lin Longzhi | – | 360 | 13 | 373 |
| Mr. Lin Conghui | – | 300 | 13 | 313 |
| | – | 3,860 | 46 | 3,906 |
| Independent non-executive directors: | | | | |
| Mr. Gu Jiande | 171 | – | – | 171 |
| Mr. Lam Kwong Siu | 171 | – | – | 171 |
| Mr. Wee Henny Soon Chiang | 171 | – | – | 171 |
| | 513 | – | – | 513 |
| | 513 | 3,860 | 46 | 4,419 |

## 8. Directors' Remuneration (Continued)

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

| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Retirement benefit scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Lam Lung On | – | 1,600 | 11 | 1,611 |
| Ms. Kwok Ying Lan | – | 1,600 | 11 | 1,611 |
| Mr. Lin Longzhi | – | 360 | 12 | 372 |
| Mr. Lin Conghui | – | 240 | 12 | 252 |
| | – | 3,800 | 46 | 3,846 |
| Independent non-executive directors: | | | | |
| Mr. Gu Jiande | 29 | – | – | 29 |
| Mr. Lam Kwong Siu | 29 | – | – | 29 |
| Mr. Wee Henny Soon Chiang | 29 | – | – | 29 |
| | 87 | – | – | 87 |
| | 87 | 3,800 | 46 | 3,933 |

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

## 9. Five Highest Paid Individuals

The five highest paid individuals during the year included four (2009: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2009: one) non-director, highest paid employee for the year are as follows:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Salaries, allowances and benefits in kind | **1,071** | 900 |
| Pension scheme contributions | **–** | 11 |
| | **1,071** | 911 |

The remuneration of the non-director, highest paid employee for the year fell within the band of RMB1,000,001 to RMB1,500,000 (2009: Nil to RMB1,000,000).

## 10. Income Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the applicable tax rates on the taxable profits for the year.

An analysis of the income tax charges for the year is as follows:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Current: | | |
| PRC corporate income tax | **435,243** | 162,570 |
| PRC land appreciation tax (note 27) | **460,067** | 333,414 |
| | **895,310** | 495,984 |
| Deferred: | | |
| Current year (note 28) | **(2,442)** | 207,253 |
| Total tax charge for the year | **892,868** | 703,237 |

## 10. Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates for the year, are as follows:

| | Group | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Profit before tax | **1,858,173** | | 1,797,269 | |
| At the statutory income tax rate | **464,543** | **25.0** | 449,317 | 25.0 |
| Lower tax rate for specific provinces or local authority | **(55,431)** | **(3.0)** | (51,854) | (2.9) |
| Income not subject to tax | **(19,506)** | **(1.1)** | (3,824) | (0.2) |
| Expenses not deductible for tax | **94,550** | **5.1** | 17,051 | 0.9 |
| Tax losses not recognised | **20,716** | **1.1** | 17,904 | 1.0 |
| Effect on withholding tax on the distributable profits of the Group's PRC subsidiaries | **38,359** | **2.1** | 14,580 | 0.8 |
| LAT | **460,067** | **24.8** | 333,414 | 18.6 |
| Tax effect of LAT | **(110,430)** | **(5.9)** | (73,351) | (4.1) |
| Tax charge at the Group's effective rate | **892,868** | **48.1** | 703,237 | 39.1 |

## 11. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the year ended 31 December 2010 includes a loss of RMB51,078,000 (2009: Profit of RMB159,302,000) which has been dealt with in the financial statements of the Company (note 30(b)).

## 12. Dividend

| | **2010** | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Proposed final – HK11 cents (2009: HK7.5 cents) per ordinary share | **224,394** | 158,646 |

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

## 13. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of the basic earnings per share amount for the year ended 31 December 2010 is based on the profit for the year attributable to equity holders of the Company of RMB963,601,000 (2009: RMB1,101,042,000) and the weighted average number of ordinary shares of 2,400,000,000 (2009: 1,898,630,137) in issue during the year, on the assumption that the group reorganisation and the capitalisation issue in connection with the listing of Company's shares on the Stock Exchange had been completed on 1 January 2009.

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

## 14. Property, Plant and Equipment

### Group

| | Leasehold land and buildings RMB'000 | Leasehold improvements RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | |
| At 1 January 2010: | | | | | | |
| Cost | **4,963** | **1,660** | **13,825** | **19,932** | **151,336** | **191,716** |
| Accumulated depreciation | **(1,445)** | **(720)** | **(9,099)** | **(13,819)** | **–** | **(25,083)** |
| Net carrying amount | **3,518** | **940** | **4,726** | **6,113** | **151,336** | **166,633** |
| At 1 January 2010, net of accumulated depreciation | **3,518** | **940** | **4,726** | **6,113** | **151,336** | **166,633** |
| Additions | **–** | **1,166** | **3,310** | **8,290** | **8,026** | **20,792** |
| Depreciation provided during the year | **(291)** | **(366)** | **(1,462)** | **(2,939)** | **–** | **(5,058)** |
| Disposal | **–** | **–** | **(979)** | **–** | **–** | **(979)** |
| At 31 December 2010, net of accumulated depreciation | **3,227** | **1,740** | **5,595** | **11,464** | **159,362** | **181,388** |
| At 31 December 2010: | | | | | | |
| Cost | **4,963** | **2,826** | **15,347** | **28,222** | **159,362** | **210,720** |
| Accumulated depreciation | **(1,736)** | **(1,086)** | **(9,752)** | **(16,758)** | **–** | **(29,332)** |
| Net carrying amount | **3,227** | **1,740** | **5,595** | **11,464** | **159,362** | **181,388** |

## 14. Property, Plant and Equipment (Continued)

### Group (Continued)

| | Leasehold land and buildings RMB'000 | Leasehold improve-ments RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **31 December 2009** | | | | | | |
| At 1 January 2009: | | | | | | |
| Cost | 4,485 | 1,660 | 14,056 | 17,962 | 147,822 | 185,985 |
| Accumulated depreciation | (1,333) | (444) | (8,019) | (10,892) | – | (20,688) |
| Net carrying amount | 3,152 | 1,216 | 6,037 | 7,070 | 147,822 | 165,297 |
| At 1 January 2009, net of accumulated depreciation | 3,152 | 1,216 | 6,037 | 7,070 | 147,822 | 165,297 |
| Additions | 478 | – | 230 | 1,970 | 3,514 | 6,192 |
| Depreciation provided during the year | (112) | (276) | (1,541) | (2,927) | – | (4,856) |
| At 31 December 2009, net of accumulated depreciation | 3,518 | 940 | 4,726 | 6,113 | 151,336 | 166,633 |
| At 31 December 2009: | | | | | | |
| Cost | 4,963 | 1,660 | 13,825 | 19,932 | 151,336 | 191,716 |
| Accumulated depreciation | (1,445) | (720) | (9,099) | (13,819) | – | (25,083) |
| Net carrying amount | 3,518 | 940 | 4,726 | 6,113 | 151,336 | 166,633 |

The Group's leasehold land and buildings included above are situated in Mainland China and are held under long term leases.

## 14. Property, Plant and Equipment (Continued)

### Company

| | Leasehold improvements RMB'000 |
|---|---|
| **31 December 2010** | |
| Additions | **1,167** |
| Depreciation provided during the year | **–** |
| At 31 December 2010, net of accumulated depreciation | **1,167** |
| At 31 December 2010: | |
| Cost | **1,167** |
| Accumulated depreciation | **–** |
| Net carrying amount | **1,167** |

## 15. Investment Properties

### Group

| | **Completed** RMB'000 | **Under construction** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| Carrying amount at 1 January 2009 | 932,300 | 511,251 | 1,443,551 |
| Additions | – | 46,425 | 46,425 |
| Transfers | 170,906 | (170,906) | – |
| Net profits from fair value adjustments | 932,094 | – | 932,094 |
| Carrying amount at 31 December 2009 and 1 January 2010 | **2,035,300** | **386,770** | **2,422,070** |
| Additions | **42,150** | **108,446** | **150,596** |
| Transfer from/(to) completed properties held for sale/properties under development | **53,056** | **(10,566)** | **42,490** |
| Disposal | **(424)** | **–** | **(424)** |
| Transfers | **136,143** | **(136,143)** | **–** |
| Net profits from fair value adjustments | **217,175** | **58,840** | **276,015** |
| Carrying amount at 31 December 2010 | **2,483,400** | **407,347** | **2,890,747** |

## 15. Investment Properties (Continued)

### Group (Continued)

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

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Long term leases | **350,260** | 302,817 |
| Medium term leases | **2,540,487** | 2,119,253 |
| | **2,890,747** | 2,442,070 |

The Group's investment properties were revalued on 31 December 2010 by DTZ Debentam Tie Leung Limited, independent professionally qualified valuers, on an open market, existing use basis. The Group's investment properties under construction were measured at cost until such time as fair value can be determined reliably or construction is completed.

At 31 December 2010, certain of the Group's completed investment properties of RMB2,171,118,000 (2009: RMB1,354,007,000), were pledged to banks to secure the loans granted to the Group (note 26).

The Group's completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a).

## 16. Prepaid Land Lease Payments

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Carrying amount at beginning of year | **916,611** | 650,479 |
| Additions during the year | **745,103** | 320,107 |
| Amortised during the year | **(16,492)** | (10,886) |
| Transferred to properties under development | **(632,537)** | (43,089) |
| Carrying amount at end of year | **1,012,685** | 916,611 |
| Current portion | **(559,955)** | (404,148) |
| Non-current portion | **452,730** | 512,463 |

## 16. Prepaid Land Lease Payments (Continued)

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

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Long term leases | **866,696** | 784,824 |
| Medium term leases | **145,989** | 131,787 |
| | **1,012,685** | 916,611 |

Included in the Group's non-current balance of prepaid land lease payments is a parcel of land for property development project in the amount of RMB452,730,000 as at 31 December 2010 (2009: RMB512,463,000) for which the Group has experienced delays in commencing construction due to the uncertainty over the plot ratio of the land. As of the date of approval of these financial statements, the Group has begun the application process for the permits required to commence construction of the relevant project, and the Group has not received any warning notice or been subject to any penalties in the nature of idle land fees for its delay in commencing construction from the local land bureau. As the Group has begun the application process for the permits required for the commencement of construction of the relevant project in accordance with the normal procedures, the directors of the Company consider that no provision for idle land fees or land forfeiture is required for the land included in the non-current balance of prepaid land lease payments up to the date of approval of these financial statements.

## 17. Investments in Subsidiaries

| | Company | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Unlisted shares, at cost | **1** | 1 |
| Loan to a subsidiary | **32,299** | – |
| | **32,300** | 1 |

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,759,684,000 (2009: RMB2,221,569,000) and RMB38,087,000 (2009: RMB7,326,000), respectively, are unsecured, interest-free and repayable on demand. The loan to a subsidiary bears an interest rate of 6.48% per annum and will mature in three years.

## 17. Investments in Subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows:

| Company name | Place of incorporation/ registration and operations | Nominal value of issued and paid up share/registered capital | Equity interest attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Xiamen Yaozhou Real Estate Development Company *# (Note) (廈門堯洲房地產開發有限公司) | The PRC | RMB10,800,000 | – | 100% | Property development |
| Xiamen Gangyi Real Estate Marketing Agent Co., Ltd. *# (Note) (廈門港誼房產營銷代理有限公司) | The PRC | HK$5,000,000 | – | 100% | Marketing |
| Xiamen Yuzhou Commercial Investment & Management Co., Ltd. *# (Note) (廈門禹洲商業投資管理有限公司) | The PRC | HK$5,000,000 | – | 100% | Property management |
| Xiamen Diyuan Bonded Storage and Distribution Co., Ltd. * (Note) (廈門帝元保税儲運有限公司) | The PRC | RMB20,000,000 | – | 98% | Property development |
| Xiamen Kim International Realty Development Co., Ltd. *# (Note) (廈門金國際地產發展有限公司) | The PRC | US$113,600,000 | – | 100% | Property development |
| Xiamen Richville Development Ltd. *# (Note) (廈門貴豐房地產開發有限公司) | The PRC | US$55,000,000 | – | 100% | Property development |
| Xiamen Ganyi Real-Estate Co., Ltd. *# (Note) (廈門港誼置業有限公司) | The PRC | RMB5,000,000 | – | 100% | Property development |
| Xiamen Fengxhou Real-Estate Co., Ltd. *# (Note) (廈門豐洲置業有限公司) | The PRC | HK$18,000,000 | – | 60% | Property development |
| Xiamen Yuzhou Hotel Invest & Manage Co., Ltd. * (Note) (廈門禹洲酒店投資管理有限公司) | The PRC | RMB400,000,000 | – | 100% | Hotel operation |
| Xiamen Yuzhou Group Realty Invest Co., Ltd. * (Note) (廈門禹洲集團地產投資有限公司) | The PRC | RMB600,000,000 | – | 100% | Property development |

## 17. Investments in Subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

| Company name | Place of incorporation/ registration and operations | Nominal value of issued and paid up share/registered capital | Equity interest attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Xiamen Skyplaz Realty & Development Co., Ltd. * (Note) (廈門海天房地產開發有限公司) | The PRC | US$6,600,000 | – | 100% | Property development |
| Hefei Yuzhou Real Estate Development Co., Ltd. *# (Note) (合肥禹洲房地產開發有限公司) | The PRC | US$7,677,345 | – | 100% | Property development |
| Xiamen Huaqiao City Real Estate Co., Ltd. *# (Note) (廈門華僑城房地產開發有限公司) | The PRC | RMB20,000,000 | – | 100% | Property development |
| Anhui Overseas City Construction & Development Co., Ltd. *# (Note) (安徽華僑城建設發展有限公司) | The PRC | US$3,000,000 | – | 100% | Property investment |
| Xiamen Yuzhou Group Ltd. *@ (Note) (廈門禹洲集團股份有限公司) | The PRC | RMB55,800,000 | – | 100% | Property investment |
| Shanghai Kangtai Real Estate Development Co., Ltd. *@ (Note) (上海康泰房地產開發有限公司) | The PRC | RMB30,000,000 | – | 100% | Property development |
| Shanghai Kangtai Property Management Co., Ltd. *@ (Note) (上海康泰物業管理有限公司) | The PRC | RMB1,000,000 | – | 100% | Property management |
| Shanghai Yuzhou Realty Investment Co., Ltd. *@ (Note) (上海禹洲房地產投資有限公司) | The PRC | RMB100,000,000 | – | 100% | Property development |
| Shanghai Yanhai Real Estate Development Co., Ltd. *@ (Note) (上海燕海房地產開發經營有限責任公司) | The PRC | RMB48,450,000 | – | 100% | Property development |
| Shanghai Liyade Property Investment Co., Ltd. *@ (Note) (上海利雅得投資置業有限公司) | The PRC | RMB42,000,000 | – | 100% | Property development |

## 17. Investments in Subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

| Company name | Place of incorporation/ registration and operations | Nominal value of issued and paid up share/registered capital | Equity interest attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Shanghai Yuzhou Hotel Management Co., Ltd. *@ (Note) (上海禹洲酒店管理有限公司) | The PRC | RMB2,000,000 | – | 100% | Hotel management |
| Xiamen Huaqiao City Real Estate Management Service Co., Ltd. *@ (Note) (廈門華僑城物業經營服務有限公司) | The PRC | RMB10,000,000 | – | 100% | Property management |
| Xiamen Yuzhou Property Development Co., Ltd. *@ (Note) (廈門禹洲房地產開發有限公司) | The PRC | RMB23,600,000 | – | 100% | Property development |
| Fujian Yingfeng Real Estate Investment Co., Ltd. *@ (Note) (福建盈豐地產投資有限公司) | The PRC | RMB50,000,000 | – | 80% | Property investment |
| Fujian Big World Huaxia Real Estate Development Co., Ltd. *@ (Note) (福建大世界華夏房地產有限公司) | The PRC | RMB40,000,000 | – | 80% | Property development |
| Fujian Wanlong Property Management Co., Ltd. *@ (Note) (福建萬龍物業管理服務有限公司) | The PRC | RMB5,000,000 | – | 80% | Property management |
| Hefei Ludong Real Estate Development Co., Ltd. *@ (Note) (合肥廬東房地產開發有限責任公司) | The PRC | RMB80,000,000 | – | 100% | Property development |
| Hefei Kangli Realty Co., Ltd. *@ (Note) (合肥市康麗置業有限公司) | The PRC | RMB10,080,000 | – | 100% | Property development |
| Shanghai San You Properties Development Company Limited *@ (Note) (上海三佑置業發展有限公司) | The PRC | RMB50,000,000 | – | 100% | Property development |
| Goastal Greenland Development (Fujian) Limited *# (Note) (沿海綠色家園發展(福建)有限公司) | The PRC | US$10,000,000 | – | 60% | Property development |

## 17. Investments in Subsidiaries (Continued)

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

# Registered as a wholly-foreign-owned enterprise under the PRC law.

@ Registered as domestic limited liability companies under the PRC law.

Note: The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they did not register any official English names.

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

## 18. Properties under Development

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Properties under development expected to be completed: | | |
| Within normal operating cycle included under current assets | **3,595,735** | 3,585,106 |
| Properties under development expected to be completed within normal operating cycle and recoverable: | | |
| Within one year | **1,421,779** | 2,135,127 |
| After one year | **2,173,956** | 1,449,979 |
| | **3,595,735** | 3,585,106 |

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

At 31 December 2010, certain of the Group's properties under development of RMB2,979,887,000 (2009: RMB1,040,415,000) were pledged to banks to secure the loans granted to the Group (note 26).

## 19. Completed Properties Held for Sale

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

## 20. Prepayments, Deposits and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Prepayments | **190,168** | 250,113 | **798** | 256 |
| Deposits and other receivables | **484,997** | 117,874 | **–** | – |
| | **675,165** | 367,987 | **798** | 256 |

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

Included in the Group's other receivables as at 31 December 2010 are amounts due from non-controlling shareholders of the Group's subsidiaries of RMB145,505,000 (2009: RMB15,544,000). The balances with the non-controlling shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

## 21. Due to a Related Party

An analysis of the balances with a related party is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Due to a related party: | | | | |
| Ms. Kwok Ying Lan ("Ms. Kwok") | **–** | 1,787 | **–** | 882 |

Ms. Kwok is a director of the Company. The above balance is non-trade in nature, unsecured, interest-free and is repayable on demand.

## 22. Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Cash and bank balances | **2,732,669** | 1,571,781 | **1,336,323** | 60,249 |
| Less: Restricted cash | **(13,223)** | (1,755) | **–** | – |
| Cash and cash equivalents | **2,719,446** | 1,570,026 | **1,336,323** | 60,249 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,334,138,000 (2009: RMB1,509,305,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 23. Receipts in Advance

Receipts in advance represented amounts received from buyers in connection with the pre-sale of properties during the year.

## 24. Trade Payables

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

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Due within 1 year or on demand | **679,738** | 257,669 |
| Due within 1 to 2 years | **234,409** | 445,819 |
| | **914,147** | 703,488 |

The trade payables are non-interest-bearing and unsecured. The carrying amounts of these balances approximate to their fair value.

## 25. Other Payables and Accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Accruals | **10,316** | 682 | **–** | – |
| Other payables | **373,822** | 180,520 | **3,736** | 21,600 |
| | **384,138** | 181,202 | **3,736** | 21,600 |

The carrying amounts of other payables approximate to their fair values.

Included in the Group's other payables as at 31 December 2010 are amounts due to the non-controlling shareholders of the Group's subsidiaries of RMB6,084,000 (2009: RMB12,631,000). The balances with the non-controlling shareholders are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

## 26. Interest-bearing Bank and Other Borrowings

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2010** | | | 2009 | | |
| | **Effective contractual interest rate (%)** | **Maturity** | **RMB'000** | Effective contractual interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Bank loans – unsecured | **5.31 – 5.84** | **2011** | **177,159** | – | – | – |
| Bank loans – secured | **5.40 – 9.00** | **2011** | **860,864** | 5.40 – 6.53 | 2010 | 783,000 |
| | | | **1,038,023** | | | 783,000 |
| **Non-current** | | | | | | |
| Bank loans – unsecured | **5.47** | **2012** | **142,400** | 5.40 | 2011 – 2012 | 324,050 |
| Bank loans – secured | **5.40 – 6.53** | **2012 – 2019** | **1,479,000** | 5.40 – 6.90 | 2011 – 2019 | 1,122,000 |
| Other loans – secured | **10.00** | **2013** | **849,979** | – | – | – |
| Other loans – unsecured | **14.71** | **2015** | **1,270,368** | – | – | – |
| | | | **3,741,747** | | | 1,446,050 |
| | | | **4,779,770** | | | 2,229,050 |

## 26. Interest-bearing Bank and Other Borrowings (Continued)

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | **2010** | | | 2009 | | |
| | **Effective contractual interest rate (%)** | **Maturity** | **RMB'000** | Effective contractual interest rate (%) | Maturity | RMB'000 |
| **Non-current** | | | | | | |
| Other loans – secured | **10.00** | **2013** | **849,979** | – | – | – |
| Other loans – unsecured | **14.71** | **2015** | **1,270,368** | – | – | – |
| | | | **2,120,347** | | | – |

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 RMB'000** | 2009 RMB'000 | **2010 RMB'000** | 2009 RMB'000 |
| Analysed into: | | | | |
| Bank loans repayable: | | | | |
| Within one year or on demand | **1,038,023** | 783,000 | **–** | – |
| In the second year | **294,400** | 196,050 | **–** | – |
| In the third to fifth years, inclusive | **1,022,000** | 875,000 | **–** | – |
| Beyond five years | **305,000** | 375,000 | **–** | – |
| | **2,659,423** | 2,229,050 | **–** | – |
| Other loans repayable: | | | | |
| In the third to fifth years, inclusive | **2,120,347** | – | **2,120,347** | – |
| | **4,779,770** | 2,229,050 | **2,120,347** | – |

## 26. Interest-bearing Bank and Other Borrowings (Continued)

(a) Certain of the Group's bank and other borrowings are secured or guaranteed by:

(i) mortgages over the Group's properties under development with an aggregate carrying values at the end of the reporting period of approximately RMB2,979,887,000 (2009: RMB1,040,415,000);

(ii) pledges over the Group's investment properties with an aggregate carrying value at the end of the reporting period of approximately RMB2,171,118,000 (2009: RMB1,354,007,000);

(iii) corporate guarantees executed by certain subsidiaries of the Group to the extent of RMB879,000,000 (2009: RMB259,050,000); and

(iv) joint and several personal guarantees executed by Mr. Lam Lung On ("Mr. Lam") and Ms. Kwok, directors of the Company, to the extent of RMB1,299,979,000 as at 31 December 2010 (2009: RMB450,000,000).

(b) The Group's bank and other borrowings with carrying amounts of RMB2,659,423,000 (2009: RMB2,229,050,000), RMB849,979,000 (2009: nil) and RMB1,270,368,000 (2009: nil) are denominated in RMB, Hong Kong dollars and United States dollars, respectively.

(c) The carrying amounts of the Group's borrowings approximate to their fair values.

(d) In July 2010, the Company issued and sold bonds with a face value of HK$700 million (approximately RMB594,985,000) to China Life Trustee Limited ("China Life"). The Company issued and sold an additional tranche of bonds, with a face value of HK$300 million (approximately RMB254,994,000), to China Life in November 2010 (collectively the "China Life Bonds"). The China Life Bonds are guaranteed by Mr. Lam and Ms. Kwok. The China Life Bonds have a term of three years and bear an interest rate of 10% per annum. Mr. Lam and Ms. Kwok collectively pledged an aggregate 504,000,000 shares in the Company held by them as security for the punctual payment of all sums payable under the China Life Bonds. Under the terms and conditions of the China Life Bond, Mr. Lam and Ms. Kwok shall collectively maintain an ultimate beneficial shareholding of not less than 51% in aggregate of the total issued share capital of the Company.

(e) In December 2010, the Company issued 13.5% senior notes (the "2010 Senior Notes") with an aggregate principal value of US$200,000,000 (approximately RMB1,317,467,000). The net proceeds, after deducting the issuance costs, amounted to approximately US$191,669,000 (approximately RMB1,261,267,000). The 2010 Senior Notes will mature on 15 December 2015. The Company, at its option, can redeem all or a portion of the 2010 Senior Notes at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date.

## 27. Provision for Land Appreciation Tax

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| At 1 January | **335,597** | 182,964 |
| Charged to the consolidated income statement during the year (note 10) | **460,067** | 333,414 |
| Payment for the year | **(18,923)** | (180,781) |
| At 31 December | **776,741** | 335,597 |

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 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稅暫行條例實施細則) effective from 27 January 1995, all gains arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale 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.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

## 28. Deferred Tax

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Net deferred tax assets recognised in the consolidated statement of financial position | **186,418** | 76,614 |
| Deferred tax liabilities recognised in the consolidated statement of financial position | **(543,266)** | (435,904) |
| | **(356,848)** | (359,290) |

## 28. Deferred Tax (Continued)

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

| | Withholding tax RMB'000 | Revaluation on investment properties RMB'000 | Provision of LAT RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2009 | (19,505) | (169,375) | 36,843 | (152,037) |
| Credited/(charged) to the consolidated income statement during the year (note 10) | (14,580) | (232,444) | 39,771 | (207,253) |
| At 31 December 2009 and 1 January 2010 | **(34,085)** | **(401,819)** | **76,614** | **(359,290)** |
| Credited/(charged) to the consolidated income statement during the year (note 10) | **(38,359)** | **(69,003)** | **109,804** | **2,442** |
| At 31 December 2010 | **(72,444)** | **(470,822)** | **186,418** | **(356,848)** |

The Group had unutilised tax losses of approximately RMB316,208,000 as at 31 December 2010 (2009: RMB222,044,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. Deferred tax assets are recognised for tax losses carried forward only to the extent that the realisation of related benefits through future taxable profits is probable. The Group did not recognise deferred tax assets on unutilised tax losses arising in the PRC of RMB316,208,000 as at 31 December 2010 (2009: RMB222,044,000) due to the unpredictability of future profit streams.

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

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

## 29. Share Capital

### Shares

| | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|
| Authorised: | | |
| 100,000,000,000 (2009: 100,000,000,000) ordinary shares of HK$0.1 each | **8,813,679** | 8,813,679 |
| Issued and fully paid: | | |
| 2,400,000,000 (2009: 2,400,000,000) ordinary shares of HK$0.1 each | **211,528** | 211,528 |

A summary of the transactions in the Company's issued share capital for the prior year is as follows:

| | Number of issued and fully paid ordinary shares | Nominal value of ordinary shares HK$'000 | Share premium HK$'000 | Equivalent nominal value of ordinary shares RMB'000 | Equivalent share premium RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2009 | 100 | 1 | – | 1 | – | 1 |
| Issue of new shares | 100 | – | 1 | – | 1 | 1 |
| Cancellation of shares | (100) | (1) | – | (1) | – | (1) |
| Loan capitalisation issue | 806,398,958 | 80,640 | 728,722 | 71,073 | 642,273 | 713,346 |
| Capitalisation issue | 993,600,942 | 99,360 | (99,360) | 87,573 | (87,573) | – |
| Issue of shares in connection with the listing | 600,000,000 | 60,000 | 1,560,000 | 52,882 | 1,374,934 | 1,427,816 |
| Share issue expenses | – | – | (54,669) | – | (48,184) | (48,184) |
| As at 31 December 2009, 1 January 2010 and 31 December 2010 | **2,400,000,000** | **240,000** | **2,134,694** | **211,528** | **1,881,451** | **2,092,979** |

## 30. Reserves

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 71 and 72 of the financial statements.

#### (i) Merger reserve

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

#### (ii) Statutory surplus reserve

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

#### (iii) Deemed distribution to the then equity owners upon the group reorganisation

Deemed distribution to the then equity owners represents the costs paid by the Group to the equity owners in respect of the acquisition of subsidiaries pursuant to the group reorganisation.

#### (iv) Other reserve

Certain amount of goodwill arising on the acquisition of minority interests was recognised as other reserve.

## 30. Reserves (Continued)

### (b) Company

| | Share premium account RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2009 | – | – | – | – |
| Issue of shares | 1 | – | – | 1 |
| Loan capitalisation issue of shares | 642,273 | – | – | 642,273 |
| Capitalisation issue of shares | (87,573) | – | – | (87,573) |
| Issue of shares in connection with the listing | 1,374,934 | – | – | 1,374,934 |
| Share issue expenses | (48,184) | – | – | (48,184) |
| Total comprehensive income for the year | – | (14) | 159,302 | 159,288 |
| Proposed final dividend | – | – | (158,646) | (158,646) |
| At 31 December 2009 and at 1 January 2010 | **1,881,451** | **(14)** | **656** | **1,882,093** |
| Total comprehensive income for the year | **–** | **(74,441)** | **(51,078)** | **(125,519)** |
| Proposed final dividend | **(224,394)** | **–** | **–** | **(224,394)** |
| At 31 December 2010 | **1,657,057*** | **(74,455)** | **(50,422)*** | **1,532,180** |

* These reserve accounts comprise the Company's reserves available for distribution amounting to RMB1,606,635,000 (2009: RMB1,882,107,000).

## 31. Notes to the Consolidated Statement of Cash Flows

### Major non-cash transactions

(a) As part of the Reorganisation, on 21 September 2009, the Group acquired certain subsidiaries from Mr. Lam and Ms. Kwok at an aggregate consideration of approximately RMB359,347,000, which was settled by way of loan capitalisation as detailed in note 31(b) below.

(b) On 9 October 2009, the Company conditionally issued and allotted 806,398,958 ordinary shares of HK$0.10 each as fully paid to Mr. Lam and Ms. Kwok by way of loan capitalisation of approximately RMB713,346,000 owed by the Company to Mr. Lam and Ms. Kwok. This issue and allotment became unconditional when the Company's shares were listed on the Stock Exchange on 2 November 2009.

## 32. Acquisitions of Subsidiaries

(a) In June 2010, the Group entered into a share transfer agreement with an independent third party for the acquisition of a 100% equity interest in Shanghai Xiersi Merchandise Co., Ltd. ("Xiersi") at a cash consideration of approximately RMB261.5 million. Up to the date of acquisition, Xiersi has not carried out any significant business transactions except for holding a plot of land in Shanghai, the PRC. The acquisition was completed in June 2010 and Xiersi then became a wholly-owned subsidiary of the Group.

(b) In September 2010, the Group entered into a share transfer agreement with an independent third party for the acquisition of a 100% equity interest in Shanghai Kangyi Property Development Co., Ltd. ("Shanghai Kangyi") at a cash consideration of approximately RMB74.9 million. Up to the date of acquisition, Shanghai Kangyi has not carried out any significant business transactions except for holding a plot of land in Shanghai, the PRC. The acquisition was completed in September 2010 and Shanghai Kangyi then became a wholly-owned subsidiary of the Group.

(c) In September and November 2010, the Group entered into two share transfer agreements with two independent third parties for the acquisition of an aggregate of a 100% equity interest in Shanghai Nankai Realty Co., Ltd. ("Nankai") at a cash consideration of approximately RMB142.3 million. Up to the date of acquisition, Nankai has not carried out any significant business transactions except for holding a plot of land in Shanghai, the PRC. The acquisition was completed in December 2010 and Nankai then became a wholly-owned subsidiary of the Group.

## 33. Financial Guarantees

The Group had the following financial guarantees as at the end of the reporting period:

| | Group | |
|---|---|---|
| | **2010** **RMB'000** | 2009 RMB'000 |
| Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties | **3,205,720** | 2,379,720 |

At the end of the reporting period, the Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as security on the mortgage loans. Upon default on mortgage payments by these purchasers, the banks are entitled to take over the legal titles and can realise the pledged properties through open auction. The Group is obliged to repay the banks for the shortfall if the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

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

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

## 34. Pledge of Assets

Details of the Group's banks loans which are secured by the assets of the Group, are included in note 26(a) to the financial statements.

## 35. Operating Lease Arrangements

### (a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments according to the then prevailing market conditions.

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

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Within one year | **37,328** | 35,471 |

### (b) As lessee

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Within one year | **4,793** | 1,024 | **2,115** | 859 |
| In the second to fifth years, inclusive | **3,020** | 525 | **2,996** | 430 |
| | **7,813** | 1,549 | **5,111** | 1,289 |

## 36. Commitments

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments as at the end of the reporting period:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Contracted, but not provided for: | | |
| Investment properties under construction and properties under development | **1,393,969** | 1,275,330 |
| Acquisition of land use rights | **1,698,000** | 1,907,900 |
| | **3,091,969** | 3,183,230 |

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

## 37. Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year.

| | | Group | |
|---|---|---|---|
| | | **2010** | 2009 |
| | Note | **RMB'000** | RMB'000 |
| Interest expense paid to Xiamen Zongheng Group Co., Ltd ("Zongheng Group") | (i) | **–** | 7,223 |
| Service fees paid to Xiamen Zongheng Group Communication Management Co., Ltd ("Zongheng Communication Management Co.") | (ii) | **4,365** | 1,303 |

Notes:

(i) The interest expense is charged on the entrusted loans obtained from Zongheng Group through a financial institution. The loans were unsecured, bore interest at 8.69% per annum and were repayable within one year. The other loans have been fully paid by the Group in July 2009.

(ii) The service fees were incurred for the design, installation and testing of intelligence systems provided by Zongheng Communication Development Co. in relation to properties held for sale, at rate determined in accordance with terms and conditions set out in the contracts entered into between the relevant parties. Zongheng Communication Development Co. is a company controlled by Mr. Lam and Ms. Kwok.

## 37. Related Party Transactions (Continued)

Notes: (Continued)

(b) Compensation of key management personnel of the Group
In the opinion of the Company's directors, the directors of the Company represented the key management personnel of the Group and details of the compensation of whom are set out in note 8 to the financial statements.

(c) As at the end of the reporting period, certain bank and other borrowings of the Group in the amount of RMB1,299,979,000 (2009: RMB450,000,000) were guaranteed by Mr. Lam and Ms. Kwok, directors of the Company, and in the amount of RMB849,979,000 were secured by share charge over 504,000,000 shares in the Company held by Mr. Lam and Ms. Kwok.

## 38. Financial Instruments by Category

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

## 39. Financial Risk Management Objectives and Policies

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

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

### Market risk

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

### Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in Mainland China at the same saving rate as unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Since the Group has mainly entered into floating interest rate loans, there is no significant fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

A reasonably possible change of 50 basis point in interest rate, with all other variables held constant, would have no material impact on the Group's profit during the year and there would be no material impact on other components of the Group's equity.

## 39. Financial Risk Management Objectives and Policies (Continued)

### Foreign currency risk

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

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

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

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

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

A reasonably possible change of 5% in the exchange rate between the Hong Kong dollar and the Renminbi would have no material impact on the Group's profit during the year and there would be no material impact on other components of the Group's equity.

### Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. There is no significant concentration of credit risk within the Group.

On top of the credit risk arising from the financial guarantees provided by the Group as detailed in note 33, the credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

## 39. Financial Risk Management Objectives and Policies (Continued)

### Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities are available for contingency purposes.

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

#### Group

| | At 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | **On demand or within 1 year RMB'000** | **In the second year RMB'000** | **3 to 5 years RMB'000** | **Beyond 5 years RMB'000** | **Total RMB'000** |
| Interest-bearing bank and other borrowings | **1,252,156** | **464,419** | **3,374,942** | **335,546** | **5,427,063** |
| Trade payables | **679,738** | **234,409** | **–** | **–** | **914,147** |
| Other payables | **373,822** | **–** | **–** | **–** | **373,822** |
| | **2,305,716** | **698,828** | **3,374,942** | **335,546** | **6,715,032** |
| Financial guarantees issued: | | | | | |
| Maximum amount guaranteed (note 33) | **3,205,720** | **–** | **–** | **–** | **3,205,720** |

| | At 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | On demand or within 1 year RMB'000 | In the second year RMB'000 | 3 to 5 years RMB'000 | Beyond 5 years RMB'000 | Total RMB'000 |
| Interest-bearing bank and other borrowings | 889,404 | 271,353 | 1,028,500 | 428,094 | 2,617,351 |
| Trade payables | 257,669 | 445,819 | – | – | 703,488 |
| Other payables | 180,520 | – | – | – | 180,520 |
| Due to related parties | 1,787 | – | – | – | 1,787 |
| | 1,329,380 | 717,172 | 1,028,500 | 428,094 | 3,503,146 |
| Financial guarantees issued: | | | | | |
| Maximum amount guaranteed (note 33) | 2,379,720 | – | – | – | 2,379,720 |

## 39. Financial Risk Management Objectives and Policies (Continued)

### Liquidity risk (Continued)

Company

| | At 31 December 2010 | | | |
|---|---|---|---|---|
| | On demand or within 1 year RMB'000 | In the second year RMB'000 | 3 to 5 years RMB'000 | Total RMB'000 |
| Other borrowings | 262,856 | 262,856 | 2,738,919 | 3,264,631 |
| Other payables | 3,736 | – | – | 3,736 |
| Due to subsidiaries | 38,087 | – | – | 38,087 |
| | 304,679 | 262,856 | 2,738,919 | 3,306,454 |

| | At 31 December 2009 On demand or within 1 year RMB'000 |
|---|---|
| Other payables | 21,600 |
| Due to subsidiaries | 7,326 |
| Due to related party | 882 |
| | 29,808 |

### Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

## 39. Financial Risk Management Objectives and Policies (Continued)

### Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting period were as follows:

Group

| | **2010** **RMB'000** | 2009 RMB'000 |
|---|---|---|
| Interest-bearing bank and other borrowings | **4,779,770** | 2,229,050 |
| Less: Cash and cash equivalents | **(2,719,446)** | (1,570,026) |
| Less: Restricted cash | **(13,223)** | (1,755) |
| Net debt | **2,047,101** | 657,269 |
| Total equity | **4,824,029** | 3,829,417 |
| Gearing ratio | **42.4%** | 17.2% |

## 40. Event After Reporting Period

In February 2011, a subsidiary of the Company won a bid to acquire a parcel of land located in Shanghai, the PRC, through public bidding. The consideration of the land is approximately RMB224.0 million.

## 41. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

# Schedule of Major Properties

## Major Investment Properties

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Phase I of Yuzhou World Trade Center on Lot No. 75, Xiahe Road, Xiamen, Fujian Province, the PRC | Commercial and car parking space | Long term lease | 100% |
| Phase II of Yuzhou World Trade Center on Lot No. 76, Xiahe Road, Xiamen, Fujian Province, the PRC | Commercial and car parking space | Long term lease | 100% |
| Phase I of Yuzhou Jinqiao International, No. 333 Jingang Road, Pudong New Area, Shanghai, the PRC | Commercial | Medium term lease | 100% |
| Phase II of Yuzhou Jinqiao International, Lane 50 Jinyu Road, Pudong New Area, Shanghai, the PRC | Commercial | Medium term lease | 100% |
| Phase III of Yuzhou Jinqiao International, Jinyu Road and Jinxian Road, Pudong New Area, Shanghai, the PRC | Commercial | Medium term lease | 100% |
| Lot A, West of the Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC | Commercial | Long term lease | 100% |
| Lot B, West of the Xinggang Road, Haicang District, Xiamen, Fujian Province, the PRC | Commercial | Long term lease | 100% |

# Schedule of Major Properties

## Major Properties Under Development

| Location | Use | Site area (sq.m.) | Gross floor area (sq.m.) | Stage of completion | Expected completion date | Attributable interest of the Group |
|---|---|---|---|---|---|---|
| Longjiang Village, Chengmen Town Cangshan District, Fuzhou, Fujian Province, the PRC | Residential and commercial | 706,397 | 365,512 | Under–development | 2011–2013 | 80% |
| Niushan Village, Yangli, Gushan Town, Jinan District, Fuzhou, Fujian Province, the PRC | Residential and car parking space | 234,160 | 87,576 | Under–development | 2011 | 60% |
| East of Huli Avenue, South of Huandao Road, Huli District, Xiamen, Fujian Province, the PRC | Hotel | 60,018 | 125,221 | Under–development | 2013 | 100% |
| Hubin South Road, Siming District, Xiamen, Fujian Province, the PRC | Office | 3,333 | 60,251 | Under–development | 2013 | 100% |
| Tongji Road,Xike Town, Tongan District, Xiamen, Fujian Province, the PRC | Residential and commercial | 90,750 | 480,252 | Under–development | 2012 | 100% |
| Fanghu, Huli District, Xiamen, Fujian Province, the PRC | Residential and car parking space | 52,715 | 193,767 | Under–development | 2011 | 98% |
| West of Songlin Road, Northeast of Planning Road, Taohua Town, Feixi County, Hefei, Anhui Province, the PRC | Residential and commercial | 446,757 | 1,148,560 | Under–development | 2014 | 100% |

## Major Completed Properties Held for Sale

| Location | Use | Site area (sq.m.) | Gross floor area (sq.m.) | Stage of completion | Expected completion date | Attributable interest of the Group |
|---|---|---|---|---|---|---|
| Fanghu, Huli District, Xiamen, Fujian Province, the PRC | Residential and commercial | 26,367 | 93,556 | Completed | N/A | 100% |