中國奧園地產集團股份有限公司

China Aoyuan Property Group Limited

(Incorporated in the Cayman Islands with limited liability)

HKEx Stock Code: 3883

Annual Report 2010

Building a healthy, low-carbon lifestyle

Group Introduction

China Aoyuan Property Group Limited ("Aoyuan" or the "Company") and its subsidiaries (the "Group") have been developing residential projects for over ten years with innovative concept of composite property, incorporating healthy living concepts of low carbon, sports and regimen into residential communities. Thereafter, the Group introduced the Cathay Capital Group, a US investment fund, as one of its substantial shareholders, and the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2007 (Stock Code: 3883).

The real estate projects currently held by the Group are mainly located in Guangdong and Shenyang; as well as Beijing, Chongqing, Guangxi and Jiangxi, which have created excellent and comfortable living environment for property owners. The Group's strategy is to implement regional focus on the five major economical circles as its core regions in PRC, namely Pearl River Delta, Yangtze River Delta, Bohai Rim, Beibuwan as well as Central and Western China.

The Group has affirmed its future development direction: adhering to its development concept of "Building a healthy, low-carbon lifestyle" by delivering a low carbon and healthy living environment while formulating a "low-carbon and healthy residence" technology supporting system. Aoyuan will selectively apply such concept in accordance with different features of the respective projects and incorporate the brand concept of "low-carbon and health" into its project development, striving to provide its customers with superior products and create a healthy lifestyle.

Content

Corporate Information

Directors

Executive Directors

Mr. Guo Zi Wen *(chairman)*
Mr. Guo Zi Ning *(vice chairman and chief executive officer)*
Mr. Yang Zhong *(chief operating officer)*
Mr. Lam Kam Tong *(chief financial officer)*
Ms. Xin Zhu
Mr. Hu Da Wei

Non-executive Directors

Mr. Wu Jie Si *(vice chairman)*
Mr. Paul Steven Wolansky

Independent Non-executive Directors

Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung

Registered Office

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

Principal Place of Business in the PRC

AoYuan Mansion, No.108, HuangPu Avenue West,
Tianhe District, Guangzhou, PRC

Place of Business in Hong Kong

Room 5105, 51/F, The Center, 99 Queen's Road Central,
Hong Kong

Company Website

http://www.aoyuan.com.cn

Company Secretary

Mr. Lam Kam Tong

Authorized Representatives

Mr. Guo Zi Wen
Mr. Guo Zi Ning

Members of the Audit Committee

Mr. Ma Kwai Yuen *(chairman)*
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung

Members of the Remuneration Committee

Mr. Tsui King Fai *(chairman)*
Mr. Ma Kwai Yuen
Mr. Cheung Kwok Keung

Members of the Nomination Committee

Mr. Guo Zi Wen *(chairman)*
Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung

Principal Bankers

Agricultural Bank of China
Bank of China Limited
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China Limited
Nanyang Commercial Bank Limited
China Construction Bank Corporation

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street, P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
17 M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Financial Highlights

Results Highlights

For the year ended 31 December 2010
(RMB'000)

	2010	2009
Revenue	2,442,172	2,364,467
Gross profit	655,846	439,714
Net profit	346,600	326,297
Attributable to:		
– Owners of the Company	321,269	320,133
– Non-controlling interests	25,331	6,164
Earnings per share (cents)		
– Basic	12.30	13.23
– Diluted	12.28	12.66

Revenue Analysis

For the year ended 31 December 2010
(RMB'000)

	2010	2009
Property development	2,431,006	2,348,145
Property investment	7,802	15,086
Others	3,364	1,236
Total	2,442,172	2,364,467

Property Development Revenue Analysis

For the year ended 31 December 2010

	Delivered Area ('000 sq.m.)	Recognized Revenue Amount (RMB'000)
Apartments	325.7	1,554,171
Villas and townhouses	50.3	554,775
Commercial properties	39.1	322,060
Total	415.1	2,431,006

Recognized Revenue

- Apartments **64%**
- Villas and townhouses **23%**
- Commercial properties **13%**

Balance Sheet Summary

As at 31 December 2010

(RMB'000)

	2010	2009
Total assets	**13,251,406**	11,725,341
Total liabilities	**7,274,278**	5,972,381
Total equity	**5,977,128**	5,752,960

Year in Review

Jan

Aoyuan Plaza, a large-scale comprehensive commercial project in southern Guangzhou and Zhongshan Aoyuan held grand ceremonies for foundation laying.

Feb

New brand concept of "Building a healthy, low-carbon lifestyle" of Aoyuan was officially introduced to media in Guangzhou.

Mar

The Group announced that it entered into a framework agreement to acquire commercial properties in Zhujiang Xincheng, the Central Business District of Guangzhou, for a total consideration of RMB176.5 million.

Apr

Shenyang Aoyuan • The Metropolis held its grand ground-breaking ceremony.

China Elderly Health Care Association appointed Aoyuan • Regimen City as a vice president institution of the Association. Aoyuan • Regimen City was recognised as a base of the Association for health care, leisure and vacation.

Jun

Qingyuan Aoyuan • Institute Villa 2 was launched with grand opening.

Jul

Jiangmen Aoyuan • City of Champion was launched with grand opening.

Sep

Zhongshan Aoyuan was officially launched.

Aoyuan • Hai Jing Cheng and Nanao • Golf Serviced Apartment, the last phase of Nanguo Aoyuan had their grand openings.

Oct

Shenyang Aoyuan • The Metropolis, the first high-tech and intelligent complex project in Shenyang, had its grand opening ceremony.

Phase I of Aoyuan Plaza was officially launched for sale and achieved remarkable sales performance.

Nov

The Group's chief executive officer, Mr. Guo Zi Ning, was a selected torch bearer of the 16th Guangzhou Asian Games Torch Relay.

Dec

As a pioneer for implementation of CEPA in Nansha, Comprehensive Model Zone, Aoyuan participated in the Launching Ceremony of the Construction of Pioneer Comprehensive Exemplary Area, which was held in Hong Kong.

Honours in 2010

Honors and Awards (continued)

"Enterprise of Contractual Performance and Creditworthiness"

Awarded by Guangzhou Administration for Industry and Commence and Guangzhou Contract Administration Association for the eleventh consecutive year.

"The 9th (2010) Top 20 Guangdong Property Enterprises with High Credit"

Issued by the Guangdong branch of 4 state-owned banks: Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation. The Group has won the award for nine consecutive years.

"Top 10 Hong Kong Listed PRC Real Estate Companies"

The Group was awarded as "The Best Growth Company" and "Top 10 Hong Kong Listed PRC Real Estate Company" in the contest of "2010 First Financial China Real Estate Listed Companies" sponsored by First Financial Daily and First Financial Research Institute.

"Top 20 Most Competitive Guangdong Real Estate Enterprises"

Awarded by Guangdong Academy of Social Sciences, Scientific Institute of Enterprise Management and Decision-making, Guangdong Shengqing Research Center.

"Outstanding China Real Estate Developers 2010"

Issued by Economic Digest, a well-known financial magazine in Hong Kong.

"Leaders of Real Estate of Guangdong in Ten Golden Years • Outstanding Leader • Reputable Property Developer Brand • Premier Villa"

The Chairman, Mr. Guo Zi Wen, was named "Leaders of Real Estate of Guangdong in Ten Golden Years • Outstanding Leader" sponsored by Southern Metropolis Daily. The Group was awarded "Leaders of Real Estate of Guangdong in Ten Golden Years • Reputable Property Developer Brand" and Nansha Aoyuan was awarded "Leaders of Real Estate of Guangdong in Ten Golden Years • Premier Villa".

"Hong Kong Outstanding Enterprises 2010"

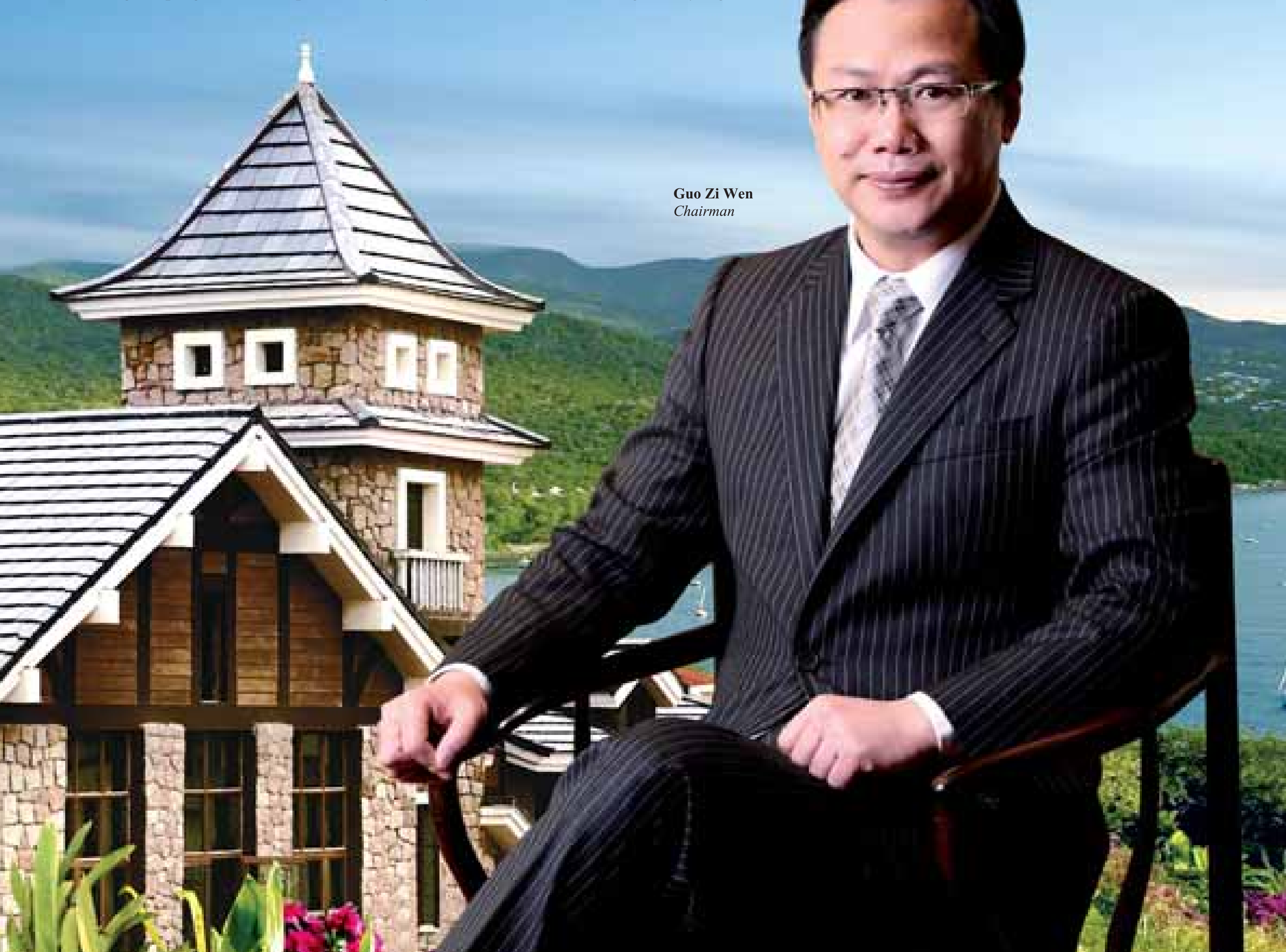
Issued by Economic Digest, a well-known financial magazine in Hong Kong.

Chairman's Statement

Dear Shareholders,

In 2010, China launched a series of austerity measures such as the "Eleven Measures", "New Four Measures", "Increase of Down Payment Threshold" and "Limitation on Purchase and Suspension of Loans". The local governments have also introduced a series of rules with frequent control measures to stabilize the property market as the macro economy was volatile.

For 2010, the management of Aoyuan adopted a prudent development strategy and adhered to the development concept of "Building a healthy, low-carbon lifestyle", by integrating elements such as environment protection, comfort, health and regimen into project development and adopting low carbon, regimen and healthy housing as its major development concept, which were reflected in its project construction with more concern placed on the healthiness of Chinese people in respect of lifestyle. Such development focus has received compliments from the society at large and especially domestic and overseas investors. In 2010, Aoyuan achieved contracted sales of over RMB4.76 billion, an increase of over 65.5% compared with the same period in 2009. It achieved great progress in all aspects during the year: in low carbon housing, Shenyang



Guo Zi Wen
Chairman

Chairman's Statement (continued)

Aoyuan • The Metropolis adopted eight leading low carbon technologies and was a sensational success in Shenyang and the Northeast region which attracted numerous customers with a strong sales of RMB360 million and symbolized our strong presence in the domain of low-carbon housing; in respect of health and regimen, after years of preparation, Aoyuan • Regimen City introduced internationally renowned cooperative partners such as the MJ Group, one of the top three health management institutions in the world and the Swiss Anti-aging Center and trial operation has already commenced; for commercial properties, the successful launch and sales results of Aoyuan Plaza laid a solid foundation for the development of commercial projects in the future.

Looking forward to 2011, the Chinese government will continue to implement austerity measures and the introduction of the "New Eight Measures" would further strengthened the control towards the real estate industry in aspects such as land, purchase, credit and taxation. Premier Wen Jiabao indicated in an interview "the confidence and determination to achieve the objectives of housing price regulation", which demonstrated the concern and determination of the central government towards regulation of the real estate market, which provided opportunities as well as challenges to Aoyuan. Aoyuan will combine its own advantages in the industry to fulfill the strong demand and maintain rapid development; for its brand concept, Aoyuan will adhere to "Building a healthy, low-carbon lifestyle" and continue to develop leading projects in the domain of low carbon and healthy housing to fulfill the development themes of future living such as environment protection, low carbon, health and regimen. Regarding the management team and personnel training, we will strengthen the cultivation of key personnel and improve operational capabilities of the project through an optimized performance appraisal and incentive system and enhance the initiative and enthusiasm of our team. As for landbank and financial management, the Group will diversify its funding channels and increase its quality land bank more effectively through prudent financial management. Meanwhile, by standardizing product design, improving consciousness for the best and optimizing property management, we will speed up the property development and maintain Aoyuan's brand image.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, investors, business partners, property owners, the media and those who concern about our Group in the community for their unfailing trust and support on the Group. I would also like to thank members of the Board, senior management and all staff members for their diligence and hard work.

Guo Zi Wen
Chairman

22 March 2011

Chief Executive Officer's Report

1. China Property Market

For 2010 the year under view, the economy was volatile and the economy grew rapidly with significant inflation, China's real estate market continued to heat up as the macro-economy stabilized and improved. As property prices and transaction volume increased at a faster rate than previously anticipated, it became a social concern again. The central government adopted a stabilization-oriented economic policy which aimed at preventing inflation and implemented regulations on the property market. It has introduced a series of measures and rules such as the "Eleven Measures", "New Four Measures", "Increase of Down Payment Threshold", "Suspension of Loan for the Purchase of Third Property" and "Interest Rate Differentiations" to stabilize the property market. The increase in property price has slowed down with decline in transaction volume.

In 2011, the government has a firm attitude to curb further increase in housing price. It is expected that the control policy on the real estate industry would become tougher and competition in the real estate market would intensify, especially when the government policy on the launch of social housing is gradually implemented. 2011 will be a year of implementing the austerity measures and its results will be assessed. We believe the austerity measures can promote healthy development of the real estate market in the long run. After the demand for speculative property purchase is suppressed by the government, the overall property market is expected to be more rational and stable in 2011 and the overall housing price is expected to be more stabilized. In the long run, China's urbanization would still create a strong demand for commodity housing. Property market in second and third-tier cities would develop more rapidly as the real estate industry continues to be one of the pillar industries in the rapid development of the Chinese economy.

Guo Zi Ning
Vice chairman and chief executive officer

2. Business Review

During the year, the Group strengthened its operating structure, and further improved in various functions such as cost management, project management and marketing management. For cost management, we have enjoyed economy of scale and strived to reduce cost; for design management, we strengthened the technical research involving low-carbon, health, energy saving house, improved the system documentation on design and guidance and product design standards and would gradually achieve the development of products suitable for the market and projects with low carbon and healthy elements for building a new generation of outstanding properties of Aoyuan. For marketing management, we enhanced the integrated marketing plan to increase efficiency and strengthened the interaction between projects to unite the marketing activities of different projects under the same brand.

The Group was fully aware of the high commercial value of its commercial properties, it has implemented development in both commercial and residential properties and effectively ensured the growth in sales. With the experiences in project development in Southern China and other regions, we focus on developing commercial projects in prime areas and with potential of value increase such as the large commercial project "Aoyuan Plaza" in Panyu of Guangzhou and the "Aoyuan • Hai Jing Cheng" in core area of Nansha. For the large-scale comprehensive landmark project "Shenyang Aoyuan • The Metropolis", its commercial planning is also under development. We established an internal specialized asset company and focused on the strengthening of our commercial operation to further develop the long-term potential value of commercial properties and diversify our source of income from properties.

In 2010, the Group's branding concept of "Building a healthy, low-carbon lifestyle" was gradually implemented with our technology and knowledge in low-carbon and healthy housing. We adopted the product strategy of building different series of low carbon and healthy housing, and integrated elements such as environmental protection, health and regimen into project development and adopted a number of low-carbon environmental friendly technologies of construction, air conditioning, gardening and intelligent renovation in projects in Shenyang, Nansha and Zhongshan. Zhongshan Aoyuan was successfully awarded as a national "healthy housing construction pilot site" and Shenyang Aoyuan • The Metropolis adopted eight leading low-carbon technologies such as temperature and humidity control. The strong sales of new projects have further proven the huge market potential of low carbon, healthy and environmental friendly residential housing as well as the wide market recognition of Aoyuan's products.

We united and integrated quality resources and customers of various projects and closely align brand promotion with marketing campaigns to form a distinctive brand image of the Group and contribute to a remarkable enhancement in the Group's brand value. We are a leader in research and implementation of low carbon properties and healthy residence and were one of the speakers at the "2010 Chinese Property Technology Innovation Summit" organized by the State Residential and Environmental Construction Center and China Real Estate Research Council and thus the Group's brand awareness and reputation were further enhanced.

The Group is committed to corporate social responsibility. We not only adhered to the concept of "Building a healthy, low-carbon lifestyle" and constructed housing that is environmental friendly and healthy for the public, but also actively engaged in social charity and donations to schools, strived to contribute to a sustainable and harmonious society. In 2010, in relief of natural disasters such as the drought in the Southwest, the earthquake in Yushu of Qinghai and the debris in Zhouqu of Gansu, the Group promptly organized project companies and employees to donate funds to the disastrous areas to show its concern and care for the victims. In May 2010, the Group handed over the ownership of the Zhongcun Aoyuan School and Kindergarten entirely built by it to the Education Bureau in Panyu District, which was the first time in the Panyu District of Guangzhou.

3. Development Strategy and Future Outlook

In view of unstable economic environment and pressure from the market regulation in 2011, the Group will continue to deepen the guiding ideology summarized as "aligning with market forces, taking economic benefits as its goal, taking maximizing the overall profits for the projects and the Group as a whole as its purpose, giving consideration to enhance the Group's brand value as well". We also insist on the implementation of the appraisal system summarized as "results and efficiency oriented" and strive to create a real estate enterprise with the best growth potentials and focus specifically on the following aspects:

Continue to Enhance Business Operation Capability And Strengthen our Commercial Property Development

Our Group will continue to improve our management in different aspects, such as costing management, project management and marketing management etc. , so as to strengthen our product research and design and standardize product implementation, enhance the marketing management of the Group and the regional project companies especially to strengthen the management and guidance of the positioning, pricing and overall marketing strategies of the projects and integrate our resources to promote sales of the project companies for brand promotion. We will maintain our sensitivity towards the market and respond to market changes in a timely manner.

Based on our successful commercial property development, we will continue to expand our commercial property development in the industry. Further, we will strengthen our commercial talent reserve and establish excellent operation teams, so as to lay down strong foundation for the development of commercial real estates.

Strengthening of Brand Promotion

We will enhance the awareness of the importance of establishing the uniqueness and distinctiveness of Aoyuan's characteristics from the aspects of marketing, design, cost and operation of the project company. On the development of the low carbon healthy housing, we will fully consider the difference in application of the low carbon technology according to different regions and promote our brand through the projects. We will highlight and strengthen the characteristics of our brand of "Building a healthy, low-carbon lifestyle" and strive to become a leading enterprise for healthy, low-carbon housing in the real estate industry of China.

Strengthening of Financial Management and Broadening of Financing Channels

We will continue to maintain our cautious financial policy and strengthen our financial management. On one hand, we enhance our costing system and enjoy economy of scale for procurement of materials to lower our cost. On the other hand, we further broaden and diversified our onshore and offshore funding channels, so as to provide financial security for our rapid and continuing development.

Increasing Quality Land Bank in a Timely Manner

We will focus on regions with strong real estate demand and potentials for growth, target at regions such as the Pearl River Delta, Bohai Rim, North Bay and Central and Western China and actively cooperate with the government to strengthen the redevelopment of the "old towns, old villages and old factories" to seek development opportunities in different aspects.

Management Discussion and Analysis

BUSINESS REVIEW

In 2010, Aoyuan has launched a series of quality projects and achieved outstanding sales performance in both residential and commercial projects as several of these projects were immediately sold out on the launch date. For example, within 4 hours on its launch date on 23 October 2010, Shenyang Aoyuan • The Metropolis already achieved remarkable sales performance and recorded subscription amount of over RMB300 million, and was a sensational success in Shenyang. On 30 October 2010, Phase I of Aoyuan Plaza had its grand opening. All of the 140 commercials shops in Phase I as well as 260 out of 286 apartment units were all sold out on the day of its grand opening. The subscription amount of commercial shops and apartments reached RMB910 million, and creating a real estate daily sales record in the Pearl River Delta region.

As of 31 December 2010, the Group achieved contracted sales of RMB4,760 million, representing a substantial increase of 65.5% as compared to 2009. The total contracted sales area of our Group was 442,000 square meter, average selling price increased significantly by 120% and reached RMB10,900 per square meter as compared to 2009.

Projects	Sales Area ('000 sq.m.)	Sale Revenue (RMB million)
Aoyuan Plaza	41.2	895.6
Chang'an Ave	12.8	792.5
Nansha Aoyuan	43.1	523.3
Aoyuan • Hai Jing Cheng	53.0	478.9
Chongqing Aoyuan • City of Health	60.2	393.3
Shenyang Aoyuan • The Metropolis	48.7	382.0
Zhongshan Aoyuan	37.5	380.5
Others	145.9	915.9
Total	**442.4**	**4,762.0**

Financial Position

In June 2010, the Group entered into a loan agreement with a bank for borrowings of HKD500.0 million. In September 2010, an agreement was reached with the local government to return a land parcel in Dongling, Shenyang City and the total consideration of the land transfer was RMB687 million. In August 2010, the Company early redeemed the convertible notes due in 2012 by cash with an aggregate principal amount of USD60.0 million. As at 31 December 2010, cash, bank deposit and restricted bank deposit of the Group amounted to approximately RMB3.84 billion. With sufficient funding, the Group was in a net cash position. The stable and healthy financial position of the Group laid a more stable foundation for the Group's future business development and performance growth.

In 2010, under the backdrop of the government macro-control policy and tightened monetary policy, the Group further diversified its funding channels to secure the funding of the Group required for its development and performance growth. As of 31 December 2010, the Group had banking facilities granted by domestic banks amounted to RMB6.33 billion in total, of which RMB4.78 billion were unutilized.

Land Bank

In 2010, the Group adhered to a prudent and rational land bank strategy. In March 2010, the Group acquired a commercial office building in Guangzhou for commercial use. Our existing land bank focused on the five economic zones, namely the Pearl River Delta, Yangtze River Delta, Bohai Rim, Beibuwan and Central and Western China and mainly located in regions such as Guangdong, Jiangxi, Guangxi, Shenyang and Chongqing. As of 31 December 2010, the Group had a land bank for approximately 7,830,000 square meters of gross floor area ("GFA"). Of which, 41.2% and 30.5% of the land bank are located in Guangdong and Shenyang respectively. The Group's strategy is to maintain a low cost and high quality land bank, and the current average cost was RMB547 per square meter of GFA.

The Group's land bank included approximately 510,000 square meters of completed properties, 1,500,000 square meters under development stage and 5,820,000 square meters held for future development. The management believes that the existing land bank can meet the needs of Group's project development in the coming five to seven years.

FINANCIAL REVIEW

Operating results

The revenue is primarily generated from two business segments: property development and property investment. In 2010, the Group's total revenue was RMB2,442.2 million, representing an increase of RMB77.7 million over RMB2,364.5 million in 2009, primarily due to the increase in property sales.

In 2010, the Group's revenue generated from property development amounted to RMB2,431.0 million, representing an increase of RMB82.9 million over RMB2,348.1 million in 2009. The gross floor area of delivered properties decreased by 20.6% to 415,100 sq.m. from 522,800 sq.m. in 2009, while the average selling price increased by 30.4% to RMB5,856 per square meter from RMB4,491 per square meter in 2009. This was mainly attributable to a higher proportion of the revenue in 2010 was derived from commercial projects and villa projects of which the unit selling price per square meter was higher, and also our renowned branding which led our products could command a higher selling price, compared to that of 2009. Chongqing Aoyuan • City of Health and Nansha Aoyuan were the main source of property development revenue for the Group. The revenue generated from property development attributable to Guangzhou, Chongqing and other cities accounted for 35.8%, 30.8% and 33.4% respectively.

Gross Profit and Margin

In 2010, the gross profit of the Group was RMB655.8 million, representing an increase of 49.2% over RMB439.7 million in 2009. The average selling price for the revenue recognised from property development increased 30.4% to RMB5,856 per square meter, resulting in an increase in gross margin to 26.9% from 18.6% in 2009.

Selling and Administrative Expenses

In 2010, selling and administrative expenses of the Group were RMB273.6 million, representing an increase of 28.2% from RMB213.3 million in 2009. The selling expenses was RMB114.8 million, representing an increase of 25.5% from RMB91.5 million in 2009. As a result of new projects in various cities launched for sales in 2010, including Zhongshan, Shenyang, Guangzhou and Jiangmen, more staff were employed to speed up the project development. Although administrative expenses increased from RMB121.9 million in 2009 to approximately RMB158.8 million, the administrative expenses per each individual project actually were reduced and under stringent cost control.

Other Income

In 2010, other income of the Group increased by 250.3% to RMB245.2 million from RMB70.0 million in 2009, including interest income of RMB109.5 million, gain from the disposal of land of Shenyang Aoyuan • International Animation City project of RMB80.0 million, and exchange gain of RMB53.1 million.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 50.9% is higher than standard PRC enterprise income tax rate of 25%, primarily due to (a) land appreciation tax of approximately RMB127.2 million and (b) fair value loss on convertible notes amounted to RMB100.3 million which was an one-off non-cash item and a non-deductible item in tax computation.

Profits Attributable to Owners of the Company

In 2010, profits attributable to owners of the Company amounted to RMB321.3 million (2009: RMB320.1 million). Excluding loss of RMB100.3 million from change in fair value of convertible notes and redemption of notes which is one-off non-cash accounting adjustment, profits attributable to owners of the Company increased to RMB421.6 million.

Financial Position

As at 31 December 2010, the Group's total assets amounted to RMB13,251.4 million (as at 31 December 2009: RMB11,725.3 million) and total liabilities were RMB7,274.3 million (as at 31 December 2009: RMB5,972.4 million).

Current ratio was 2.0 as at 31 December 2010 (as at 31 December 2009: 2.3).

Financial Resources and Liquidity

In 2010, the Group's sources of fund primarily included income generated from business operations and cash from bank borrowings, which were used in our business operations and investment in development projects. In June 2010, the Group entered into a loan agreement with a bank for borrowings of HKD500.0 million, to satisfy the Group's general working capital requirements. As at 31 December 2010, the total balance of cash, bank deposits and restricted bank deposits of the Group increased by RMB1,809.8 million from the end of 2009 to RMB3,839.1 million, providing the Group with more sufficient cash flow.

The Group expects that income generated from business operations and bank borrowings will continue to be the main sources of funding in the coming year. Therefore, the Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and strictly control the cost and various expenses. In addition, the Group will continue to explore opportunities of cooperation with foreign and domestic investors to provide another source of funding for the expansion of projects and business development.

Cash Position

As at 31 December 2010, the Group had cash and bank deposits of approximately RMB2,203.1 million (as at 31 December 2009: RMB1,283.9 million).

As at 31 December 2010, the Group had restricted bank deposits of approximately RMB1,636.0 million (as at 31 December 2009: RMB745.4 million), of which RMB939.0 million served for acquiring bank loans, and others were only for payments to construction contractors.

As at 31 December 2010, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled RMB3,839.1 million, of which 87.5% was denominated in Renminbi and 12.5% was denominated in other currencies (mainly HK dollar and U.S. dollar).

BORROWINGS AND NET GEARING RATIO

Bank borrowings

As at 31 December 2010, the Group had bank borrowings of approximately RMB3,473.9 million (as at 31 December 2009: RMB2,586.4 million) as follows:

Repayment period

	31 December 2010 RMB Million	31 December 2009 RMB Million
Within one year	**1,359.6**	743.4
More than one year, but not exceeding two years	**1,045.2**	492.7
More than two years, but not exceeding five years	**855.0**	1,350.3
More than five years	**214.1**	–
	3,473.9	2,586.4

The majority of bank borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The weighted average effective interest rate on bank borrowings in 2010 was 6.65% (2009: 5.60%) per annum. The Group has implemented certain interest rate management policies which mainly included, among others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

As at 31 December 2010, the Group had banking facilities of approximately RMB6,333.0 million (as at 31 December 2009: RMB6,373.0 million) for short-term and long-term bank loans, of which approximately RMB4,780.5 million (as at 31 December 2009: RMB5,081.9 million) were unutilized.

Convertible Notes

In 2007, a subsidiary of the Company issued convertible notes with a principal amount of US$60.0 million. On 15 April 2010, the Group entered into an agreement with noteholders to repurchase the convertible notes as follows:

(a) The Group repurchased US$25.0 million in principal amount of the convertible notes in cash at a price equal to 105% of US$25.0 million, plus accrued and unpaid interest thereon to 15 April 2010. On 15 April 2010, the Group paid a total sum of US$26.5 million to noteholders.

(b) The Group repurchased US$35.0 million in remaining principal amount of the convertible notes in cash at a price equal to 108% of US$35.0 million, plus accrued and unpaid interest on such outstanding convertible notes to 3 August 2010. On 3 August 2010, the Group paid a total sum of US$38.4 million to noteholders.

Pursuant to the agreement, a loss of RMB100.3 million resulting from the agreed repurchase of the convertible notes in the amount of US$60.0 million was recognised in the comprehensive financial statements of the Group for the year ended 31 December 2010.

Net gearing ratio

Net gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted bank deposits) over the total capital and reserves attributable to equity holders. As at 31 December 2010, the Group was in a position of net cash, and net gearing ratio was 15.4% as at 31 December 2009. The debt structure of the Group further improved.

Contingent liabilities

As at 31 December 2010, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB2,943.6 million (as at 31 December 2009: RMB1,859.3 million).

The contingent liabilities represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is liable to the repayment of outstanding mortgage principals together with accrued interest and penalty owed to the banks by defaulted purchasers, and the Group is entitled to take over the legal title and possession of the related properties. The amounts as at 31 December 2010 were to be discharged upon the earlier of: (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

In 2007, a subsidiary of the Group entered into an agreement with two independent third parties (the "Vendors") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the subsidiary because of the uncertainty about the validity of the Vendors' shareholding in the Target. The Vendors then claimed against the Company for compensation of approximately RMB61,096,000. The case is in legal proceeding. No provision has been provided for this case, however, because in the opinion of the executive directors of the Group and the Group's legal counsel, the likelihood that the subsidiary is required to pay the compensation is remote.

As at 31 December 2010, the Group had contingent liabilities relating to guarantees in respect of bank borrowings of HK$670.0 million of Century Profit Zone Investments Limited (as at 31 December 2009: HK$670.0 million).

Commitments

As at 31 December 2010, the Group had construction cost contracted but not provided for of approximately RMB2,799.9 million (as at 31 December 2009: RMB2,367.0 million). The Group expects to fund these commitments principally from sale proceeds of the properties and partly from bank borrowings.

Foreign currency risks

Most of the Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies and the bank loans denominated in HK dollar, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 31 December 2010.

Pledge of assets

As at 31 December 2010, the Group pledged its property held for development and property under construction of approximately RMB1,839.9 million (as at 31 December 2009: RMB1,937.8 million) to various banks to secure project loans and general banking facilities granted to the Group.

Events after the reporting period

As announced on 21 February 2011, the Group acquired a parcel of land situated in Zhongshan, the PRC, at a consideration of approximately RMB144.2 million through public auction. The land is designated for commercial and residential uses.

As announced on 22 March 2011, the Group entered into agreements to acquire a parcel of land in Kunshan Jiangsu, the PRC, at a consideration of approximately RMB383.0 million through acquisition of equity interest in certain companies, in which these companies engages in property development. The land is designated for commercial and residential uses and no construction on the land has started before acquisition by the Group.

Employees and Remuneration

As at 31 December 2010, the Group employed a total of 653 employees. In order to encourage and retain excellent staff, the Group has adopted a performance based rewarding system since September 2007 to motivate its staff and such system was reviewed on a regular basis. As at 31 December 2010, share options in respect of a total of 48,900,000 shares of the Company were granted to certain directors and employees. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. In accordance with the relevant national and local labour laws and regulations, the Group is required to pay employees social insurance and other insurance benefits. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

Directors and Senior Management Profile

Back row from left: Mr. Tsui King Fai, Mr. Hu Da Wei, Ms. Xin Zhu, Mr. Paul Steven Wolansky, Mr. Song Xian Zhong, Mr. Ma Kwai Yuen, Mr. Cheung Kwok Keung, Mr. Lam Kam Tong
Front row from left: Mr. Guo Zi Wen, Mr. Wu Jie Si, Mr. Guo Zi Ning, Mr. Yang Zhong

Executive Directors

Guo Zi Wen, Chairman

Guo Zi Wen, aged 46, is the founder of the Group, and holds a Master's degree in Business Management. He is an executive Director and the chairman. Mr. Guo is mainly responsible for the formulation of development strategies of the Company, as well as giving guidance to the Group's project planning, financing and investment work. He is currently a committee member of the Chinese People's Political Consultative Conference in Guangdong Province (廣東省政協委員), the vice chairman of the Guangdong Federation of Industry and Commerce (廣東省工商業聯合會副主席) and the chairman of the Guangdong Investment Chamber of Private Enterprises (廣東省民營企業投資商會主席). In 2001, Mr. Guo was honored by national main stream media and China Real Estate Association (中國房地產協會) as one of the Top 10 Persons in Real Estate Industry (中國房地產十大風雲人物). In 2004, Mr. Guo received the National Real Estate Special Contribution Award (中國房地產特別貢獻獎) and the China Real Estate Theory Research Contribution Award (中國房地產理論研究貢獻獎), and was named one of the Top 10 Outstanding Real Estate Entrepreneurs in the PRC (中國房地產十大傑出企業家) in the same year. In 2008, Mr. Guo was awarded as one of the Top 10 Outstanding Entrepreneurs of the Past Three Decades in China Real Estate (中國房地產30年十大傑出貢獻人物獎), and was recognized as one of the Top 30 Leaders in the Residential Construction of Guangdong (廣東住宅建設30強領軍人物). In 2010, Mr. Guo was named "Outstanding Leader" in the event "Leaders of Real Estate of Guangdong in Ten Golden Year"（黃金十年廣東地產領袖榜 • 領袖人物）. Except for being a Director of the Company, Mr. Guo has not held any directorship in any other listed public companies during the past three years. Mr. Guo is the brother of Mr.Guo Zi Ning.

Guo Zi Ning, Vice Chairman and Chief Executive Officer

Guo Zi Ning, aged 49, is an executive Director, a vice chairman and the chief executive officer. He is also a director of the subsidiaries of the Group, and holds a Master's Degree in Business Administration. He joined the Group in 1998, now primarily responsible for administration, investment and business expansion and legal affairs and leads the overall management of the Group. Mr. Guo ceased to be a director of Aoyuan Group Company Limited during the period of being the vice president of Beijing Normal University Nanguo Aoyuan Experimental School. In 2006, Mr. Guo was reappointed as a director of Aoyuan Group Company Limited. Except for being a Director of the Company, Mr. Guo has not held any directorship in any other listed public companies during the past three years. Mr. Guo is the brother of Mr. Guo Zi Wen.

Executive Directors (continued)

Yang Zhong, Chief Operating Officer

Yang Zhong, aged 42, is an executive Director and chief operating officer. He joined our Group in September 2009, and was appointed as executive Director on 20 January 2011. He has the qualification of a PRC registered real estate appraiser and is a registered supervision engineer with extensive, comprehensive and professional management experience in the real estate industry in the PRC. He is primarily responsible for overall co-ordination of the Group's operational management. Mr. Yang worked in two reputable property developers prior to joining the Group in September 2009 and since then, he has been primarily responsible for the overall management of the operations of the Group. Except for being a Director of the Company, Mr. Yang has not held any directorship in any other listed public companies during the past three years.

Lam Kam Tong, Chief Financial Officer

Lam Kam Tong, aged 42, is an executive Director and the chief financial officer and company secretary. He joined our Company on 1 December 2008 and was appointed as executive Director since 25 September 2009. Mr. Lam is mainly responsible for law and regulations of listed company in Hong Kong, investor relations management, mergers and acquisitions and overseas financing. He has over 14 years of experience in professional audit, and had been the chief financial officer and company secretary of another listed company engaged in real estate development in the PRC for three years. He is a member of Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountants. Mr. Lam holds a Bachelor Degree in Business Management from the Chinese University of Hong Kong. Mr. Lam is currently an independent non-executive director of Sheng Yuan Holdings Limited（盛源控股有限公司）, which is listed on the Main Board of Stock Exchange.

Executive Directors (continued)

Xin Zhu, Executive Vice President

Xin Zhu, aged 42, is an executive Director and an executive vice president. She joined our Company in July 2008 and has been appointed as an executive Director since 25 September 2009. Ms. Xin is primarily responsible for overseeing the finance, accounting as well as financing. She has over 20 years of experience in accounting, auditing and corporate finance management. She is a member of The Chinese Institute of Certified Public Accountants and has become a member of CPA Australia in January 2010. She also holds a Master's Degree in Business Administration in International Management from The International College of Auckland Institute of Studies. Except for being a Director of the Company, Ms. Xin has not held any directorship in any other listed public companies during the past three years.

Hu Da Wei, Vice President

Hu Da Wei, aged 48, is an executive Director and a vice president. He is also a director of the subsidiaries of the Group. Mr. Hu graduated from Hunan University of Science and Technology majoring in architecture and served as a designer in Guangdong Guangzhou Panyu Architecture Design Institute (廣東省廣州市番禺建築設計院) from 1988 to 1998. Mr. Hu has over 10 years of experience in real estate development and management. He joined the Group in 1998, primarily responsible for project management and development of the Group in Northern Region. Except for being a Director of the Company, Mr. Hu has not held any directorship in any other listed public companies during the past three years.

Non-executive Directors

Wu Jie Si, Vice Chairman

Wu Jie Si, aged 59, is non-executive Director and a vice chairman. Mr. Wu holds a Doctorate Degree in Economics. He joined the Group in 2008 and acted as an executive Director, primarily responsible for overseeing strategic development planning, financial management, financing and mergers and acquisitions, as well as improvement and revision of regulatory framework of the Group, and was then re-designated to be a non-executive Director since 24 December 2009. Mr. Wu has over 20 years of banking and administrative experience in financial and corporational management sectors in Mainland China. He was appointed as the chairman of Guangdong Yue Gang Investment Holdings Company Limited (廣東粵港投資控股有限公司) and GDH Limited (廣東控股有限公司), the honorary president of Guangdong Investment Limited (粵海投資有限公司) and Guangdong Tannery Limited (粵海制革有限公司), the managing director of Hopson Development Holdings Limited (合生創展集團有限公司), the president of Shenzhen Branch of Industrial and Commercial Bank of China (中國工商銀行), the deputy mayor of the Shenzhen Municipal Government (深圳市副市長), as well as the assistant to the governor of Guangdong Province (廣東省省長助理). He is currently holding directorships in a number of companies listed on the Main Board of the Stock Exchange, including being an independent non-executive director of Beijing Enterprises Holdings Limited (北京控股有限公司), China Merchants Bank Co., Ltd. (招商銀行股份有限公司) and China Taiping Insurance International Holdings Company Limited (中國太平保險控股有限公司), a non-executive director of China Water Affairs Group Limited (中國水務集團有限公司), Shenzhen Investment Limited (深圳控股有限公司) and Silver Base Group Holdings Limited (銀基集團控股有限公司).

Paul Steven Wolansky

Paul Steven Wolansky, aged 55, was appointed as a non-executive Director and a vice chairman from 3 April 2007 to 20 January 2011. He holds a Bachelor of Arts degree from Amherst College and a Juris Doctor degree from Harvard Law School. Mr. Wolansky has over 20 years of experience in fund management and direct investment. He is the chairman and the chief executive officer of New China Investment Management Inc., the investment manager of The Cathay Investment Fund, Ltd., and New China Capital Management L.P., the investment manager of Cathay Capital Holdings, L.P. and Cathay Capital Holdings II L.P.. Cathay Sino Property Limited, a substantial shareholder of the Company, is wholly owned by Cathay Capital Holdings, L.P. Mr. Wolansky was a non-executive director of Longtop Financial Technologies Limited, a company listed on the New York Stock Exchange and CNinsure Inc., a company listed on Nasdaq. Currently, Mr. Wolansky is a non-executive director of Centron Telecom International Holding Limited (星辰通信國際控股有限公司) and Youyuan International Holdings Limited (優源國際控股有限公司), both are listed on the Main Board of the Stock Exchange. Mr. Wolansky was re-designated as the Group's non-executive Director on 24 February 2011.

Non-executive Directors (continued)

Leung Ping Chung, Hermann

Leung Ping Chung, Hermann, aged 55, was appointed as a non-executive Director on 3 April 2007. He was nominated by Cathay Sino Property Limited, a substantial shareholder of the Company. He received a Bachelor's degree in social sciences and a Master's degree from The Chinese University of Hong Kong. Mr. Leung has over 20 years of management and operational experience throughout the Asia Pacific region, and is an executive director of New China Capital Management (HK) Ltd.. As disclosed in the Company's announcement dated 24 February 2011, Mr. Leung resigned as a Director of Aoyuan on 21 February 2011.

Independent Non-executive Directors

Ma Kwai Yuen

Ma Kwai Yuen, aged 58, was appointed as an independent non-executive Director of the Company on 13 September 2007. He obtained his master's degree in law from University of Wolverhampton (U.K.) in October 2009. He was a council member (1994 to 1999) of the Chartered Institute of Management Accountants-Hong Kong Regional Office and the Vice-chairman (1994 to 1997) of the Guangdong Liaison Office of the Chartered Institute of Management Accountants. Mr. Ma is a fellow member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretary and Administrators, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Hong Kong Institute of Directors and a fellow member of the CPA Australia. Mr. Ma has over 30 years of professional experience in the accounting, financial management and consulting industries. He is an executive director of a consulting company in Hong Kong. He has been the corporate planning manager of Sino Realty and Enterprises Limited and a consultant of Jardine Management Consulting Service Pty., Ltd. Mr. Ma was also an independent non-executive director of Vision Tech International Holdings Limited（金科數碼國際集團有限公司）for the period from 6 March 2008 to 10 June 2009, and China Shineway Pharmaceutical Group Limited（中國神威藥業集團有限公司）for the period from 30 May 2008 to 16 December 2009, which are also listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Genvon Group Limited (正峰集團有限公司) (formerly known as Wang Sing International Holdings Group Limited), a company listed on the Main Board of the Stock Exchange.

Independent Non-executive Directors (continued)

Song Xian Zhong

Song Xian Zhong, aged 47, was appointed as an independent non-executive Director on 13 September 2007. He is an executive committee member of the Accounting Society of China, a member of the Accounting Standards Expert Committee of Ministry of Finance, and the vice chairman of the Audit Institute of Guangzhou. Mr. Song is also the head of the development planning division at Jinan University (暨南大學), with over 20 years of teaching and research experience in the fields of accounting and finance, and has published many books and articles on topics such as enterprise finance management, reorganization finance and socially responsible accounting for business enterprises. Currently, he is an independent director of Guangdong Guanhao High-Tech Co., Ltd. (廣東冠豪高新技術股份有限公司), a company listed on the Shanghai Stock Exchange.

Tsui King Fai

Tsui King Fai, aged 61, was appointed as an independent non-executive Director on 13 September 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in Mainland China. Mr. Tsui is a director and senior consultant of a registered financial services company in Hong Kong. He had worked for two of the "Big Four" audit firms in Hong Kong and the United States of America and served in various public listed companies in Hong Kong in a senior capacity. Currently, Mr. Tsui is an independent non-executive director of Lippo Limited (力寶有限公司), Lippo China Resources Limited (力寶華潤有限公司), Hongkong Chinese Limited (香港華人有限公司) and Vinda International Holdings Limited (維達國際控股有限公司), all listed on the Main Board of the Stock Exchange.

Independent Non-executive Directors (continued)

Cheung Kwok Keung

Mr. Cheung, aged 44, was appointed as an independent non-executive Director on 20 January 2011. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing, accounting and financial management. Mr. Cheung is the chief financial officer and company secretary of Lee & Man Paper Manufacturing Limited (理文造紙有限公司) and he is also an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司), both of which are listed on the Main Board of Stock Exchange.

Senior Management

Wu Chen (吳 晨)

Wu Chen, aged 35, is the vice president. He graduated from University of International Business and Economics. He had served in various renowned enterprises in China, including Beijing Lanse Gangwan Limited (北京藍色港灣有限公司) and Beijing Wuzhou Sports Development Limited (北京五洲縱橫體育發展有限公司) and has extensive experience in corporate management. He joined the Group in September 2008 and is primarily responsible for new project development and investment development.

Jiang Tao (江 濤)

Mr. Jiang Tao, aged 31, assistant to the chairman and president of Northern Aoyuan. He graduated from the Shanghai Institute of Foreign Trade with a master's degree, possessing extensive experience in investment and financing. Mr. Jiang had worked in Suning Group as a director and general manager. He joined the Group in December 2010, and he is now primarily responsible for the management of Northern Aoyuan and the development of new projects and related financing work.

Liang Ying (梁 瑩)

Ms. Liang Ying, aged 39, is an assistant to the president and the Director of Investment Development Centre. She graduated from University of Stirling in the United Kingdom with a master's degree in Investment Analysis and had studied in various overseas countries, including New Zealand and Singapore. She has extensive experiences in marketing and promotion as well as years of experiences in corporate expansion and internal management. She had served in Baker Furniture (Shanghai), a renowned US premier furniture brand, as managing director and as the director and general manager of Malaysia based KL Monorail System Sdn Bhd's PRC subsidiary, etc. She joined the Group in June 2006 and is now primarily responsible for the Group's investment and development work.

Liang Xiu Lei (梁 秀 蕾)

Ms. Liang Xiu Lei, aged 47, is an assistant to the president. She graduated from Sun Yat-sen University with a bachelor's degree. She has extensive experience in marketing, operational management and promotion and had served in Gemdale Group (金地集團) as the deputy general manager and as the strategic manager in China Land (中地行), a renowned sales and strategy agency in the PRC and the general manager of its Wuchan branch company, etc. She joined the Group in July 2001 and served as the marketing director of Nanguo Aoyuan and the general manager of Guangzhou Aoyuan. She is now primarily responsible for project management of the Beijing project and marketing management of Northern Aoyuan.

Senior Management (continued)

Xiao Yi（肖 毅）

Mr. Xiao Yi , aged 40, assistant to Group President and director of the cost centre. He graduated from the Chongqing Institute of Architecture and Civil Engineering, possessing extensive experiences in engineering, cost and design management. He had served as a deputy general manager, general manager of engineering in Winsan (Shanghai) Industrial Corporation and Chongqing Longfor Properties, etc. He is now mainly responsible for the management of the cost centre of the Group, Research and Development centre, and Aoyuan Design Institution. He also provides professional guidance in the Property Management Companies.

Wang Shu Yu（王 曙 煜）

Ms. Wang Shu Yu, aged 38, assistant to Group President. She graduated from the Hunan University, possessing extensive experiences in marketing planning, operational management and promotion. She had served as an assistant to the general manager and a general manager in renowned property companies such as Forte Land and Dalian Wanda, etc. She joined the Group in August 2010, and is now mainly responsible for the management of the Group's marketing division and the Nansha Branch. She also provides professional guidance in the Asset Management Companies.

Major Projects

Major Projects:

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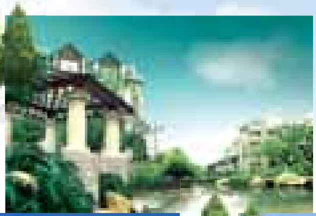
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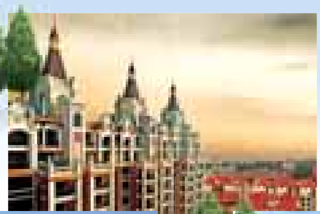
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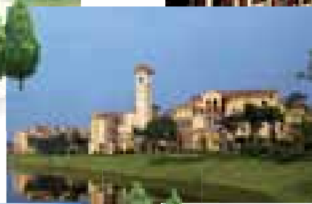
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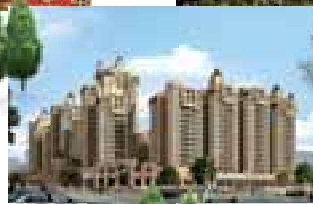
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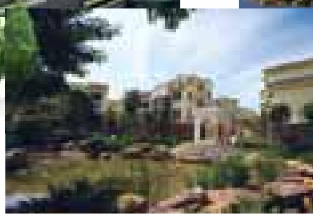
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	Project Name	Location	Type of Property	Land Bank (thousand sq.m.)
	Guangdong			
1	Nanguo Aoyuan	Panyu, Guangzhou	Integrated residential community	164.8
2	Guangzhou Aoyuan	Panyu, Guangzhou	High-rise apartments, commercial properties	44.1
3	Panyu Aoyuan	Panyu, Guangzhou	Integrated residential community	57.4
4	Guo Ao Investment Development Centre	Nansha, Guangzhou	Hotel, commercial properties, office and high-rise apartments	95.3
5	Nansha Aoyuan	Nansha, Guangzhou	Integrated residential community	113.9
6	Aoyuan • Hai Jing Cheng	Nansha, Guangzhou	Hotel, commercial properties, office and high-rise apartments	228.2
7	Aoyuan Plaza	Panyu, Guangzhou	High-rise apartments, commercial properties	244.8
8	Fogang Aoyuan	Qingyuan, Guangdong	Villas, commercial properties	1,320.6
9	Qingyuan Aoyuan	Qingyuan, Guangdong	Villas, commercial properties	170.7
10	Jiangmen Aoyuan	Jiangmen, Guangdong	Integrated residential community	97.8
11	Zhongshan Aoyuan	Zhongshan, Guangdong	Villas, integrated residential community	692.3
	Jiangxi			
12	Jiangxi Aoyuan	Ganzhou, Jiangxi	Hotel, commercial properties, office, high-rise apartments and villas	525.9
	Guangxi			
13	Yulin Aoyuan	Yulin, Guangxi	Integrated residential community	405.8
14	Yulin Aoyuan • City of Health	Yulin, Guangxi	Integrated residential community	963.7
	Chongqing			
15	Chongqing Aoyuan • City of Health	Chongqing	High-rise apartments, commercial properties	74.3
	Shenyang			
16	Shenyang Aoyuan • The Metropolis	Shenyang, Liaoning	Integrated residential community	2,385.5
	Beijing			
17	Chang'an Ave	Beijing	High-rise apartments, commercial properties	247.6

Artists impressions for reference

Aoyuan Plaza

Aoyuan Plaza

Aoyuan Plaza

Artists impressions for reference

Aoyuan Plaza is located in the commercial and residential center of Panyu District of Guangzhou with a high-end consumer group of approximately one million people around Shiqiao. The project is in a superior location of great business potential with sufficient and steady customer flow. The project occupies a total site area of approximately 65,000 sq.m. and a total GFA of approximately 245,000 sq.m.. The project is linked with two highways, leading to the down town of Shiqiao and center of Guangzhou to the north and Nansha Industrial Port to the south. The project is also close to three east-west expressways, and can be connected to the Pearl River Delta Areas such as Shenzhen and Dongguan, further evidencing its superior location. The project is of great commercial value, enhancing by the nearby Guangzhou South Railway Station. Metro Line No.3 has been put into operation and Line No. 17 and Line No. 18 are under planning and design.

Aoyuan Plaza mainly comprises of three components: one-stop shopping mall, high-end international apartments and commercial street. It is a major comprehensive business project invested by Aoyuan, one of the key projects under the "Ten-billion Economy Incubation Programme" of the Panyu District government of Guangzhou and a symbolic high-end commercial project in the Pearl River Delta. At present, well-known retail giant, CR Vanguard has decided to have its first flagship store of China in Aoyuan Plaza, and a number of first-tier brands of China, including Stellar International Cineplex were all waiting in line to have their shops and stores in Aoyuan Plaza.

On 30 October 2010, Phase I of Aoyuan Plaza (Including apartment Manhattan • Shangceng（曼哈頓 • 尚層）Group and retail shop Manhattan•Wall Street（曼哈頓 • 華爾街）Group) had its grand opening. Average selling price of commercial shops was approximately RMB29,000 per square meter, with the highest selling price amounted to approximately RMB100,000 per square meter. Average selling price of apartments was about approximately RMB14,000 per square meter. On the grand opening day of Phase I, all of the 140 commercial shops as well as 260 out of 286 apartment units were all sold out. The subscription amount reached RMB910 million, the project achieved remarkable sale performance, and created a new record on daily sales for commercial properties in the Pearl River Delta region.

In December 2010, Aoyuan Plaza was awarded as "The Guangzhou Real Estate Benchmark 2010" in the 7th (2010) China Real Estate Internet Popularity Contest Awards Ceremony sponsored by SouFun.com. The successful launch of Aoyuan Plaza demonstrated that the Group has considerable strength in the development of commercial real estate and the parallel development strategy of residential and commercial properties is effective for the growth in the Group's revenue.

Nansha Aoyuan

Nansha Aoyuan

Located at Guangzhou Nansha Development Zone with Humen Bridge to its north and the Lion Ocean to its south, Nansha Aoyuan enjoys convenient transportation and is within the one-hour life circle in Pearl River Delta. The project enjoys a unique view in Guangzhou that combines five kinds of spectacular landscapes of "mountains, forests, lakes, sea and springs". Surrounded by green hills to the east, west and north, and facing the Nansha Information Technology Park and the Pearl River estuary to the south, Nansha Aoyuan is the only property project in Guangzhou that embraces thousand acres of original ecological forest resources. It is a residential development project that comprises diversified products such villas, townhouses, high-rise apartments and office buildings.

Leveraging on natural resources, Nansha Aoyuan provided a number of regimen facilities, including viewing platform on top of the hill, health botanical garden, lakeside park and health regimen wood road for hill-climbing. With its planning and construction themed on "low-carbon, ecological and health regimen", the fifth phase — Mountains Sea No. 1 is a luxury sea villas district located on the mountain peak. Using a number of low-carbon health regimen technologies, the size of the villas mostly ranges from 388 to 700 sq.m. Some of the villas have sea viewing platform, and the entire construction style is Nordic architecture, with landscape design based on the concepts of "Green" and "Water". In 2010, the average selling price of Mountains Sea No.1 reached RMB32,000 per square meter, nearly twice as those comparable properties in the same area. Mountains Sea No. 1 is the representatives of prestigious luxury mountain and sea products in the Pearl River Delta.

Mountains Sea No.1 is surrounded with blend of scarce resources, with the city's unique health facility services and outstanding product quality. In December 2010, Nansha Aoyuan was awarded as the "Premier Villa" in the event of "Leaders of Real Estate of Guangdong in Ten Golden Years" sponsored by Southern Metropolis Daily.

Nansha Aoyuan

Artists impressions for reference

Shenyang Aoyuan • The Metropolis

Shenyang Aoyuan • The Metropolis

Shenyang Aoyuan • The Metropolis is located in Nanjing South Street, Sujiatun District, Shenyang. Shenyang Aoyuan • The Metropolis enjoys both geographic advantage and benefits from the important strategic resources of new Shenyang. At present, the project is close to the International Exhibition Center in Southeast China, and the planned exit of Exhibition Center Station of metro Line 4. In the proximity of the project, high speed railway of Shenyang South Railway Station—HaDa Passenger Line will also commence operation. The project is about 10 kilometers away from the current downtown of Shenyang, and is only 10 minutes drive from the Taoxian International Airport. In the urban supporting facilities, Shenyang Aoyuan • The Metropolis will also benefit further from the new administrative center of Shenyang. In the coming years, a number of institutions, including the CPC Shenyang Committee, Shenyang People's Congress, Shenyang Government and CPPCC Shenyang Committee as well as Citizen Service Center will relocate to here. Thus, a brand new landmark of Shenyang will emerge around Shenyang Aoyuan • The Metropolis.

Shenyang Aoyuan • The Metropolis occupies total site area of approximately 600,000 sq.m. and a total GFA (including saleable and non-saleable) of approximately 2,400,000 sq.m.. The project includes townhouses, high-rise apartments, small high-rise scenic apartments, star-grade hotel, service apartment, A-grade offices, large-scale shopping mall, international brands commercial street, international top-class private clubhouse, kindergarten and primary school.

Shenyang Aoyuan • The Metropolis brought eight green technologies to Shenyang. The project successfully built the "breathing" mansions with constant temperature, humidity and oxygen environment for 24 hours without the needs of opening the windows and turning on the air conditioners. The room temperature remains at 20-26°C, with a humidity of 30%-70%, noise range of 30 to 45 Decibels and a circulation of oxygen into the unit once per hour, which led Shenyang to a new era of living without air conditioners.

On 23 October 2010, the Shenyang Aoyuan • The Metropolis had its grand opening, within 4 hours on its launch date the project achieved remarkable sales performance with subscription amount over RMB300 million and was a sensational success in Shenyang.

Shenyang Aoyuan • The Metropolis was acclaimed internationally for its promotion of high-tech and comfortable lifestyle.


Artists impressions for reference

In November 2010, Shenyang Aoyuan • The Metropolis won "Ecological Livable Award" by Shenyang Real Estate Fair Organizing Committee in the Shenyang Real Estate Fair.

In December 2010, Shenyang Aoyuan • The Metropolis awarded by UN-Habitat Ecological Technology Best Practices Committee, UN-Habitat Ecological Technology Best Practices Magazine, and China Harmonious Development Forum Organizing Committee for the "UN-HABITAT Ecological Technology Best Practices Award".

Zhongshan Aoyuan

Zhongshan Aoyuan

Zhongshan Aoyuan is designed to be the "top choice for healthy living in Zhongshan". By virtue of the advanced development philosophy and outstanding planning and design, to incorporate the advanced concepts of "healthy life and regimen" into community life, Zhongshan Aoyuan project was awarded as the "The China LivCom Project Award", "Healthy House Construction Pilot Site" (健康住宅試點工程), "2010 Benchmark Quality Building in South China" and "Member of the Zhongshan Real Estate Industry Association".

The project is located at an advantageous geographical location, in Guangfeng Community in the West District of Zhongshan City, with only 10 minutes drive from the downtown through Guangfeng Industry Road that is under planning, and is a key area for future residential development in Zhongshan. With urban transport networks, including Hongkong-Zhuhai-Macao Bridge, Shenzhong Road and Guangzhou-Zhuhai light transit consecutively put into use, the distance to other cities within the Pearl River Delta is significantly shortened, enabling Zhongshan project captures the opportunities of development from the integration of metropolitan clusters in Pearl River Delta.

The project occupies a total site area of approximately 350,000 sq.m. and a total GFA (including saleable and non-saleable) of approximately 700,000 sq.m.. Nan Liu Yong, a tributary of Qijiang River, flows through the center of the project, allowing people to enjoy the fresh air by the water and live a healthy life along the 1,500-metre river shore. Phase I "Aoyuan Dadi", which consists of villas only, achieved satisfactory sales results since its launch in September 2010, and was well-received by the market.

The project has comprehensive ancillary supporting facilities. It offers a wide range of products such as villas, apartments, commercial facilities and service apartments, with units ranging from 30 to 400 sq.m.. It offers various facilities such as school, kindergarten, commercial properties, integrated market, community service center and police station within the residential community.

Artists impressions for reference

In April 2010, Zhongshan Aoyuan was awarded as the "Health Residential Deomonstration Project" by the State Housing and Living Environment Engineering Centre.

In June 2010, Zhongshan Aoyuan was awarded as the "The China LivCom Project Award" by the National Garden Cities and Garden Communities Competition Group.

In December 2010, Zhongshan Aoyuan was awarded as the "Top 10 Residential Project Brand" by the Guangdong Construction News.

Zhongshan Aoyuan

Artists impressions for reference

Aoyuan • Hai Jing Cheng

Aoyuan • Hai Jing Cheng

Aoyuan • Hai Jing Cheng is located in the core area of Jinzhou in Nansha, positioned in the conjunctional area of Jin'gang Avenue, central axis of Nansha and Jinsha Road, linked with a number of key highways, including Beijing-Zhuhai Highway, Humen Highway and Nansha Port Expressway and is within 15 minutes' of walking distance from Jinzhou and Jiaomen Stations of Guangzhou metro Line 4, forming a comprehensive transport network linking to Pearl River Delta.

Aoyuan • Hai Jing Cheng comprises of two phases. Phase One, Aoyuan • Jinsha Plaza, is the only integrated business, residential and commercial complex in Nansha. It consists of four podium buildings, financial avenue and Ginza Commercial Center. Ginza Commercial Center houses prime office buildings of three to nine floors and SOHO individual business space of 10 to 15 floors to meet different needs.


Artists impressions for reference

Phase Two of Hai Jing Cheng is the only integrated city complex in the Nansha including modern theme shopping mall, special feature streets, international top-quality residences and serviced apartments, bringing Nansha to a brand new fashionable life. To build a modern high-end shopping mall in Nansha, the modern theme shopping mall is planned and designed with leading international perspective, hosting a number of industries including top-quality department stores, branded clothing, fashionable jewelry and leisure dining. Featured Wealth Street is of traditional Lingnan construction style, a combination of culture and business for creating wealth of clusters.


Artists impressions for reference

Aoyuan · Hai Jing Cheng

Chongqing Aoyuan • City of Health

Chongqing Aoyuan • City of Health

Chongqing Aoyuan • City of Health, is the first large-scale integrated high-end community in Chongqing developed by Aoyuan. The project is located in Jiubin Road, the center of Chongqing and occupies the prime conjunctional area of Jiulongpo District and Yuzhong District. The project enjoys the precious close view of Yangtze River and overlooks two picturesque city parks, namely Jiubin Road Ecological Riverside Park and Huangshaxi Municipal Park.

The project is the product of the Group's successful operation in Chongqing and is a livable product market establishment of the Group. The project is designed with the outlook of Gothic style castle and Mediterranean garden that bring exotic Cannes atmosphere. Since its launch, the project is in high favour by the public of Chongqing and becomes the most popular product in Chongqing real estate market.

Chongqing Aoyuan • City of Health ranked No. 1 in terms of area and units sold for single project in Chongqing property market in 2009. In 2010, Cannes Star Diamond (戛納星鑽), Cannes Lingxiu Apartment (戛納領秀住宅) and Champs Situation Street (香榭裏情景街區) have drawn another market hit since their launches.

With good product quality, precise marketing strategy and excellent sales, the project laid a solid development foundation for the Group in Chongqing real estate market, implemented the brand awareness and enhanced the Group's reputation, gaining the trust of consumers in Chongqing. This demonstrates that Aoyuan as a developer with a reputable brand with strong development capacity and ability to integrate resources, Aoyuan can maintain its competitiveness and achieves great success in new markets.

Chongqing Aoyuan • City of Health

Aoyuan • Regimen City

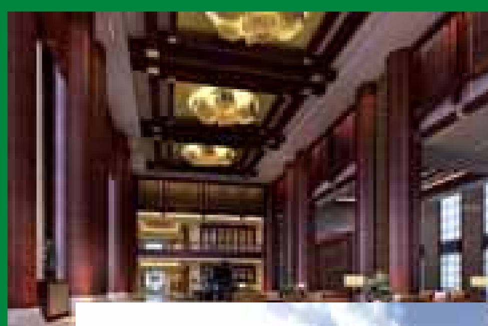
Aoyuan • Regimen City

Aoyuan • Regimen City

Aoyuan • Regimen City is the first large-scale regimen and health care and health management institution invested and constructed by Aoyuan. It is a featured, high-end and diversified large-scale health maintenance base that integrates the functions of health management, regimen and health care, study of regimen culture, research and development and promotion of regimen and health care products, training of regimen and health care people, regimen and health care clubhouse services.

The project is located in Jin'ao Valley of Nansha Economic and Technological Development Zone of Guangzhou, enjoys convenient transportation, prime location and beautiful scenery. With a pleasant climate, surrounded by mountains on three sides and facing the sea. On one side, the project enjoys a total greenery area up to 48.4%. With a magnificant main building, the project occupies a total area of 40,000 square meters.

At present, Aoyuan • Regimen City cooperates with Traditional Chinese Medicine University of Guangzhou to establish Nansha Aoyuan regimen base of Traditional Chinese Medicine University of Guangzhou. China Elderly Health Care Association appointed Aoyuan • Regimen City as a vice president institution of the Association. At the same time, Aoyuan • Regimen City was recognised as a base of the Association for health care, leisure and vacation. With great support from governments of Guangzhou and Nansha District, Aoyuan • Regimen City is a key project supported by the Government of Nansha District.



After more than one year of preparations, Aoyuan • Regimen City has set up a number of facilities, including Aoyuan (MJ) Health Screening Center (in cooperation with one of the world's leading health screening companies-MJ Group), Aoyuan National Medical Centre with health expert Mr. Deng Tietao as chief consultant, Regimen Clubs, Regimen Food Houses and Green Channels cooperated with ten top-tier hospitals.

The brand concept of Aoyuan "Building a healthy, low-carbon lifestyle" is successfully implemented in Aoyuan • Regimen City, where real estate development and health elements are perfectly integrated. The project's unique culture in regimen provides health, leisure, living in one habitat service, not only adds value to residential products and effectively promotes sales, but also brings new source of operating income, creating an innovative development model in the linkage between healthy residence and business.

Corporate Governance Report

The board of Directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2010.

Corporate Governance Practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance.

Throughout the year under review, the Company has complied with the code provisions as set out in the CG Code, except for those stated otherwise in this report.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

The Board of Directors

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises twelve members, consisting of six executive Directors, two non-executive Directors and four independent non-executive Directors.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Directors and Senior Management Profile" on page 23. Mr. Guo Zi Wen is the brother of Mr. Guo Zi Ning. Save as disclosed, members of the Board are unrelated to one another.

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities.

Specific enquiry has been made of all the Directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Guo Zi Wen, the Chairman of the Board, was the Chief Executive Officer of the Company during the year 2010. In order to enhance the corporate governance, management and operation effectiveness of the Company as a whole, Mr. Guo Zi Ning, an executive Director of the Company, has been appointed as the Chief Executive Officer of the Company since 20 January 2011.

The Board shall review its structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Appointment, Re-Election and Removal of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract or a letter of appointment with the Company for a specific term. Such term is subject to his re-election by the Company at an annual general meeting ("AGM") upon retirement. The articles of association (the "Articles") of the Company provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company and shall then be eligible for re-election at such meeting. Besides, any director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to the Articles, one-third of all Directors (whether executive or non-executive) is subject to retirement by rotation and re-election at each AGM provided that every director shall be subject to retirement at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall not be taken into account for retirement by rotation.

The members of the Company may, at any general meeting convened and held in accordance with the Articles to remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Induction and Continuing Development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The company secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Code provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting.

During the year ended 31 December 2010, less than 14 days' notice was given for certain regular Board meetings so as to fit in with the tight schedules of the participants.

Directors' Attendance Records

During the year ended 31 December 2010, 12 regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Name of Director	Attendance/Number of Meetings
Executive Directors	
Mr. Guo Zi Wen	11/12
Mr. Guo Zi Ning	12/12
Mr. Yang Zhong	Not applicable since Mr. Yang Zhong has been appointed as Director since 20 January 2011
Mr. Lam Kam Tong	12/12
Ms. Xin Zhu	12/12
Mr. Hu Da Wei	12/12
Non-executive Directors	
Mr. Wu Jie Si	12/12
Mr. Paul Steven Wolansky (resigned on 20 January 2011 and then re-appointed by the Board with effect from 24 February 2011)	11/12
Mr. Leung Ping Chung, Hermann (resigned on 21 February 2011)	12/12
Independent Non-executive Directors	
Mr. Ma Kwai Yuen	11/12
Mr. Song Xian Zhong	12/12
Mr. Tsui King Fai	11/12
Mr. Cheung Kwok Keung	Not applicable since Mr. Cheung Kwok Keung has been appointed as Director since 20 January 2011

Delegation of Management Functions

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

Nomination Committee

The Nomination Committee currently comprises five members, namely Mr. Guo Zi Wen (chairman of the Committee), Mr. Ma Kwai Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung, the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

The Nomination Committee held 1 meeting during the year ended 31 December 2010 and all the members (except for Mr. Cheung Kwok Keung who has been appointed as Director since 20 January 2011) attended the meeting.

The Nomination Committee reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Company's Articles of Association, up to the date of this annual report, Mr. Yang Zhong, having been appointed as an executive Director, Mr. Paul Steven Wolansky having been appointed as a non-executive Director and Mr. Cheung Kwok Keung, having been appointed as an independent non-executive Director of the Company shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting. In addition, Mr. Guo Zi Wen, Mr. Hu Da Wei, Mr. Wu Jie Si and Mr. Tsui King Fai shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular dated 15 April 2011 contains detailed information of the Directors standing for re-election.

Remuneration Committee

The Remuneration Committee comprises three members, namely, Mr. Tsui King Fai (chairman of the Committee), Mr. Ma Kwai Yuen and Mr. Cheung Kwok Keung, all of which are independent non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management for the year under review.

The Remuneration Committee held 3 meetings during the year ended 31 December 2010 and all the members (except for Mr. Cheung Kwok Keung who has been appointed as Director since 20 January 2011) attended the meetings.

Audit Committee

The Audit Committee comprises four independent non-executive Directors, namely Mr. Ma Kwai Yuen (chairman of the Committee), Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

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

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2010, the financial reporting and compliance procedures, and the re-appointment of the external auditors.

The Audit Committee held 2 meetings during the year ended 31 December 2010 and all the members (except for Mr. Cheung Kwok Keung who has been appointed as Director since 20 January 2011) attended the meetings.

Accountability and Audit

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board, supported by the finance department, is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 67-68.

During the year under review, the remuneration paid to the Company's external auditors, Messrs Deloitte Touche Tohmatsu, amounted to RMB3,320,000.

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

An internal audit department has been established to perform regular financial and operational reviews and conduct audits of the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls are in place and functioning as intended.

During the course of audit performed by the external auditors, they reported on the weakness in the Group's internal control and accounting procedures which had come to their attention. The internal audit department reviewed, evaluated and monitored the follow-up actions in response to their recommendations and reported to the Audit Committee.

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Group uses various formal channels of communication to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. All corporate communications are posted on the Company's corporate website at http://www.aoyuan.com.cn and hard copies of the same are sent to the shareholders. Press releases are also posted on the Company's corporate website. The Company's website provides email address, postal address, fax number and telephone number by which enquiries can be put to the Board. Being constantly updated in a timely manner, the website also contains a wide range of additional information of the Group's business activities. As a standard part of the investors relations program to maintain a constant dialogue of the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

The 2011 Annual General Meeting ("2011 AGM") will be held on 17 June 2011. The notice of 2011 AGM will be sent to shareholders at least 20 clear business days before the 2011 AGM.

The Board believes effective investor relations can contribute towards lowering cost of capital, improving market liquidity for the Company's stock and building a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to shareholders, investors, analysts and bankers. Keeping the shareholders aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

Shareholder Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2010.

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2004 Second Revision) of the Cayman Islands on 6 March 2007.

The shares of the Company were listed on the Stock Exchange on 9 October 2007.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in property development and property investment.

An analysis of the Group's turnover and operating profit for the year ended 31 December 2010 by principal activities is set out in note 6 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group as at 31 December 2010 are set out in the consolidated financial statements on pages 69 to 147.

The Directors recommended the payment of a final dividend of RMB3.3 cents per ordinary share to the shareholders on the register of members on 17 June 2011, amounting to approximately RMB86.2 million. (2009: final dividend of RMB3.3 cents per share, special dividend of RMB1.7 cents per share)

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

There was no of movements during the year in the share capital of the Company. Details are set out in note 30 to the consolidated financial statements.

Pre-emptive Rights

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

Convertible Notes

On 9 February 2007, a subsidiary of the Company issued convertible notes of an aggregate principal amount of US$140.0 million and on 9 October 2007, this subsidiary redeemed convertible notes in the aggregate amount of US$80.0 million. The convertible notes had been fully redeemed in August 2010. Details of movements during the year in the convertible notes of the Group are set out in note 27 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Closure of Register of Members

The register of members of the Company will be closed from 15 June 2011 (Wednesday) to 17 June 2011 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and for attending and voting at the 2011 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on 14 June 2011 (Tuesday).

Reserves

Details of the movement in reserves during the year are set out in the section "Consolidated Statement of Changes in Equity" of the consolidated financial statements.

Financial Summary

A five-year financial summary of the Group is set out on page 148.

Directors

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

Executive Directors

Mr. Guo Zi Wen *(chairman)*	
Mr. Guo Zi Ning *(vice chairman and chief executive officer)*	
Mr. Yang Zhong	(appointed on 20 January 2011)
Mr. Lam Kam Tong	
Ms. Xin Zhu	
Mr. Hu Da Wei	

Non-executive Directors

Mr. Wu Jie Si *(vice chairman)*	
Mr. Paul Steven Wolansky	(resigned on 20 January 2011 and re-appointed on 24 February 2011)
Mr. Leung Ping Chung, Hermann	(resigned on 21 February 2011)

Independent non-executive Directors

Mr. Ma Kwai Yuen	
Mr. Song Xian Zhong	
Mr. Tsui King Fai	
Mr. Cheung Kwok Keung	(appointed on 20 January 2011)

In accordance with the Company's Articles, Mr. Guo Zi Wen, Mr. Hu Da Wei, Mr. Wu Jie Si and Mr. Tsui King Fai will retire from office by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM. In addition, Mr. Yang Zhong and Mr. Cheung Kwok Keung (both appointed on 20 January 2011) and Mr. Paul Steven Wolansky (resigned on 20 January 2011 and re-appointed on 24 February 2011) shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM.

The Company has received, from each of the independent non-executive Directors namely Mr. Ma Kwai Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Directors' Service Contracts

Each of Mr. Guo Zi Wen and Mr. Guo Zi Ning has entered into a service contract with the Company for a term of three years commencing from 3 April 2007, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Hu Da Wei has entered into a service contract with the Company for an appointed term from 8 April 2008 to 2 April 2010, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of Mr. Lam Kam Tong and Ms. Xin Zhu has entered into a service contract with the Company for a term of three years with effect from 25 September 2009, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Yang Zhong has entered into a service contract with the Company for a term of three years with effect from 20 January 2011, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Mr. Paul Steven Wolansky and Mr. Leung Ping Chung, Hermann, being the non-executive Directors of the Company have entered into a letter of appointment with the Company and are appointed for a specific term commencing from 3 April 2007 which may be extended for such period as the Company and Mr. Wolansky and Mr. Leung may agree in writing. Mr. Wu Jie Si, re-designated as the non-executive Director of the Company, has entered into a letter of appointment with the Company for a term of one year with effect from 24 December 2009, and which may be extended thereafter for such period as the Company and Mr. Wu may agree in writing. Mr. Leung has resigned on 21 February 2011 while Mr. Wolansky who resigned on 20 January 2011 was re-appointed as non-executive director under a letter of appointment for a term of one year with effect from 24 February 2011, and which may be extended thereafter for such period as the Company and Mr. Wolansky may agree in writing.

Each of the independent non-executive Directors of the Company (except Mr. Cheung Kwok Keung) has entered into a letter of appointment with the Company and is appointed for a specific term commencing from 13 September 2007 which may be extended for such period as the Company and the Director may agree in writing. Mr. Cheung has entered into a letter of appointment with the Company for a term of one year with effect from 20 January 2011, and which may be extended thereafter for such period as the Company and Mr. Cheung may agree in writing.

All the Directors are subject to retirement by rotation and re-election at AGM of the Company pursuant to its Articles. Apart from the foregoing, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Other than as disclosed in note 11 to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

In order to eliminate competing business with the Group, on 20 September 2007, Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Miner, spouse of Mr. Guo Zi Wen, entered into a deed of non-competition with the Company.

As at the date of this report, none of the Directors are considered to have any interest, either direct or indirect, in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

In compliance with the deed of non-competition signed on 20 September 2007, Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Miner hereby make an annual declaration on his/her compliance with the non-competition undertaking.

Group's Emolument Policy

The Company's policy on determining the emolument payable to Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions. To enable the Remuneration Committee to give better advice on the Group's future remuneration policy and related strategies, the Remuneration Committee has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2010, the interests of Directors and chief executives of the Company and their associates in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares and Underlying Shares under Equity Derivatives of the Company:

	Number of shares			
Name of Director/ Chief Executive	**Ordinary shares interests held by controlled corporations**	**Underlying shares (under equity derivatives of the Company) (Note 3)**	**Aggregate interest**	**Approximate percentage of the issued share capital**
Director				
Mr. Guo Zi Wen	1,154,325,000 *(Note 1)*	–	1,154,325,000	44.18%
Mr. Leung Ping Chung, Hermann *(Note 4)*	293,175,000 *(Note 2)*	–	293,175,000	11.22%
Mr. Paul Steven Wolansky	293,175,000 *(Note 2)*	–	293,175,000	11.22%
Mr. Wu Jie Si	–	20,000,000	20,000,000	0.77%
Mr. Lam Kam Tong	–	10,000,000	10,000,000	0.38%
Mr. Hu Da Wei	–	4,000,000	4,000,000	0.15%
Ms. Xin Zhu	–	4,000,000	4,000,000	0.15%
Mr. Ma Kwai Yuen	–	300,000	300,000	0.01%
Mr. Song Xian Zhong	–	300,000	300,000	0.01%
Mr. Tsui King Fai	–	300,000	300,000	0.01%
Chief Executive				
Mr. Wu Chen	–	10,000,000	10,000,000	0.38%

Notes:

(1) *These 1,154,325,000 ordinary shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.*

(2) *These 293,175,000 ordinary shares are registered in the name of Cathay Sino Property Ltd., which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee and 10% by a company wholly-owned by Mr. Leung Ping Chung, Hermann.*

(3) *Details of share options held by the Directors are shown in the section of "Share Options".*

(4) *Mr. Leung Ping Chung, Hermann has resigned as director of the Company with effect from 21 February 2011.*

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors of the Company or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right for the year ended 31 December 2010.

Share Options

On 13 September 2007, the Company adopted a share option scheme (the ”Scheme”). Details of the options granted by the Company pursuant to the Scheme and the options lapsed and outstanding for the year ended 31 December 2010 were as follows:

	Number of share options							
	As at 1 January 2010	Granted during the year	Lapsed during the year	As at 31 December 2010	Date of grant	Exercise period	Exercise price per share *HK$*	Closing price of share immdediate before date of grant *HK$*
Director								
Mr. Wu Jie Si	10,000,000	–	–	10,000,000	18/7/2008	18/7/2008-14/7/2011	5.20	1.73
	10,000,000	–	–	10,000,000	18/7/2008	18/7/2008-14/7/2011	1.79	1.73
Mr. Guo Zi Ning	10,000,000	–	10,000,000 *(Note 1)*	–	18/7/2008	18/7/2008-31/12/2009	1.79	1.73
	–	10,000,000	10,000,000 *(Note 2)*	–	18/1/2010	18/1/2010-31/12/2010	1.79	1.35
Mr. Leung Ping Chung, Hermann	10,000,000	–	10,000,000 *(Note 1)*	–	18/7/2008	18/7/2008-31/12/2009	1.79	1.73
	–	10,000,000	10,000,000 *(Note 2)*	–	18/1/2010	18/1/2010-31/12/2010	1.79	1.35
Mr. Lam Kam Tong	3,000,000	–	–	3,000,000	1/12/2008	1/12/2008-30/11/2011	2.00	0.66
	3,000,000	–	–	3,000,000	1/12/2008	1/12/2008-30/11/2011	0.638	0.66
	–	2,000,000 *(Note 3)*	–	2,000,000	18/1/2010	2010AR-31/12/2013	1.38	1.35
	–	2,000,000 *(Note 3)*	–	2,000,000	18/1/2010	2011AR-31/12/2013	1.38	1.35
Mr. Hu Da Wei	–	2,000,000 *(Note 3)*	–	2,000,000	18/1/2010	2010AR-31/12/2013	1.38	1.35
	–	2,000,000 *(Note 3)*	–	2,000,000	18/1/2010	2011AR-31/12/2013	1.38	1.35
Ms. Xin Zhu	–	2,000,000 *(Note 3)*	–	2,000,000	18/1/2010	2010AR-31/12/2013	1.38	1.35
	–	2,000,000 *(Note 3)*	–	2,000,000	18/1/2010	2011AR-31/12/2013	1.38	1.35

	Number of share options							Closing price of share immdediate before date of grant
	As at 1 January 2010	Granted during the year	Lapsed during the year	As at 31 December 2010	Date of grant	Exercise period	Exercise price per share	
							HK$	*HK$*
Mr. Ma Kwai Yuen	300,000	–	–	300,000	25/9/2009	25/9/2009-24/9/2012	1.40	1.35
Mr. Song Xian Zhong	300,000	–	–	300,000	25/9/2009	25/9/2009-24/9/2012	1.40	1.35
Mr. Tsui King Fai	300,000	–	–	300,000	25/9/2009	25/9/2009-24/9/2012	1.40	1.35
Chief Executive								
Mr. Wu Chen	10,000,000	–	–	10,000,000	25/9/2008	25/9/2008 to end of his service contract with the Company	0.90	0.85
Others								
Employees	1,985,600	–	1,985,600	–	23/10/2007	*(Note 4)*	6.55	6.39
	58,885,600	32,000,000	41,985,600	48,900,000				

No share options were exercised during the year.

Notes:

(1) *The end of exercise period of the share options held by Mr. Guo Zi Ning and Mr. Leung Ping Chung, Hermann was on 31 December 2009. Both Mr. Guo and Mr. Leung did not exercise their options on or prior to 31 December 2009 and therefore the options were lapsed.*

(2) *The end of exercise period of the share options held by Mr. Guo Zi Ning and Mr. Leung Ping Chung, Hermann was on 31 December 2010. Both Mr. Guo and Mr. Leung did not exercise their options on or prior to 31 December 2010 and therefore the options were lapsed.*

(3) *Each of Mr. Lam Kam Tong, Mr. Hu Da Wei and Ms. Xin Zhu was granted share options to subscribe for a total of 4,000,000 shares of the Company on 18 January 2010. Options representing 2,000,000 shares are exercisable from the date of 2010 annual result announcement to 31 December 2013; options representing the remaining 2,000,000 shares are exercisable from the date of 2011 annual result announcement to 31 December 2013.*

(4) *20% of the total number of share options granted to the grantee — from the date the Company announced its 2007 annual results (i.e. 15 April 2008) to 31 December 2008.*

30% of the total number of share options granted to the grantee — from the date the Company announces its 2008 annual result, on condition that the Board of Directors of the Company has confirmed that the Company has met the 2008 profit forecasts as set by the Board of Directors of the Company and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company, to 31 December 2009.

50% of the total number of share options granted to the grantee — from the date the Company announces its 2009 annual result, on condition that the Board of directors of the Company has confirmed that the Company has met the 2009 profit forecasts as set by the Board of Directors of the Company and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company, to 31 December 2010.

Substantial Shareholders' Interests

So far as the Directors or the chief executives of the Company are aware of, as at 31 December 2010, the shareholders, other than the Directors or the chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares	Voting power (%) (approximate)
Ace Rise Profits Limited[(1)]	Beneficial owner	1,154,325,000	44.18%
Credit Suisse Trust Limited[(1)]	Trustee	1,154,325,000	44.18%
Mr. Guo Zi Wen[(1)]	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	44.18%
Ms. Jiang Miner[(1)]	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	44.18%
Seletar Limited[(1)]	Controlled corporation	1,154,325,000	44.18%
Serangoon Limited[(1)]	Controlled corporation	1,154,325,000	44.18%
Sturgeon Limited[(1)]	Controlled corporation	1,154,325,000	44.18%
Mr. Selwyn Donald Sussman[(2) and (3)]	Controlled corporation/ Beneficial owner	316,495,000	12.11%
Capital Asset Management, Inc.[(3)]	Controlled corporation	293,175,000	11.22%
Trust Asset Management LLP[(2) and (3)]	Controlled corporation	293,175,000	11.22%
Mr. Paul Steven Wolansky[(2)]	Trustee	293,175,000	11.22%
Cathay Capital Holdings, L.P.[(2)]	Controlled corporation	293,175,000	11.22%
Cathay Master GP, Ltd.[(2)]	Controlled corporation	293,175,000	11.22%
Cathay Sino Property Ltd.[(2)]	Beneficial owner	293,175,000	11.22%

Notes:

(1) *The 1,154,325,000 shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this report, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.*

(2) *The 293,175,000 shares are registered in the name of Cathay Sino Property Ltd. which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee, 45% by Trust Asset*

Management LLP. Cathay Capital Holdings, L.P., Cathay Master GP Ltd., Mr. Paul Steven Wolansky, Trust Asset Management LLP are all deemed to be interested in the 293,175,000 shares under the SFO.

(3) Capital Asset Management, Inc is the general partner of Trust Asset Management LLP, which has 45% interest in Cathay Master GP, Ltd., the general partner of Cathay Capital Holdings, L.P. As Mr. Selwyn Donald Sussman ("Mr. Sussman") is holding 100% interest in Capital Asset Management, Inc, Mr. Sussman, Capital Asset Management, Inc. and Trust Asset Management LLP are all deemed to be interested in the 293,175,000 shares held by Cathay Sino Property Ltd. The remaining 23,320,000 shares are held by Mr. Sussman as his personal interests.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

Sufficiency of Public Float

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

Auditors

The financial statements for the year ended 31 December 2010 have been audited by Deloitte Touche Tohmatsu. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the Company's auditors for the ensuring year will be proposed at the forthcoming AGM.

There has been no change of the auditors of the Company since its listing on the Stock Exchange.

On behalf of the Board
GUO Zi Wen
Chairman

Hong Kong, 22 March 2011

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF CHINA AOYUAN PROPERTY GROUP LIMITED
中國奧園地產集團股份有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Aoyuan Property Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 147, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 22, 2011

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	5	**2,442,172**	2,364,467
Cost of sales		**(1,786,326)**	(1,924,753)
Gross profit		**655,846**	439,714
Other income	7	**245,234**	69,979
Change in fair value of investment properties	16	**182,474**	(19,557)
Fair value gain in respect of investment properties transferred from completed properties for sale	22	**24,806**	53,817
Selling and distribution expenses		**(114,762)**	(91,462)
Administrative expenses		**(158,774)**	(121,878)
Loss on convertible notes	27	**(100,278)**	(2,062)
Finance costs	8	**(15,502)**	–
Share of result of jointly controlled entities	18	**(13,307)**	101,344
Profit before taxation	9	**705,737**	429,895
Income tax expense	10	**(359,137)**	(103,598)
Profit and total comprehensive income for the year		**346,600**	326,297
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**321,269**	320,133
Non-controlling interests		**25,331**	6,164
		346,600	326,297
Earnings per share (cents)			
Basic	13	**12.30**	13.23
Diluted	13	**12.28**	12.66

Consolidated Statement of Financial Position

At December 31, 2010

	NOTES	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	448,417	144,446
Prepaid lease payments	15	6,102	12,377
Investment properties	16	1,099,339	791,078
Interest in a jointly controlled entity	18	699,875	466,831
Amount due from a venturer of a jointly controlled entity	19	–	140,488
Available-for-sale investments	18	–	296,000
Amount due from a jointly controlled entity	20	666,524	850,024
Other property interests	21	86,952	86,952
Restricted bank deposits	24	140,000	345,000
Deferred taxation assets	29	44,373	27,636
		3,191,582	3,160,832
CURRENT ASSETS			
Properties for sale	22	5,523,986	6,123,183
Trade and other receivables	23	622,190	745,512
Amount due from a venturer of a jointly controlled entity	19	29,599	–
Income tax recoverable		92,828	5,190
Prepaid lease payments	15	6,275	6,275
Restricted bank deposits	24	1,495,978	400,419
Bank balances and cash	24	2,203,128	1,283,930
		9,973,984	8,564,509
Assets held for sale	14	85,840	–
		10,059,824	8,564,509
CURRENT LIABILITIES			
Trade and other payables	25	1,075,403	1,719,448
Sales deposits		1,614,396	552,115
Amount due to a non-controlling shareholder	26	21,620	26,688
Taxation payable		997,538	681,358
Derivative financial instruments	27	–	5,968
Secured bank loans	28	1,359,629	743,420
		5,068,586	3,728,997

Consolidated Statement of Financial Position (continued)

At December 31, 2010

	NOTES	2010 RMB'000	2009 RMB'000
NET CURRENT ASSETS		**4,991,238**	4,835,512
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,182,820**	7,996,344
NON-CURRENT LIABILITIES			
Secured bank loans	*28*	**2,114,302**	1,842,945
Deferred taxation liabilities	*29*	**91,390**	74,589
Convertible notes	*27*	**–**	325,850
		2,205,692	2,243,384
NET ASSETS		**5,977,128**	5,752,960
CAPITAL AND RESERVES			
Share capital	*30*	**24,990**	24,990
Reserves		**5,901,155**	5,702,318
Equity attributable to owners of the Company		**5,926,145**	5,727,308
Non-controlling interests		**50,983**	25,652
TOTAL EQUITY		**5,977,128**	5,752,960

The consolidated financial statements on pages 69 to 147 were approved and authorised for issue by the Board of Directors on March 22, 2011 and are signed on its behalf by:

Guo Zi Wen	**Guo Zi Ning**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000 (Note 1)	Special reserve RMB'000 (Note 2)	Other reserves RMB'000 (Note 3)	Property revaluation reserve RMB'000 (Note 4)	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2009	21,838	3,597,879	8,541	357,341	4,500	37,735	19,811	831,915	4,879,560	9,825	4,889,385
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	320,133	320,133	6,164	326,297
Appropriation of statutory reserve	–	–	16,677	–	–	–	–	(16,677)	–	–	–
Issue of shares	3,152	542,158	–	–	–	–	–	–	545,310	–	545,310
Share issue expenses	–	(18,596)	–	–	–	–	–	–	(18,596)	–	(18,596)
Recognition of equity-settled share based payment	–	–	–	–	–	–	901	–	901	–	901
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	9,663	9,663
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(8,903)	8,903	–	–	–
At December 31, 2009	24,990	4,121,441	25,218	357,341	4,500	37,735	11,809	1,144,274	5,727,308	25,652	5,752,960
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	321,269	321,269	25,331	346,600
Appropriation of statutory reserve	–	–	37,185	–	–	–	–	(37,185)	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	–	–	8,193	–	8,193	–	8,193
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	(6,694)	6,694	–	–	–
Dividend recognised as distribution	–	–	–	–	–	–	–	(130,625)	(130,625)	–	(130,625)
At December 31, 2010	24,990	4,121,441	62,403	357,341	4,500	37,735	13,308	1,304,427	5,926,145	50,983	5,977,128

Notes:

1. *The Articles of Association of certain subsidiaries require the appropriation of 5% to 10% of their profit after taxation each year to the PRC statutory reserve as determined by their board of directors. The PRC statutory reserve should only be used for making up losses, capitalisation into capital and expansion of the production and operation.*
2. *Special reserve includes (i) revaluation difference arising from the acquisition of additional interests in a subsidiary which debited to special reserve upon the acquisition date of RMB21,210,400 prior to 1 January 2010 and (ii) the amount which represents the difference between the aggregate of the nominal value of share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation and the nominal value of the share capital issued by the Company as consideration for the acquisition of RMB378,551,028.*
3. *Other reserves represent the discount arising from acquisition of additional interest in subsidiaries from a related company in which Mr. Guo Zi Ning is a director.*
4. *During the year ended December 31, 2007, revaluation surplus arising from transfer of owner-occupied property to investment properties at the date of change in use amounted to RMB50,313,000 net of related deferred taxation liability of RMB12,578,000.*

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	705,737	429,895
Adjustments for:		
Fair value gain in respect of investment properties transferred from completed properties for sale	(24,806)	(53,817)
Change in fair value of investment properties	(182,474)	19,557
Loss on convertible notes	100,278	2,062
Finance costs	15,502	–
Share of result of a jointly controlled entity	13,307	(101,344)
Share-based payments	8,193	901
Depreciation of property, plant and equipment	13,987	10,810
Amortisation of prepaid lease payments	6,275	6,275
Reversal of accruals	–	(30,241)
Interest income	(109,484)	(36,813)
Loss on disposal of property, plant and equipment	1,200	284
Unrealised foreign exchange gain	(53,068)	(1,996)
Operating cash flows before movements in working capital	494,647	245,573
Decrease (increase) in properties for sale	574,274	(515,219)
Decrease in trade and other receivables	124,676	500,415
(Decrease) increase in trade and other payables	(644,045)	710,888
Increase in sales deposits	1,062,281	307,907
Cash generated from operations	1,611,833	1,249,564
Enterprise income tax paid	(130,531)	(89,642)
Interest paid	(224,013)	(114,776)
NET CASH FROM OPERATING ACTIVITIES	1,257,289	1,045,146

Consolidated Statement of Cash Flows (continued)

For the year ended December 31, 2010

	NOTES	2010 RMB'000	2009 RMB'000
INVESTING ACTIVITIES			
Increase in restricted bank deposits		(890,559)	(609,687)
Advance to a jointly controlled entity		(403,359)	(765,816)
Purchases of property, plant and equipment		(181,681)	(6,778)
Payments for investment property		(167,546)	(11,909)
Proceeds on disposal of property, plant and equipment		42	532
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	32	–	(887,680)
Acquisition of a convertible note	18	–	(296,000)
Investment in a jointly controlled entity		–	(376,519)
Repayment from a jointly controlled entity		649,547	–
Repayment from (advance to) a venturer of a jointly controlled entity	19	130,000	(130,000)
Proceeds on disposal of investment properties		85,660	33,154
Interest received		75,980	9,091
NET CASH USED IN INVESTING ACTIVITIES		(701,916)	(3,041,612)
FINANCING ACTIVITIES			
New bank loans raised		1,956,693	2,042,924
Repayment of bank loans		(1,004,376)	(671,246)
Redemption of convertible notes		(440,767)	–
Dividends paid to owners of the Company		(130,625)	–
(Repayment to) advance from a non-controlling shareholder		(5,068)	26,688
Proceeds from new share placement		–	545,310
Share issue expenses		–	(18,596)
Contributions from a non-controlling shareholder		–	9,663
NET CASH FROM FINANCING ACTIVITIES		375,857	1,934,743
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		931,230	(61,723)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(12,032)	(208)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,283,930	1,345,861
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		2,203,128	1,283,930

1. General

The Company was incorporated on March 6, 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The company's former immediate and ultimate holding company is Ace Rise Profits Limited, incorporated in the British Virgin Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the ''SEHK'') since October 9, 2007. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-111, Cayman Islands and Aoyuan Mansion, Huangpu Avenue West, Guangzhou, the People's Republic of China (the "PRC"), respectively.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 40.

The consolidated financial statements are presented in Renminbi (''RMB''), which is the same as the functional currency of the Company.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board.

IFRSs (Amendments)	Amendment to IFRS 5 as part of improvements to IFRSs issued in May 2008
IFRSs (Amendments)	Improvements to IFRSs issued in April 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

The Group has applied IFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary has also been applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the year in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the coming into effect of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no impact on the consolidated financial statements of the Group for the current or prior accounting periods.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS") (continued)

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

The application of the other new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate*
[2] *Effective for annual periods beginning on or after July 1, 2010*
[3] *Effective for annual periods beginning on or after July 1, 2011*
[4] *Effective for annual periods beginning on or after January 1, 2013*
[5] *Effective for annual periods beginning on or after January 1, 2012*
[6] *Effective for annual periods beginning on or after January 1, 2011*
[7] *Effective for annual periods beginning on or after February 1, 2010*

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS") (continued)

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard might affect the classification and measurement of the Group's financial assets.

The amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that these amendments to IFRS 7 will have any effect on the Group's disclosures as no transfers of financial assets was carried out in previous years. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to IAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to IAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a resonable model of that effect until a detail review has been completed.

IAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods.

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS") (continued)

The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments which are measured at fair value, and in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from to the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

Business combinations

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to January 1, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Significant Accounting Policies (continued)

Business combinations (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carry amount of the non-controlling interests was recognised in profit or loss.

On acquisition of additional interests in subsidiaries, the excess of the cost of the acquisition over the fair values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to goodwill, while discount arising on the excess of the fair values of the underlying assets and liabilities attributable to the additional interests in the subsidiaries over the cost of the acquisition is credited to profit or loss for the period.

The difference between the cost of the acquisition and the goodwill/discount on acquisition and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to special reserve. On subsequent disposal of the subsidiary, the attributable special reserve is realised in the profit or loss in the period in which the subsidiary is disposed of.

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

3. Significant Accounting Policies (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. Significant Accounting Policies (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interests of minority shareholders in the acquiree are initially measured at the minority shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost (including acquisition related-cost) and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition (including cost incurred for acquisition and consideration paid) over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Jointly controlled entities (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Non-current assets held for sale

None-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to quality for recognition as a completed sale within one year from the date of classification.

None-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into accounts of their residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, or supply of goods or services, or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is transferred to an investment property because its use has changed as evidenced by end of owner-occupation. Any excess of fair value over the carrying amount of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Buildings under development for future owner occupied purpose

When buildings are in the course of development for production, or supply of goods or services, or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties and/or land held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies (continued)

Properties for sale

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Where property for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in profit or loss for the period. For a property for sale transferred to property, plant and equipment as evidenced by commencement of owner-occupation, the carrying amount of that item is transferred to property, plant and equipment at the date of transfer.

Other property interests

Other property interests are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into (i) available-for-sales ("AFS") financial assets and (ii) loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as loans and receivables.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from a jointly controlled entity, amount due from venturer of a jointly controlled entity, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Trade receivables that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including secured bank loans, trade and other payables and amount due to a non-controlling shareholder) are subsequently measured at amortised cost using the effective interest method.

Convertible notes

Conversion option embedded in convertible notes that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. Such convertible notes issued by the Group containing liability component and conversion option, issuer redemption option (collectively the "embedded derivatives component") are classified separately into respective items on initial recognition. At the date of issue, both the liability and embedded derivatives component are recognised at the fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The embedded derivatives component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and embedded derivatives component in proportion to their relative fair values. Transaction costs relating to the embedded derivatives component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period.

Embedded derivative

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group not designated at fair value through profit or loss is recognised initially at fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of the reporting period, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the possession of the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as sales deposits from customers under current liabilities.

Property rentals

Rentals receivable under operating leases are recognised and credited to the consolidated statement of comprehensive income on a straight-line basis over the relevant lease term.

Consulting income

Consulting income is recognised when services are rendered.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Sale and leaseback

A sale and leaseback transaction involves the sale of properties and the leasing back of the same assets.

When a sale and leaseback transaction results in an operating lease and is established at fair value, any profit or loss is recognised immediately. When the sale price of properties is below fair value, any profit or loss is recognised immediately except that, when the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the properties are expected to be leased. When the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the properties is expected to be leased.

3. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes profit or loss items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. Key Sources of Estimation Uncertainty

The following are 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.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount of approximately RMB5,523,986,000 (2009: RMB6,123,183,000). Cost of each unit in each phase of development is determined using the weighted average cost method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Income taxes

As at 31 December 2010, a deferred tax asset of RMB7,320,000 (31 December 2009: RMB16,588,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB36,795,000 (2009:RMB15,290,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. Revenue

The Group is principally engaged in the property development and property investment in the PRC. An analysis of the Group's revenue for the year is as follows:

	2010 RMB'000	2009 RMB'000
Sales of properties (note)	2,431,006	2,348,145
Rental Income	7,802	15,086
Management and consulting income	3,364	1,236
	2,442,172	2,364,467

Note: Majority of the properties sold by the Group are represented by residential properties.

6. Segment Information

Information regularly reported to the Group's chief executive officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on the type of operation, which is also the basis of organisation in the Group. The Group's reportable segments are as follows:

Property development – developing and selling of properties in the PRC

Property investment – leasing of investment properties in the PRC

Others – provision of consulting services and management operation

6. Segment Information (continued)

The following is an analysis of the Group's revenue and results by reportable segments.

	Year ended December 31, 2010			
	Property development RMB'000	**Property investment RMB'000**	**Others RMB'000**	**Total RMB'000**
External segment revenue	**2,431,006**	**7,802**	**3,364**	**2,442,172**
Segment results	**516,867**	**182,815**	**(4,225)**	**695,457**
Other income				**243,880**
Unallocated corporate expenses				**(104,513)**
Fair value loss on convertible notes				**(100,278)**
Finance costs				**(15,502)**
Share of result of a jointly controlled entity				**(13,307)**
Profit before taxation				**705,737**

	Year ended December 31, 2009			
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Consolidated RMB'000
External segment revenue	2,348,145	15,086	1,236	2,364,467
Segment results	348,190	(11,423)	(1,443)	335,324
Other income				66,542
Unallocated corporate expenses				(71,253)
Fair value loss on convertible notes				(2,062)
Share of result of a jointly controlled entity				101,344
Profit before taxation				429,895

Note: There is no inter-segment revenue in both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including directors' salaries, head office operating expenses, bank interest and other income, fair value loss on convertible notes, finance costs and share of result of a jointly controlled entity. This is the measure reported to Group's chief executive officer for the purposes of resource allocation and performance assessment.

6. Segment Information (continued)

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

	2010 RMB'000	2009 RMB'000
Property development	**6,078,934**	6,893,618
Property investment	**1,101,849**	797,278
Others	**89,861**	363
Total segment assets	**7,270,644**	7,691,259
Interests in a jointly controlled entity	**699,875**	466,831
Unallocated assets:		
Amount due from a venturer of a jointly controlled entity	**29,599**	140,488
Available-for-sale investments	**–**	296,000
Amount due from a jointly controlled entity	**666,524**	850,024
Unallocated restricted bank deposits	**1,635,978**	745,419
Other property interests	**86,952**	86,952
Deferred taxation assets	**44,373**	27,636
Income tax recoverable	**92,828**	5,190
Bank balances and cash	**2,227,757**	1,283,930
Unallocated assets	**496,876**	131,612
Consolidated assets	**13,251,406**	11,725,341

6. Segment Information (continued)

Segment liabilities

	2010 RMB'000	2009 RMB'000
Property development	2,677,214	2,285,477
Property investment	11,080	9,685
Others	1,373	736
Total segment liabilities	2,689,667	2,295,898
Unallocated liabilities:		
Secured bank loans	3,473,931	2,586,365
Derivative financial instruments	–	5,968
Taxation payable	997,538	681,358
Deferred taxation liabilities	91,390	74,589
Convertible notes	–	325,850
Unallocated liabilities	21,752	2,353
Consolidated liabilities	7,274,278	5,972,381

For the purposes monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in a jointly controlled entity, available-for-sale investments, amount due from a venturer of a jointly controlled entity, amount due from a jointly controlled entity, other property interests, deferred taxation assets, income tax recoverable, restricted bank deposits, bank balances and cash and other assets not attributable to respective segment.

- all liabilities are allocated to reportable segments other than taxation payable, derivative financial instruments, secured bank loans, deferred taxation liabilities, convertible notes and other liabilities not attributable to respective segment.

6. Segment Information (continued)

Other information

	Year ended December 31, 2010				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition of property plant and equipment *(note a)*	168,345	10	3,892	232,793	405,040
Addition of investment properties *(note b)*	–	211,447	–	–	211,447
Depreciation of property, plant and equipment	7,880	20	198	5,889	13,987
Amortisation of prepaid lease payments	6,275	–	–	–	6,275
Loss on disposal of property, plant and equipment	1,178	–	22	–	1,200
Recognition of increase in fair value of completed properties upon transfer to investment properties	24,806	–	–	–	24,806
Increase in fair value of investment properties	–	182,474	–	–	182,474

Note:

(a) *The addition includes transfer from properties for sale amounting to approximately RMB223,359,000, details of which have been disclosed in note 14.*

(b) *The addition includes transfer from properties for sale amounting to approximately RMB43,901,000, details of which have been disclosed in notes 16 and 22.*

6. Segment Information (continued)

Other information (continued)

	Year ended December 31, 2009				
	Property development RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition of property plant and equipment	3,378	–	64	3,336	6,778
Addition of investment properties *(note)*	–	403,899	–	–	403,899
Depreciation of property, plant and equipment	3,922	23	98	6,767	10,810
Amortisation of prepaid lease payments	6,275	–	–	–	6,275
Loss (gain) on disposal of property, plant and equipment	91	–	(33)	226	284
Recognition of increase in fair value of completed properties upon transfer to investment properties	53,817	–	–	–	53,817
Decrease in fair value of investment properties	–	19,557	–	–	19,557

Note: The addition includes transfer from properties for sales amounting to approximately RMB68,400,000, details of which have been disclosed in notes 16 and 22.

Geographical information

The Group's operation and location of non-current assets are in PRC only.

Information about major customers

There is no individual customer who contributed over 10% of the total sales of the Group during the year ended December 31, 2010 and 2009.

7. Other Income

	2010 RMB'000	2009 RMB'000
Other income comprises of:		
Bank interest income	13,174	9,091
Imputed interest income on trade receivables	1,354	3,437
Interest income on amount due from a jointly controlled entity	65,357	13,797
Interest income on amount due from a venturer of a jointly controlled entity and Hong Da Convertible Note (note 18)	29,599	10,488
Reversal of accruals	–	30,241
Gain from land reclaimed by the government *(note)*	79,968	–
Exchange gain	53,068	–
Others	2,714	2,925
	245,234	69,979

Note: On 8 September 2010, the Group entered into an agreement with the People's Government of Dongling District (Hunnan New District), Shenyang, the PRC (the "Authority"), pursuant to which the Authority repurchased a piece of land located in Shenyang from the Group due to changes to the city development plan. This piece of land was previously recognised as properties for sale before repurchased by the Authority. The consideration for repurchase of the land is approximately RMB 687,064,000 resulting in a gain of approximately RMB 79,968,000.

8. Finance Costs

	2010 RMB'000	2009 RMB'000
Interest on bank loans wholly repayable within five years	205,059	94,501
Interest on bank loans not wholly repayable within five years	11,087	–
Interest on convertible notes	16,887	44,196
	233,033	138,697
Less: Amount capitalised to properties under development for sale	(217,531)	(138,697)
	15,502	–

Interest capitalised arose on the general borrowing pool of the Group was calculated by applying a capitalisation rate of approximately 6.6% (2009: 6.9% per annum) to expenditure on the qualifying assets.

9. Profit Before Taxation

	2010 RMB'000	2009 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Staff salaries including directors' emoluments	**115,076**	69,788
Retirement benefit scheme contributions	**2,756**	2,048
Total staff costs	**117,832**	71,836
Less: Amount capitalised to properties under development for sales	**(36,304)**	(9,425)
	81,528	62,411
Release of prepaid lease payments	**6,275**	6,275
Auditor's remuneration	**2,600**	2,500
Depreciation of property, plant and equipment	**13,987**	10,810
Loss on disposal of property, plant and equipment	**1,200**	284
Net foreign exchange (gain)loss	**(53,068)**	5,499
Rental expenses in respect of rented premises under operating leases	**11,589**	10,313
Rental income in respect of investment properties under operating leases, less direct operating expenses from investment properties that generated rental income during the year of approximately RMB1,187,000 (2009: RMB677,000)	**(6,615)**	(14,409)
Share of income tax of a jointly controlled entity	**16,347**	61,525

10. Income Tax Expense

	2010 RMB'000	2009 RMB'000
Income tax expense recognised comprises of:		
Enterprise Income Tax in the PRC	224,836	108,170
Hong Kong Profits Tax	7,019	4,469
Deferred taxation *(note 29)*	64	(8,957)
Land appreciation tax:		
– current year	127,218	28,347
– overprovision in prior year *(note)*	–	(28,431)
Income tax expense for the year	359,137	103,598

Note: Land appreciation tax is calculated on a progressive rate basis where higher rate is applicable for land with higher appreciation. The overprovision of land appreciation tax during the year ended December 31, 2009 arose as a result of decrease in the applicable land appreciation tax rates for the projects as a whole calculated on a cumulative land appreciation basis.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

Under the EIT Law, withholding income tax is imposed on dividends relating to profits earned in year ended December 31, 2008 onwards to foreign investors for the companies established in the PRC. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB716,038,000 (2009: RMB392,446,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Group has provided deferred taxation amounting to approximately RMB6,000,000 (2009:RMB2,500,000) related to the undistributed profit of PRC subsidiaries based on the Group's dividend plan.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

10. Income Tax Expense (continued)

The income tax expense for the year can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	2010 RMB'000	2009 RMB'000
Profit before taxation	**705,737**	429,895
Tax charge at PRC Enterprise Income Tax rate of 25% (2009: 25%)	**176,434**	107,474
Tax effect of share of result of a jointly controlled entity	**3,327**	(25,336)
Tax effect of expenses not deductible in determining taxable profit	**84,346**	30,484
Tax effect of income that are not taxable in determining taxable profit	**(13,372)**	–
Tax effect of tax losses not recognised	**5,712**	611
Land appreciation tax	**127,218**	(84)
Tax effect of utilisation of tax losses previously not recognised	**–**	(8,947)
Tax effect of reversal of tax losses previously recognised	**6,068**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(3,616)**	(2,302)
Tax effect of land appreciation tax	**(31,804)**	21
Withholding tax on undistributed profit of PRC subsidiaries	**3,500**	2,500
Others	**1,324**	(823)
Tax expenses for the year	**359,137**	103,598

11. Directors' and Employees' Remuneration

Directors' emoluments

	2010 RMB'000	2009 RMB'000
Fees	**621**	563
Salaries and allowances	**14,912**	19,145
Share-based payments	**8,193**	522
	23,726	20,230

11. Directors' and Employees' Remuneration (continued)

Directors' emoluments (continued)

	Fees RMB'000	Salaries and allowances RMB'000	Share based payments RMB'000	Total RMB'000
Year ended December 31, 2010				
Executive director:				
Guo Zi Wen (郭梓文)	–	3,128	–	3,128
Guo Zi Ning (郭梓宁)	–	2,423	1,932	4,355
Hu Da Wei (胡大為)	–	2,164	1,443	3,607
Lam Kam Tong (林錦堂)	–	3,630	1,443	5,073
Xin Zhu (辛珠)	–	2,164	1,443	3,607
Non-executive director:				
Wu Jie Si (武捷思)	–	1,299	–	1,299
Leung Ping Chung, Hermann (梁秉聰)	–	52	1,932	1,984
Paul S. Wolansky	–	52	–	52
Independent non-executive director:				
Song Xian Zhong (宋獻中)	190	–	–	190
Ma Kwai Yuen (馬桂園)	230	–	–	230
Tsui King Fai (徐景輝)	201	–	–	201
	621	14,912	8,193	23,726

11. Directors' and Employees' Remuneration (continued)

Directors' emoluments (continued)

	Fees RMB'000	Salaries and allowances RMB'000	Share based payments RMB'000	Total RMB'000
Year ended December 31, 2009				
Executive director:				
Guo Zi Wen (郭梓文)	–	2,645	–	2,645
Guo Zi Ning (郭梓宁)	–	2,430	–	2,430
Zheng Jian Jun (鄭健軍) *(note a)*	–	1,736	–	1,736
Hu Da Wei (胡大為)	–	2,113	–	2,113
Wu Jie Si (武捷思)	–	5,285	–	5,285
Lam Kam Tong (林錦堂) *(note b)*	–	2,642	–	2,642
Xin Zhu (辛珠) *(note b)*	–	2,098	–	2,098
Non-executive director:				
Leung Ping Chung, Hermann (梁秉聰)	–	53	–	53
Paul S. Wolansky	–	53	–	53
He Jian Bin (何建兵) *(note a)*	–	90	–	90
Independent non-executive director:				
Song Xian Zhong (宋獻中)	159	–	174	333
Ma Kwai Yuen (馬桂園)	224	–	174	398
Tsui King Fai (徐景輝)	180	–	174	354
	563	19,145	522	20,230

Note:

a. *Directors resigned during the reporting period*

b. *Directors appointed during the reporting period*

11. Directors' and Employees' Remuneration (continued)

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group included 5 (2009: 5) executive directors whose emoluments are set out above.

During the years ended December 31, 2010 and 2009, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration for the years ended December 31, 2010 and 2009.

12. Dividend

During the year ended December 31, 2010, a final dividend of RMB 3.3 cents per share amounting to RMB 86,213,000 and a special dividend of RMB 1.7 cents per share amounting to RMB 44,412,000 for the year ended 31 December 2009 was approved by shareholders in annual general meeting. These amounts were paid in July 2010. (2009: Nil).

13. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2010 RMB'000	2009 RMB'000
Earnings for the purpose of basic earnings per share, being profit for the year attributable to owners of the Company	321,269	320,133
Effect of dilutive potential ordinary shares:		
Loss on convertible notes charged to consolidated statement of comprehensive income	–	2,062
Exchange difference	–	(2,204)
Earnings for the purpose of diluted earnings per share	321,269	319,991

13. Earnings Per Share (continued)

Number of shares

	2010 '000	2009 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,612,500	2,419,671
Effect of dilutive potential ordinary shares:		
– Convertible notes	–	102,933
– Share options	4,664	5,248
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,617,164	2,527,852

Note: *During the year ended December 31, 2010, the computation of diluted earnings per share does not account for the conversion of the outstanding convertible notes up to the repurchase date since the assumed exercise would result in an increase in earnings per share for the year ended December 31, 2010.*

The computation of diluted earnings per share for the year ended December 31, 2010 and 2009 has not accounted for the effect of certain share options granted because the exercise price of those options was higher than the average market price of the Company's shares.

14. Property, Plant and Equipment

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2009	125,694	24,367	29,405	9,157	–	188,623
Acquisition of subsidiaries *(note 32)*	–	207	441	–	–	648
Additions	–	2,695	2,138	1,945	–	6,778
Disposals	–	(203)	(6,535)	–	–	(6,738)
At December 31, 2009	125,694	27,066	25,449	11,102	–	189,311
Transfer from properties for sale *(note a)*	–	–	–	–	223,359	223,359
Additions	163,549	4,173	2,306	11,653	–	181,681
Transfer to assets held for sale *(note b)*	(91,840)	–	–	–	–	(91,840)
Disposals	–	(594)	(1,668)	–	–	(2,262)
At December 31, 2010	197,403	30,645	26,087	22,755	223,359	500,249
DEPRECIATION						
At January 1, 2009	3,162	15,169	19,995	1,651	–	39,977
Provided for the year	3,347	3,798	2,279	1,386	–	10,810
Disposals	–	(95)	(5,827)	–	–	(5,922)
At December 31, 2009	6,509	18,872	16,447	3,037	–	44,865
Provided for the year	4,528	2,861	2,519	4,079	–	13,987
Eliminated on transfer to assets held for sale *(note b)*	(6,000)	–	–	–	–	(6,000)
Disposals	–	(306)	(714)	–	–	(1,020)
At December 31, 2010	5,037	21,427	18,252	7,116	–	51,832
CARRYING VALUES						
At December 31, 2010	192,366	9,218	7,835	15,639	223,359	448,417
At December 31, 2009	119,185	8,194	9,002	8,065	–	144,446

Note:

(a) During the year ended December 31, 2010, the Group transferred the carrying value of properties from sale to construction in progress in relating to a building which will be developed as a hotel under the Group's operation.

(b) During the year ended December 31, 2010, the Group entered into sales and purchase agreements with buyers amounting to approximately RMB152,358,000 related to a building which will be delivered to buyers in 2011, the carry value of the building of approximately RMB85,840,000 was transferred to assets held for sale accordingly.

14. Property, Plant and Equipment (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	shorter of lease term or 20 – 40 years
Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	3 to 5 years

As at December 31, 2010, buildings of approximately RMB163,549,000 (2009: RMB88,840,000) were pledged for certain banking facilities granted to the Group. All the buildings and construction in progress of the Group are situated on leasehold land in the PRC under medium lease term.

15. Prepaid Lease Payments

The carrying amount of prepaid lease payments represents land use rights held under medium-term lease in the PRC and prepayment for sale and leaseback transaction, and is analysed as follows:

	2010 RMB'000	2009 RMB'000
Current asset	6,275	6,275
Non-current asset	6,102	12,377
	12,377	18,652

16. Investment Properties

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
At January 1, 2009	439,890	–	439,890
Transfer from properties for sales	68,400	–	68,400
Acquisition of a subsidiary *(note 32)*	–	323,590	323,590
Construction cost incurred for investment properties under construction	–	11,909	11,909
Disposals	(33,154)	–	(33,154)
Net change in fair value recognised in the consolidated statement of comprehensive income	(29,658)	10,101	(19,557)
At December 31, 2009	445,478	345,600	791,078
Transfer from properties for sales	43,901	–	43,901
Construction cost incurred for investment properties under construction	–	167,546	167,546
Disposals	(85,660)	–	(85,660)
Net change in fair value recognised in the consolidated statement of comprehensive income	(19,740)	202,214	182,474
At December 31, 2010	383,979	715,360	1,099,339

The fair values of the Group's investment properties at the date of transfer and at the end of the reporting period have been arrived at on the basis of a valuation carried out by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation amounting to approximately RMB135,078,000 (2009: RMB135,078,000) was arrived at on the basis of capitalisation of the net income receivable and valuation amounting to approximately RMB964,261,000 (2009: RMB656,000,000) was arrived at by reference to market evidence of recent transaction prices for similar properties (2009: by reference to the fair value of land included in the investment properties under construction because the construction work of related investment properties was at early stage as at 31 December 2009), taking into account the construction costs that would be expended to complete the development, the developer's profit ratio which is assumed to be 25% and the adjustment for the specific characteristic and feature of the related investment properties under construction.

At the end of reporting periods, investment properties of RMB80,636,000 (2009: RMB45,000,000) were pledged to secure certain banking facilities granted to the Group.

16. Investment Properties (continued)

The carrying value of investment properties shown above comprises:

	2010 RMB'000	2009 RMB'000
Properties situated on land with land use rights in the PRC		
– under long lease	216,178	218,878
– under medium lease	883,161	572,200

17. Goodwill

	RMB'000
COST	
At January 1, 2009, December 31, 2009 and December 31, 2010	8,237
IMPAIRMENT	
At January 1, 2009, December 31, 2009 and December 31, 2010	8,237
CARRYING VALUES	
At December 31, 2010 and 2009	–

During the year ended December 31, 2006, the Group acquired additional interest from minority shareholders of certain subsidiaries resulting in a goodwill amounting to RMB8,237,000. These companies were inactive and the Group acquired the additional interests solely for the purpose of rationalisation of the organisation structure. The management assessed the future profitability of these companies and a full impairment loss was therefore recognised in the year ended December 31, 2006.

18. Interest In A Jointly Controlled Entity

	2010 RMB'000	2009 RMB'000
Cost of investment, unlisted	672,519	376,519
Share of post-acquisition results	86,567	99,874
Unrealised profits *(note)*	(59,211)	(9,562)
	699,875	466,831

Note: The unrealised profits relates to interest income received from the jointly controlled entity.

18. Interest In A Jointly Controlled Entity (continued)

As at December 31, 2010, the Group had interest in the following jointly controlled entity:

Name of entity	Place of incorporation	Proportion of issued share capital held by the Group		Principal activities
		2010	2009	
Century Profit Zone Investments Limited	Hong Kong	52.69%	41.33%	Investment holding

During the year ended December 31, 2009, the Group entered into a sale and purchase agreement with Hong Da Development & Investment Holding Company Limited (泓達投資有限公司) ("Hong Da"), an independent third party, for the acquisition of 41.33% issued share capital of Century Profit Zone Investments Limited ("Century Profit") at a consideration of RMB370,000,000 plus related cost of acquisition of approximately RMB6,519,000 and the acquisition was completed in July 2009. Century Profit has 96.8% equity interest in Beijing Yaohui Real Estate Company Limited (北京耀輝置業有限公司) ("Yaohui"), which is engaged in property development.

Pursuant to certain terms and conditions of the shareholders agreement signed between Hong Da and the Group, the financial and operating policies of Century Profit require unanimous approval of the Group and Hong Da, Century Profit was therefore accounted for as a jointly controlled entity.

In July 2009, the Group entered into an agreement with Hong Da whereby Hong Da issued a convertible note ("Hong Da Convertible Note") to the Group with a principal amount of RMB296,000,000. The Hong Da Convertible Note was interest-bearing at 11% per annum and the Group must convert it into shares of Century Profit Zone Investment Company Limited ("Century Profit"), a jointly controlled entity of the Group, in September 2010. On December 31, 2009, the Group classified the Hong Da Convertible Note into available-for-sale investment which is stated at cost since it is not practicable to measure the fair value of the equity component, being the most significant component, of the Hong Da Convertible Note on a reliable basis. On 27 September 2010, the Group exercised its right under the Hong Da Convertible Note to convert into 1,136 shares of Century Profit. Following the exercise of the conversion rights under the Hong Da Convertible Note, the Group held 52.69% equity interest of Century Profit and Century Profit remains a jointly controlled entity of the Group pursuant to the shareholder agreement signed with Hong Da mentioned in previous paragraph.

On October 9, 2009, the Group entered into a sale and purchase agreement with MGP Lotus (BVI) Limited ("MGP"), pursuant to which the Group agreed to purchase all the MGP's interest of the Group's jointly controlled entity, Head Win Limited, at a consideration of US$5,001 (approximately RMB34,000) and the payment of shareholder loan due to MGP at a consideration of approximately HK$292,909,000 (equivalent to approximately RMB257,760,000). The acquisition was completed in October 2009 and the Group has equity accounted for the result of Head Win Limited up to the date when it became a subsidiary of the Group. The acquisition of Head Win Limited is accounted for as acquisition of assets and liabilities because Head Win Limited holds subsidiaries in which the major assets are properties under development, details of the acquisition of additional interests in Head Win Limited are set out in note 32.

18. Interest In A Jointly Controlled Entity (continued)

As at December 31, 2010, an impairment assessment was performed on the interest in jointly controlled entity with reference to the underlying assets held by the jointly controlled entity and no impairment is considered necessary.

The summarised financial information in respect of the Group's interest in jointly controlled entities which is accounted for using the equity method is set out below:

	2010 RMB'000	2009 RMB'000
Current assets	**2,045,160**	1,287,674
Non-current assets	**555,680**	337,012
Current liabilities	**(1,465,012)**	(1,086,842)
Non-current liabilities	**(376,742)**	(61,451)
Income	**59,037**	177,504
Expense	**72,344**	76,160
Result of the year	**(13,307)**	101,344

19. Amount Due from A Venturer of A Jointly Controlled Entity

The amount due from a venturer of a jointly controlled entity as at December 31, 2010 represents interest on Hong Da Convertible Note (2009: loan advanced and related accrued interest).

In July 2009, the Group entered into a loan agreement with the venturer of a jointly controlled entity, Hong Da, and granted a loan of RMB130,000,000 to Hong Da which is repayable within two years or the date on which Century Profit holds less than 62% interest in Yaohui, whichever is earlier, and interest-bearing at a rate of 7% per annum. The loan is secured by shares of Hong Da held by its shareholder and Hong Da's equity interest in Century Profit.

In September 2010, Hong Da early repaid the total amount of the loan principal of RMB130,000,000, and the relevant interest accrual will be repaid in one year.

20. Amount Due from A Jointly Controlled Entity

The amount due from a jointly controlled entity includes accrued interest of approximately RMB86,047,000 (2009: RMB23,359,000), which is not expected to be repaid within one year from the end of the reporting period. As at December 31, 2010, the Group advanced approximately RMB580,477,000 (2009: RMB826,665,000) to Century Profit, which are secured, repayable on demand (2009: repayable within two years from the respective drawdown date) and interest-bearing at a fixed rate of 18% (2009: 7% to 18%) per annum.

On September 22, 2010, the Group entered into a set of agreements with Hong Da and Century Profit whereby (a) Hong Da paid a total amount of RMB502,988,198 to the Group, being a total amount equivalent to the aggregate principal of RMB460,000,000 and the interests accrued under the relevant loan agreements entered between the Group and Century Profit in 2009; and (b) the obligations of the parties thereto would be discharged in full for such relevant loan agreements upon this repayment arrangement completed.

21. Other Property Interests

Other property interests relate to leasehold land and related development cost in the PRC which is held under long lease. Pursuant to the written Decision Regarding the Reclamation of the Use Right of State-Owned land (Sui Guo Fang Zi [2007] No.1196) (廣州市國土資源和房屋管理局總國房地[2007]1196號收回國有土地使用權決定書) issued by the Bureau of Land Resources and Housing Management of Guangzhou Municipality ("the Bureau of Land Resources") on December 15, 2006, the subject property will be reverted to the Guangzhou municipal government.

On March 21, 2007, the Group submitted the dispute of this decision to the Guangzhou municipal government. On April 2, 2007, the Guangzhou municipal government issued its determination in Administrative Review Decision (Sui Fu Fu Zi (2008) No.67) (穗府復字 (2008) 67 號文一行政復議決定書), which upheld the decision of the Bureau of Land Resources to reclaim the subject property on public interest grounds. The Bureau of Land Resources has confirmed that the Group can apply for refund of the land premium and other ancillary expenses the Group paid when the Group first acquired the land use right and the compensation for the expenses the Group incurred during the reclamation process.

During the year ended December 31, 2008, the Bureau of Land Resources issued a notice to the Group (穗府房函(2008) 1751號) requesting the Group to submit a compensation proposal. According to the Group's compensation proposal submitted in November 2008, the Group requested the Bureau of Land Resources to withdraw the reclaim decision, otherwise, grant another piece of land to the Group with same value and in same location and area.

21. Other Property Interests (continued)

During the year ended December 31, 2010, an agreement was signed between the Group and the Bureau of Land Resources and Housing Management Luogang Branch ("Luogang Bureau") where Luogang Bureau agreed to grant another piece of land in Luogang town to the Group without additional compensation. The Group should submit proposal of construction planning and design to the Guangzhou Urban Planning Bureau for approval before the Land Use Right Certificate is granted. The relevant procedures of review and approval are still under process up to the date when the consolidated financial statements are authorised for issue. The executive directors of the company are of the opinion that the recoverable amount of these property interests would not be less than the carrying amount which represents the historical cost incurred.

In addition, the controlling shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government in case the Group is suffer from this event.

22. Properties for Sale

	2010 RMB'000	2009 RMB'000
Properties for sale comprise of:		
Completed properties	822,594	1,202,402
Properties under development	4,701,392	4,920,781
	5,523,986	6,123,183

Properties for sale of approximately RMB2,596,000,000 (2009: RMB1,768,000,000) are expected to be realised within twelve months.

During the year ended December 31, 2010, completed properties with aggregate carrying amount of approximately RMB19,095,000 (2009: RMB14,583,000) were transferred to investment properties upon commencement of operating leases. The excess of the fair value (as disclosed in note 16) of these properties at the date of transfer over their carrying amount, amounting to approximately RMB24,806,000 (2009: RMB53,817,000), is recognised in the consolidated statement of comprehensive income.

At December 31, 2010, certain of the Group's properties for sale with carrying value of approximately RMB1,839,915,000 (2009: RMB1,937,760,000) were pledged for certain banking facilities granted to the Group.

23. Trade and Other Receivables

	2010 RMB'000	2009 RMB'000
Trade receivables	276,050	294,568
Other receivables	136,092	269,633
Advances to suppliers	111,256	145,914
Deposits for purchase of land use rights	10,000	10,000
Other tax prepayments	88,792	25,397
	622,190	745,512

The following is aged analysis of trade receivables determined based on the date of the properties delivered and sales is recognised:

	2010 RMB'000	2009 RMB'000
Age		
0 to 60 days	250,143	181,937
61 to 180 days	17,621	15,597
181 to 365 days	4,424	10,862
1 to 2 years	1,612	78,256
2 to 3 years	630	7,207
over 3 years	1,620	709
	276,050	294,568

Trade receivables mainly represent receivable from properties buyers for mortgage sale of properties amounting to approximately RMB232,560,000 (2009: RMB160,469,000). Receivable from corporate bulk sale buyers amounting to approximately RMB61,110,000 was included in the trade receivables in the year ended December 31, 2009, the amount was fully settled in the year ended December 31, 2010. The average credit period on sale of properties is 60 days. Impairment on trade receivables are provided for based on estimated irrecoverable amounts from the sale of properties, determined by reference to past default experience. Considerations under pre-sale contracts will be fully received prior to the delivery of the ownership certificate of the properties to the purchasers.

23. Trade and Other Receivables (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in other receivables mainly represent payment made in advance for reclamation of land for the Group's further property development in which no impairment is considered necessary.

As at December 31, 2010, there were approximately RMB1,612,000 (2009: RMB17,146,000) receivable aged 1 to 2 years and approximately RMB2,250,000 (2009: RMB2,913,000) receivables aged over 2 years that were past due but not impaired. Based on experience, the management of the Company are of the opinion that no provision for impairment is necessary in respect of these receivables as the Group has no history of default for customer with balance past due or balance not past due. As at December 31, 2009, trade receivables of the Group's largest customer, which is operating in the Guangdong Province and engaged in property, investment or construction businesses, amounting to RMB61,110,000 were settled in 2010. There is no buyer who represents more than 5% of the total balance of trade receivables as at December 31, 2010. The concentration of credit risk in the remaining trade receivables is limited due to the customer base being large and unrelated.

24. Restricted Bank Deposits/Bank Balances and Cash

Restricted bank deposits

The deposits amounting to approximately RMB939,000,000 as at December 31, 2010 (2009: RMB645,000,000) are restricted for loan facility granted by banks and carry variable interest rate of 0.36% to 2.79% (2009: 0.36% to 2.79%) per annum, among which approximately RMB140,000,000 (2009:RMB345,000,000) is restricted for a loan over than 1 year. The other deposits are restricted for the payment to the construction contractors, which carry variable interest rate of 0.36% (2009: 0.36%) per annum, and will be released upon the completion of the development of properties in 2011.

Bank balances and cash

The bank balances carry variable interest rate with an average interest rate of 0.36% (2009:0.36%) per annum.

25. Trade and Other Payables

	2010 RMB'000	2009 RMB'000
Trade payables	794,702	1,458,554
Other payables	147,043	193,729
Other taxes payable	133,658	67,165
	1,075,403	1,719,448

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cash expenses. The average credit period for trade purchases is from 6 months to 1 year. No interest is charged by the suppliers on the trade payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by the Group are set out in note 31.

The following is an aged analysis of trade payables determined based on the invoice date:

	2010 RMB'000	2009 RMB'000
Age:		
0 to 60 days	254,207	175,256
61 to 180 days	249,598	856,727
181 to 365 days	56,795	205,180
1 to 2 years	93,282	106,796
2 to 3 years	94,766	91,469
Over 3 years	46,054	23,126
	794,702	1,458,554

At December 31, 2010, the balance of trade payables with age over 1 year include retention money of approximately RMB138,092,000 (2009: RMB125,491,000) which relates to 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest free, and would be paid to constructors after 1 to 3 years from the completion of construction.

26. Amount Due to a Non-Controlling Shareholder

The amount is interest-free, unsecured and has no fixed terms of repayment.

27. Convertible Notes/Derivative Financial Instruments

The convertible notes (the "Convertible Notes") with a principal amount of US$60,000,000 issued by a subsidiary of the Company, Add Hero Holding Limited ("Add Hero") entitles the noteholder (the "Noteholder") to convert it into the Company's ordinary shares at any time prior to February 13, 2012 (the ''Maturity Date'') at a conversion price as set out in the Note Purchase Agreement entered into on February 9, 2007, subject to certain anti-dilutive adjustments.

During the 18 months following the International Public Offering ("IPO") of the Company and prior to the Maturity Date, if the weighted average price of the Company's share has equalled or exceeded 130% of the conversion price in effect on 20 of the last 30 trading days, Add Hero shall have the option to redeem all the Convertible Notes at its principal amount plus accrued and unpaid interest up to the date of redemption in cash.

According to the Note Purchase Agreement, the Convertible Notes is interest-bearing at London Inter Bank Offer Rate plus 3% per annum as the IPO occurred by July 15, 2008.

The Convertible Notes contains liability component stated at amortised cost and conversion option and issuer redemption option (collectively the "embedded derivatives component") which are not closely related to the host contract and are stated at fair value. The embedded derivatives component is presented on a net basis as the terms and conditions of options under the embedded derivatives component are inter-related. The effective interest rate of the liability component is 13.9% (2009:14.7%) per annum for the year ended December 31, 2010.

On April 15, 2010, the Company entered into an agreement with the Noteholder (the "Agreement"), pursuant to which the Company and the Noteholder had mutually agreed to the repurchase of the Convertible Notes. On April 15, 2010, the Company paid a total sum of US$26,462,500 (equivalent to approximately RMB179,049,000) to the Noteholder to repurchase US$25,000,000 (equivalent to approximately RMB170,523,000) in principal amount of the Convertible Notes at a price equal to 105% of US$25,000,000 (equivalent to approximately RMB170,523,000), plus accrued and unpaid interest thereon. On August 3, 2010, the Company paid a total sum of US$38,370,000 (equivalent to approximately RMB261,718,000) to the Noteholder to repurchase the remaining US$35,000,000 (equivalent to approximately RMB238,732,000) in principal amount of the Convertible Notes at a price equal to 108% of US$35,000,000 (equivalent to approximately RMB238,732,000) plus accrued and unpaid interest thereon.

27. Convertible Notes/Derivative Financial Instruments (continued)

The movements of the liability and derivative components of the Convertible Notes are set out as below:

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At January 1, 2009	304,133	3,906	308,039
Interest charged	44,196	–	44,196
Interest paid	(20,275)	–	(20,275)
Change in fair value	–	2,062	2,062
Exchange difference	(2,204)	–	(2,204)
At December 31, 2009	325,850	5,968	331,818
Interest charged	16,887	–	16,887
Interest paid	(7,867)	–	(7,867)
Loss on Convertible Notes	106,246	(5,968)	100,278
Repurchased	(440,767)	–	(440,767)
Exchange difference	(349)	–	(349)
At December 31, 2010	–	–	–
Fair value at December 31, 2009	414,456	5,968	420,424

The fair value of the embedded derivatives of the Convertible Notes comprises:

(a) The fair value of option of the Noteholder to convert the Convertible Notes into ordinary shares of the Company; and

(b) The fair value of the option of the Company to redeem the Convertible Notes.

Binomial model is used in the valuation of these embedded derivatives. Inputs into the model are as follows:

	2009
Conversion Price	HK$ 4.52
Risk free rate of interest *(note a)*	1.83 %
Time to expiration	2.12 years
Volatility *(note b)*	69 %

Notes:

(a) The risk free rate of interest adopted was the market yield of government bond as of the end of the reporting period.

(b) The volatility adopted was based on the share price volatility of comparable companies in the past four years.

27. Convertible Notes/Derivative Financial Instruments (continued)

The fair value of the Company's redemption option was developed by the difference in fair value of the conversion option with or without the redemption option.

28. Secured Bank Loans

	2010 RMB'000	2009 RMB'000
The secured bank loans are repayable as follows:		
Within one year	1,359,629	743,420
More than one year, but not exceeding two years	1,045,226	492,690
More than two years, but not exceeding five years	855,040	1,350,255
More than five years	214,036	–
	3,473,931	2,586,365
Less: Amount due within one year shown under current liabilities	(1,359,629)	(743,420)
	2,114,302	1,842,945

	2010 RMB'000	2009 RMB'000
The secured bank loans comprise:		
RMB bank loans	1,552,476	1,291,940
HKD bank loans	1,742,642	1,294,425
USD bank loans	178,813	–
	3,473,931	2,586,365

As at December 31, 2010, bank borrowings amounting to approximately RMB978,659,000 (2009: RMB1,294,425,000) bear interest at a range from Hong Kong Interbank Offering Rate ("HIBOR") plus 1.0% to HIBOR plus 3.5%, bank borrowing amounting to approximately RMB942,796,000 (2009: Nil) bear fixed interest rate at a range from 4.5% to 6.5% per annum and bank borrowing amounting to approximately RMB1,552,476,000 (2009: RMB1,291,940,000) bear interest at rates at a range from 4.86% to 6.40% per annum as agreed with the banks at the inception date and subject to negotiation on annual basis with reference to lending rate of the People's Bank of China.

The weighted average effective interest rates on bank borrowings for the year are 6.65% (2009: 5.60%) per annum.

Other than the assets pledged as disclosed in notes 14, 16, 22 and 24, certain subsidiaries of the Company were pledged for certain bank facilities granted to the Group.

29. Deferred Taxation

The deferred taxation (assets) liabilities recognised by the Group and movements thereon during the year are as follows:

	Change in fair value of investment properties RMB'000	Revaluation of properties RMB'000	Temporary difference on revenue recognition and related cost of sales RMB'000	Tax losses RMB'000	Other temporary differences RMB'000 (Note)	Total RMB'000
At January 1, 2009	10,917	48,473	8,521	(8,369)	(4,858)	54,684
Acquisition of subsidiaries *(note 32)*	1,226	–	–	–	–	1,226
(Credit) charge to consolidated statement of comprehensive income *(note 10)*	(5,968)	8,357	9,374	(8,219)	(12,501)	(8,957)
At December 31, 2009	**6,175**	**56,830**	**17,895**	**(16,588)**	**(17,359)**	**46,953**
Charge (credit) to consolidated statement of comprehensive income *(note 10)*	**51,216**	**(15,709)**	**(16,408)**	**9,268**	**(28,303)**	**64**
At December 31, 2010	**57,391**	**41,121**	**1,487**	**(7,320)**	**(45,662)**	**47,017**

Note: Other temporary differences mainly include the withholding tax on undistributed earnings of PRC subsidiaries amounted to approximately RMB6,000,000 (2009: RMB2,500,000), deductible temporary difference in PRC subsidiaries amounted to approximately RMB19,989,000 (2009: RMB20,039,000) and the deductible temporary difference amounted to approximately RMB 31,804,000 (2009: Nil) arising from land appreciation tax provision.

29. Deferred Taxation (continued)

For the purpose of financial statement presentation, certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2010 RMB'000	2009 RMB'000
Deferred taxation assets	(44,373)	(27,636)
Deferred taxation liabilities	91,390	74,589
	47,017	46,953

As at December 31, 2010, the Group had unused tax losses of approximately RMB68,754,000 (2009: RMB91,941,000) available to offset against future profits. A deferred taxation asset has been recognised in respect of approximately RMB31,959,000 (2009: RMB76,651,000) of such tax losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of approximately RMB36,795,000 (2009: RMB15,290,000) due to the unpredictability of future profits streams. The unrecognised tax losses will expire in the following years:

	2010 RMB'000	2009 RMB'000
2010	–	1,342
2011	3,457	3,457
2012	5,718	5,718
2013	2,329	2,329
2014	2,444	2,444
2015	22,847	–
	36,795	15,290

30. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2009 and December 31, 2009 and December 31, 2010	100,000,000,000	1,000,000
Issued and fully paid:		
At January 1, 2009	2,252,500,000	22,525
Issue of shares *(note)*	360,000,000	3,600
At December 31, 2009 and 2010	2,612,500,000	26,125

	2010 RMB'000	2009 RMB'000
Shown in the consolidated financial statements	24,990	24,990

Note: In July 2009, the Company and the former ultimate holding company of the Company entered into a placing and subscription agreement (the "Placing and Subscription Agreement") with certain independent parties (the "Agents"). Pursuant to the Placing and Subscription Agreement, the Agents procured purchasers on behalf of the ultimate holding company to purchase 360,000,000 existing ordinary shares of HK$0.01 each of the Company, at a price of HK$1.73 per share (the "Placing Price"), and the former ultimate holding company has subscribed for 360,000,000 new shares at the Placing Price. The placement of shares to the places and the subscription of shares were both completed in July 2009. As a result of the above placement, the former ultimate holding company then ceased to be the ultimate holding company of the Group.

31. Financial Instruments

Financial risk management objectives and policies

The main risks associated with the Group's financial instruments are market risk (interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures.

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

i) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability, derivative financial instrument and equity instrument are disclosed in note 3.

ii) Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Available-for-sale investments	–	296,000
Loans and receivables (including cash and cash equivalents)	4,947,371	3,584,062
Financial liabilities		
Amortised cost	4,437,296	4,591,186
Financial liabilities through profit or loss		
– Derivative financial instruments	–	5,968

iii) Market risk

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank borrowings (see note 28 for details of these borrowings), restricted bank deposits and bank balance and cash (2009: variable-rate bank borrowings, convertible notes, restricted bank deposits and bank balance and cash). The bank borrowings are for financing development of property projects. The interest rate of the convertible notes is determined by 6 months LIBOR plus 3% per annum. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's fair value interest rate risk relates primarily to amount due from a jointly controlled entity, amount due from a venturer of a jointly controlled entity, fixed-rate bank borrowings and available-for-sale investments. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arises.

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

iii) Market risk (continued)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for secured bank loans and convertible notes. The analysis is prepared based on the amount of secured bank loans and convertible notes at the end of the reporting period. A 50 (2009: 50) basis point fluctuation represents management's assessment of the possible change in interest rate is used.

If interest rates had been 50 (2009: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2010 would decrease/increase by approximately RMB10,614,000(2009: increase/decrease of post-tax loss of RMB12,760,000).

The Group's sensitivity to interest rates has decreased over the years mainly due to the decrease in variable-rate debt instruments which are exposed to cash flow interest rate risk.

Price risk

The Group is exposed to price risk in respect of the conversion option and redemption options embedded in the Convertible Notes in the year ended December 31, 2009. No price risk was exposed by the Group at December 31, 2010 as the Convertible Notes were fully repurchased by the Group. The below sensitivity analysis is not representative because of the interdependence of the variable input in the valuation model.

If the volatility to the valuation model had been 5% higher/lower while all other variables were held constant, the post-tax profit for the year ended December 31, 2009 would decrease by RMB1,440,000 and increase by RMB1,033,000, respectively.

If the share price of the Company input in the valuation model had been 5% higher/lower while all other input variables of the valuation model were held constant, the post-tax profit for the year ended December 31, 2009 would decrease by RMB781,000 and increase by RMB481,000, respectively.

Foreign currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and its major receivables and payables are denominated in RMB. The Group is subject to foreign exchange rate risk arising from recognised assets and liabilities which are denominated in the currency other than the functional currency of the relevant group entity. The majority of the Group's foreign currency transactions and balances are denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

iii) Market risk (continued)

Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting period are as follows:

	2010 RMB'000	2009 RMB'000
Assets		
Hong Kong dollars	281,314	92,475
Liabilities		
Hong Kong dollars	1,735,787	1,301,312
United States dollars	178,813	331,817

Foreign currency sensitivity

The Group is mainly exposed to fluctuation of United States dollars and Hong Kong dollars against RMB. The following table details the Group's sensitivity to a 5% (2009: 2%) increase and decrease in the RMB against the relevant foreign currencies. The sensitivity rates used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes Convertible Notes, bank borrowings as well as bank balances denominated in foreign currencies. A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% (2009: 2%) against the relevant currency. For a 5% (2009: 2%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit for the year.

	2010 RMB'000	2009 RMB'000
United States dollars		
Profit or loss for the year	6,705	4,977
Hong Kong Dollars		
Profit or loss for the year	54,543	18,133

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

iv) Credit risk

As at December 31, 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 34.

The Group has significant concentration of credit risk since 21% of the total trade receivables were due from the Group's largest three customers as at December 31, 2009. The concentration of credit risk decreased as no customers represents more than 5% of the total trade receivables as at December 31, 2010.

In order to minimise the credit risk of debts, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC and Hong Kong.

The Group provides guarantees to banks in connection with certain customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property (note 34). If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and repossess the properties for resale. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group. No such forfeiture and repossession of properties occurred during the years ended December 31, 2010 and 2009.

The Group also exposes to concentration of credit risk in respect of amount due from a jointly controlled entity, amount due from a venturer of a jointly controlled entity and guarantee given to a jointly controlled entity (note 34). This jointly controlled entity borrowed certain bank loan which is jointly and severally guaranteed by the Company and the other venturer of the jointly controlled entity. The credit risk is considered not significant as the management estimates that the funds generated from the jointly controlled entity will exceed the investment cost and advances in this jointly controlled entity and venturer of the jointly controlled entity.

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

iv) Credit risk (continued)

As explained in note 21, the Group can apply for refund of the land premium and other ancillary expenses incurred during the reclamation process of a leasehold land in the PRC from the Bureau of Land Resources. Accordingly, the Group has concentration of credit risk in this regard. The credit risk is considered not significant as the counterparty is a government body in the PRC.

v) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity mix.

The capital structure of the Group consists of debt (which includes the Convertible Notes and secured bank loans disclosed in notes 27 and 28, respectively), net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors of the Company consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's capital risk management strategy remains unchanged over the years.

vi) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative components of Convertible Notes. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The undiscounted amount of the Convertible Notes is based on the assumption that there is no conversion or early redemption on the Convertible Notes. The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

vi) Liquidity risk management (continued)

	Weighted average interest rate	0 – 60 days RMB'000	61 – 180 days RMB'000	181 – 365 days RMB'000	1 – 2 years RMB'000	2 – 3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At December 31, 2010									
Financial liabilities									
Non-interest bearing	–	337,177	289,010	240,841	67,436	28,901	–	963,365	963,365
Bank borrowings	5.38%	176,674	410,330	896,522	1,222,803	448,241	862,955	4,017,525	3,473,931
Financial guarantee	–	2,943,570	–	570,103	–	–		3,513,673	–
TOTAL		3,457,421	699,340	1,707,466	1,290,239	477,142	862,955	8,494,563	4,437,296

	Weighted average interest rate	0 – 60 days RMB'000	61 – 180 days RMB'000	181 – 365 days RMB'000	1 – 2 years RMB'000	2 – 3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
At December 31, 2009									
Financial liabilities									
Non-interest bearing	–	598,225	512,765	427,303	119,645	21,033	–	1,678,971	1,678,971
Bank borrowings	4.7%	136,999	200,255	458,109	557,514	799,999	623,564	2,776,440	2,586,365
Convertible Notes	4.5%	9,207	–	9,284	18,685	419,093	–	456,269	331,818
Financial guarantee	–	1,859,280	–	589,935	–	–	–	2,449,215	–
TOTAL		2,603,711	713,020	1,484,631	695,844	1,240,125	623,564	7,360,895	4,597,154

The total undiscounted cash flows of financial guarantee at December 31, 2010 and 2009 disclosed above was the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparties to the guarantee. Based on expectation as at December 31, 2010, the Group considered that it was not probable that the counterparties to the financial guarantee would claim under the contract. The financial guarantee granted to Century Profit will be released upon the repayment of the loan by Century Profit where the repayment date was extended from December 2010 to December 2011 (see note 34).

31. Financial Instruments (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities (excluding derivative instruments and available-for-sale investment) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative instruments is calculated based on generally accepted option pricing models.

The carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values except for the convertible notes liability component as disclosed in note 27.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2009			
	Level 1 RMB'000	Level 2 RMB '000	Level 3 RMB '000	Total RMB '000
Financial liability at FVTPL				
Derivative financial instruments	–	–	5,968	5,968

There were no transfers between Level 1 and 2 in the current year.

31. Financial Instruments (continued)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial asset and liability

	Derivative financial instruments RMB'000
At 1 January 2009	3,906
Fair value change of embedded derivative component of Convertible Notes	2,062
At 31 December 2009	5,968

No financial instruments were measured at FVTPL in the year ended December 31, 2010.

32. Acquisition of Subsidiaries

On June 18, 2009, the Group entered into a sale and purchase agreement with independent third parties ("Vendors"), in connection with the acquisition of the entire equity interest in Zhongshan Plaza Development Company Limited (中山市中山廣場開發建設有限公司) ("Zhongshan Plaza"), a property development company, through the acquisition of its parent company, Earning Ever Limited ("Earning Ever") at a consideration of RMB1, and payments of RMB639,999,999 owed by Zhongshan Plaza and Earning Ever to the Vendors and their related companies.

As disclosed in note 18, the Group acquired the remaining 50% interest in Head Win Limited in October 2009.

The acquisition of Earning Ever and Head Win Limited are accounted for as acquisition of assets and liabilities.

Consideration transferred:

	RMB'000
Cash	897,794

Assets acquired and liabilities recognised at date of acquisition are as follows:

	RMB'000
Property, plant and equipment	648
Properties for sale	953,754
Investment properties	323,590
Trade and other receivables	2,206
Bank balances and cash	10,114
Trade and other payables	(63,018)
Deferred tax liabilities	(1,226)
	1,226,068
Interest in a joint controlled entity	(328,274)
	897,794

Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Consideration paid	(897,794)
Bank balances and cash of subsidiaries acquired	10,114
	(887,680)

33. Major Non-Cash Transactions

During the year ended December 31, 2010, the Group capitalised the available for sale investment amounting to RMB 296,000,000 as an additional cost of investment in a jointly controlled entity.

34. Contingent Liabilities

At the end of respective reporting period, the contingent liabilities of the Group were as follows:

	2010 RMB'000	2009 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	2,943,570	1,859,280

The Group acted as guarantor to the mortgage bank loans granted to certain purchasers of the Group's properties and agreed to repurchase the properties upon the purchasers' default the repayment of bank loans and repay the outstanding loan and interest accrual thereon. The fair value of the financial guarantee contracts is not significant as the default rate is low.

During the year ended December 31, 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then claims the Group for compensation of approximately RMB61,096,000. The legal case is in legal proceeding. However, no provision has been provided for this case because, in the opinion of the executive directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

The Group has provided a guarantee for a bank facility granted to Century Profit amounting to HK$670,000,000 (equivalent to approximately RMB570,103,000 (2009: RMB589,935,000)) as at December 31, 2010 and 2009. The fair value of the financial guarantee was not significant at initial recognition. No provision for financial guarantee has been provided at December 31, 2010 and 2009 as the default risk is low. The financial guarantee will be released upon the repayment of the loan by Century Profit in December 2011 (2009: December 2010).

35. Other Commitments

	2010 RMB'000	2009 RMB'000
Construction cost commitment contracted for but not provided in the consolidated financial statements	2,773,179	2,367,025
Capital commitment in respect of construction in progress contracted for but not provided in the consolidated financial statements	26,724	–

36. Operating Lease Commitments

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010 RMB'000	2009 RMB'000
Within one year	10,985	10,421
In the second to fifth year inclusive	74,003	25,906
After five years	178,789	10,047
	263,777	46,374

The properties are expected to generate rental yields of average 1% to 4% per annum on an ongoing basis. All the properties held have committed tenants from 3 to 10 years.

As lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 RMB'000	2009 RMB'000
Within one year	9,721	7,288
In the second to fifth year inclusive	7,072	9,123
	16,793	16,411

Operating lease payments mainly represent rentals payable by the Group for certain of its office premises. Leases are negotiated with range from 1 to 19 years and rentals are fixed for an average term of 1 to 19 years.

37. Share-Based Payment Transactions

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on October 23, 2007 for the primary purpose of providing incentives to directors and eligible employees.

At December 31, 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 48,900,000 (2009: 38,195,145), representing 1.87% (2009:1.46%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable on the grant of an option. Options may be exercised according to the schedule set out below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

37. Share-Based Payment Transactions (continued)

Details of specific categories of options are as follows:

Option type	No. of options granted	Date of grant	Vesting period	Exercise period	Exercise Price HK$	Fair values at grant date HK$
2007A	1,523,700	October 23, 2007	October 23, 2007 to the day before 2008 result announcement date	2008 result announcement date until December 31, 2009 *(Note a)*	6.55	1.731
2007B	2,539,500	October 23, 2007	October 23, 2007 to the day before 2009 result announcement date	2009 result announcement date until December 31, 2010 *(Note b)*	6.55	2.069
2008A	10,000,000	July 18, 2008	None	July 18, 2008 to July 14, 2011	5.2	0.16
2008A	10,000,000	July 18, 2008	None	July 18, 2008 to July 14, 2011	1.79	0.51
2008A	20,000,000	July 18, 2008	None	July 18, 2008 to December 31, 2009 *(Note a)*	1.79	0.39
2008B	10,000,000	September 25, 2008	None	Anytime during the service period	0.90	0.21
2008C	3,000,000	December 1, 2008	None	Anytime during the service period	2.00	0.20
2008C	3,000,000	December 1, 2008	None	Anytime during the service period	0.638	0.04
2009	900,000	September 25, 2009	None	September 25, 2009 to September 24, 2012	1.40	0.58
2010A	6,000,000	January 18, 2010	January 18, 2010 to the day before 2010 result announcement date	2010 result announcement date until December 31, 2013	1.38	0.58
2010B	6,000,000	January 18, 2010	January 18, 2010 to the day before 2011 result announcement date	2011 result announcement date until December 31, 2013	1.38	0.58
2010C	20,000,000	January 18, 2010	None	January 18, 2010 to 31 December, 2010(b)	1.79	0.19

Note:

(a) These share options are expired as at December 31, 2009.

(b) These share options are expired as at December 31, 2010.

37. Share-Based Payment Transactions (continued)

Option type	Outstanding at 1 January 2010 '000	Granted during the year '000	Expired during the year '000	Outstanding at 31 December 2010 '000
2007B	1,295	–	1,295	–
2008A	20,000	–	–	20,000
2008B	10,000	–	–	10,000
2008C	6,000	–	–	6,000
2009	900	–	–	900
2010A	–	6,000	–	6,000
2010B	–	6,000	–	6,000
2010C	–	20,000	20,000	–
	38,195	32,000	21,295	48,900

Option type	Outstanding at 1 January 2009 '000	Granted during the year '000	Expired during the year '000	Outstanding at 31 December 2009 '000
2007A	1,067	–	1,067	–
2007B	1,295	–	–	1,295
2008A	40,000	–	20,000	20,000
2008B	10,000	–	–	10,000
2008C	6,000	–	–	6,000
2009	–	900	–	900
	58,362	900	21,067	38,195

37. Share-Based Payment Transactions (continued)

These fair values were calculated using the binominal model. The inputs into the model were as follows:

	2008A	2008B	2008C	2007A&B
Exercise price	HK$1.79&HK$5.2	HK$0.9	HK$0.638&HK$2	HK$6.55
Expected volatility	60%	60%	60%	45%
Expected life	Whole life of each share option	3 years	3 years	Whole life of each share option
Risk-free rate	1.9%–2.7%	2.7%	1.2%	3%–3.3%
Expected dividend yield	1.5%	1.5%	1.5%	1.5%

	2010A&B	2010C	2009
Exercise price	HK$1.38	HK$1.79	HK$1.40
Expected volatility	68%	75%	70%
Expected life	4 years	1 year	3 years
Risk-free rate	0.19%	1.46%	2.7%
Expected dividend yield	3%	3%	1.5%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of approximately RMB8,193,000 (2009: RMB901,000) for the year ended December 31, 2010 in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

38. Retirement Benefit Plan

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

39. Related Party Transactions

(1) The Group had material transactions during the year with related parties as follows:

Related party	Nature of transaction	2010 RMB'000	2009 RMB'000
A jointly controlled entity	Interest income	**65,357**	13,797

Interest was charged at 7% to 15% (2009:7% to 15%) per annum on the outstanding balance.

(2) The remuneration of key management during the year is as follows:

	2010 RMB'000	2009 RMB'000
Short-term benefits	**19,513**	25,100
Share-based payments	**6,261**	467
	25,774	25,567

The retirement benefit contributions of the key management during the years ended December 31, 2010 and 2009 were not material.

(3) As disclosed in note 21, the major shareholder of the Company has agreed to indemnify any loss arising from the reclamation of the land by the Guangzhou municipal government.

(4) As disclosed in note 34, the Group has provided a guarantee for a bank facility granted to Century Profit amounting to HK$670,000,000 (equivalent to approximately RMB570,103,000) as at December 31, 2010 and 2009.

(5) Details of the balances with a jointly controlled entity are set out in note 20.

40. Major Subsidiaries

Details of the Group's major subsidiaries at December 31, 2010 and 2009 as follows:

Name of subsidiary	**Place of incorporation/ establishment**	**Attributable equity interest held** *(note 1)*	**Issued and fully paid share capital/ registered share capital**	**Principal activities**
Add Hero Holding Limited ("Add Hero") *(note 3)*	British Virgin Islands ("BVI")	100%	US$10,000	Investment holding
Add Gain Investments Limited	BVI	100%	US$100	Investment holding
Add Lion Profits Limited	BVI	100%	US$100	Investment holding
Add Power Investments Limited	BVI	100%	US$100	Investment holding
Add Right Investments Limited	BVI	100%	US$100	Investment holding
Bright Oriental Limited	Hong Kong	100%	HK$1	Investment holding
China Aoyuan International Development Limited (Formerly known as Chinaview Holdings Limited)	Hong Kong	100%	HK$1	Investment holding
重慶創冠房地產開發有限公司 (Chongqing Chuangguan Real Estate Development Company Limited)	PRC	100%	US$49,000,000	Property development
佛崗同力盛投資發展有限公司 (Fogang Tong Li Sheng Investment Development Company Limited)	PRC	100%	RMB80,000,000	Property development
奧園集團有限公司 (Aoyuan Group Company Limited)	PRC	100%	RMB400,000,000	Investment holding
廣州奧園海景城房地產開發有限公司 (Guangzhou Aoyuan Hai Jing Cheng Real Estate Development Company Limited)	PRC	100%	RMB380,000,000	Property development

40. Major Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
廣州市番禺金業園房地產開發有限公司 (Guangzhou Panyu Jin Ye Yuan Real Estate Development Company Limited)	PRC	100%	RMB170,000,000	Property development
廣州市番禺金業房地產開發有限公司 (Guangzhou Panyu Jin Ye Real Estate Development Company Limited)	PRC	100%	RMB180,000,000	Property development
廣州奧林匹克房地產開發有限公司 (Guangzhou Olympic Real Estate Development Company Limited)	PRC	100%	RMB60,000,000	Property development
廣州番禺奧林匹克房地產開發有限公司 (Guangzhou Panyu Olympic Real Estate Development Company Limited)	PRC	100%	RMB31,000,000	Property development
廣州奧園資產經營管理有限公司 (Guangzhou Aoyuan Assets of Management Company Limited) Company Limited)	PRC	100%	RMB10,000,000	Provision of consultancy services
廣州南沙國奧房地產開發有限公司 (Guangzhou Nansha Guo Ao Real Estate Development Company Limited)	PRC	100%	RMB120,494,000	Property development
龍南縣金城房地產開發有限公司 (Longnan Jin Cheng Real Estate Development Company Limited)	PRC	100%	RMB23,000,000	Property development
瀋陽奧園動漫城置業有限公司 (Shenyang Aoyuan Dong Man Cheng Properties Company Limited)	PRC	100%	US$45,000,000	Property development

40. Major Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
瀋陽南奧海景城置業有限公司 (Shenyang Nan Ao Hai Jing Cheng Properties Company Limited)	PRC	100%	US$25,000,000	Property development
瀋陽金業創意城置業有限公司 (Shenyang Jin Ye Chuang Yi Cheng Properties Company Limited)	PRC	100%	US$50,000,000	Property development
瀋陽都市華庭置業有限公司 (Shenyang Du Shi Hua Ting Properties Company Limited)	PRC	100%	US$50,000,000	Property development
玉林奧園房地產開發有限公司 (Yulin Aoyuan Real Estate Development Company Limited)	PRC	100%	RMB80,000,000	Property development
玉林奧園康城房地產開發有限公司 (Yulin Aoyuan Cannes Real Estate Development Company Limited)	PRC	100%	RMB200,000,000	Property development
重慶時尚置業有限公司 *(note 5)* (Chongqing Fashion Technology Company Limited ("Chonqqing Fashion"))	PRC	100%	RMB30,000,000	Property development
江門江奧地產開發有限公司 (Jiangmen Jiangao Real Estate Development Company Limited)	PRC	51%	RMB20,000,000	Property development
清遠市奧園置業有限公司 (Qingyuan Aoyuan Property Company Limited)	PRC	80%	RMB50,000,000	Property development

40. Major Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Attributable equity interest held *(note 1)*	Issued and fully paid share capital/ registered share capital	Principal activities
瀋陽奧園新城置業有限公司 (Shenyang Aoyuan New City Property Company Limited)	PRC	100%	RMB700,000,000	Property development
廣州奧譽房地產開發有限公司 *(note 4)* (Guangzhou Aoyu Real Estate Exploitation Company Limited)	PRC	100%	HK$ 750,000,000	Property development
中山廣場開發建設有限公司 *(note 6)* (Zhongshan Plaza Development Company Limited)	PRC	100%	RMB735,384,082	Property development

Notes:

(1) Add Hero is directly held by the Company and the remaining subsidiaries comprising the Group are indirectly held by the Company.

(2) Except for BVI and Hong Kong incorporated companies which are operating in Hong Kong, other subsidiaries are operating in the PRC.

(3) The holders of the convertible notes are not entitled to receive notice of or to attend or vote at any general meeting of Add Hero. The non-voting convertible notes practically carry no rights to dividends or to participate in any distribution on winding up.

(4) Guangzhou Aoyu Real Estate Exploitation Company Limited were wholly-owned subsidiaries of the Company before they became jointly controlled entities of the Company during the year ended December 31, 2008. Subsequently during the year ended December 31, 2009, these companies become subsidiaries of the Company by acquiring the remaining interests in its intermediate holding company Head Win Limited and Kingmind Limited.

(5) Pursuant to a supplementary agreement entered into by the Group in October 2007, the Group is entitled to all the shareholders' rights and benefits derived from the operation of Chongqing Fashion and that Chongqing Fashion shall be managed and controlled by the Group. As the Group has the power to govern the financial and operating policies of Chongqing Fashion so as to obtain benefits from its activities under the agreement, accordingly, Chongqing Fashion is regarded as a subsidiary of the Company since October 2007.

(6) Zhongshan Plaza Development Company Limited, were acquired by the Group during the year ended December 31, 2009.

(7) The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

41. Events after the Reporting Period

In February 2011, the Group acquired a parcel of land situated in Zongshan, the PRC, at a consideration of approximately RMB144,200,000 through public auction. The land in Zhongshan is designated for commercial and residential uses and no construction on the land has started before acquisition.

In March 2011, the Group acquired all the equity interests in certain companies which hold parcels of land situated in Kunshan, the PRC. The consideration payable of approximately RMB383,000,000 is for the acquisition of the entire equity interests in these companies and their loans payable to their former shareholders. The land in Kunshan is also designated for commercial and residential uses and no construction on the land has started before acquisition.

42. Financial Summary of the Company

Assets and Liabilities

	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	3,384,461	3,384,461
CURRENT ASSETS		
Bank balances	98,706	1,315
Other receivables	–	9
Amount due from a subsidiary	977,833	882,844
	1,076,539	884,168
CURRENT LIABILITIES		
Other payables	4,975	2,853
Secured bank loans	100,072	–
	105,047	2,853
NON-CURRENT LIABILITIES		
Secured bank loans	300,281	–
Net current assets	971,492	881,315
Net assets	4,055,672	4,265,776
OWNERS' EQUITY		
Share capital	24,990	24,990
Reserves	4,030,682	4,240,786
	4,055,672	4,265,776

Financial Summary

Consolidated results

	Year ended 31 December				
	2006	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	883,733	2,501,397	619,941	2,364,467	2,442,172
Profit (loss) before taxation	526,706	1,203,983	(89,322)	429,895	705,737
Income tax (expense) credit	(227,403)	(601,612)	31,857	(103,598)	(359,137)
Profit (loss) for the year	299,303	602,371	(57,465)	326,297	346,600

Consolidated assets, equity and liabilities

	As of 31 December				
	2006	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	276,077	448,585	1,090,163	3,160,832	3,191,582
Current assets	1,913,003	7,792,127	7,258,247	8,564,509	10,059,824
Total assets	2,189,080	8,240,712	8,348,410	11,725,341	13,251,406
Equity and liabilities					
Non-current liabilities	206,859	1,341,473	1,366,873	2,243,384	2,205,692
Current liabilities	1,153,943	1,855,133	2,092,152	3,728,997	5,068,586
Total liabilities	1,360,802	3,196,606	3,459,025	5,972,381	7,274,278
Equity attributable to owners of the Company	828,278	5,044,106	4,879,560	5,727,308	5,926,145
Non-controlling interests	–	–	9,825	25,652	50,983
Total equity and liabilities	2,189,080	8,240,712	8,348,410	11,725,341	13,251,406

The Company was incorporated on March 6, 2007 as an exempted company with limited liability in the Cayman Islands and became the holding company of the Group as a result of certain business combinations transactions on September 6, 2007. The financial summary has been presented on the basis that the Company had been the holding company of the Group from the beginning of the earliest period presented.

This 2010 annual report, in both English and Chinese versions (the "Annual Report") is available on the Company's website at **http://www.aoyuan.com.cn** (the "Company Website") and the website of Hong Kong Exchanges and Clearing Limited at **http://www.hkex.com.hk**.

Shareholders who have chosen to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Annual Report posted on the Company Website may request the Annual Report in printed form. Shareholders of the Company who have received either the English version or the Chinese version of the Annual Report may request for a copy in the other language. The Annual Report in printed form and/or in the requested language will be sent free of charge by the Company upon request.

Shareholders of the Company may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders of the Company may send their request to receive the Annual Report in printed form and/or in the requested language, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East Hong Kong or by sending an email to at **aoyuan.hk@aoyuangroup.com**.

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