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CORPORATE INFORMATION

Directors

Executive Directors

Mr. Kong Jian Min *(Chairman)*
Mr. Kong Jian Tao
(Chief Executive Officer)
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi
Mr. Yu Yao Sheng

Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Dai Feng
Mr. Tam Chun Fai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jian Min
Mr. Tsui Kam Tim

Audit Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Lee Ka Sze, Carmelo
Mr. Dai Feng

Remuneration Committee

Mr. Kong Jian Min *(Chairman)*
Mr. Tam Chun Fai
Mr. Dai Feng

Nomination Committee

Mr. Kong Jian Min *(Chairman)*
Mr. Tam Chun Fai
Mr. Dai Feng

Registered Office

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

Principal Place of Business in Hong Kong

Suite 7506, Level 75
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar

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

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Minsheng Banking Corp. Ltd
Guangdong Development Bank
Guangzhou Rural Commercial Bank
Industrial and Commercial Bank of
China (Asia) Limited
Industrial and Commercial Bank of
China Limited
Standard Chartered Bank
(Hong Kong) Limited

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

1813 (Main Board of The Stock
Exchange of Hong Kong Limited)

CORPORATE PROFILE

Founded in 1995, KWG Property Holding Limited ("KWG Property" or the "Company", together with its subsidiaries, collectively the "Group") is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1813) in July 2007. Since its establishment, KWG Property has been focusing on the development, sales and management of quality properties targeting mid- to high-income groups.

Over the past 16 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, villas, town houses, serviced apartments, Grade A+ office buildings, five-star hotels and high-end shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou as its hub for South China, Suzhou and Shanghai for East China, Chengdu and Hainan for South-west China as well as Beijing and Tianjin for the Bohai Rim region. At present, the Group has a number of mid- to high-end projects in the above regions. All of them were well-received by consumers and posted overwhelming sales since their successful market launch.

Year 2010 earmarked a remarkable breakthrough in enlarging KWG Property's footprint for development. The Group successfully entered into the two new cities, Shanghai and Tianjin, to add the number of developing cities from 5 to 7 through land acquisitions in Shanghai and Tianjin. A strategic development framework covering three tier-one cities (Guangzhou, Beijing and Shanghai) and four top tier-two cities and regions (Suzhou, Chengdu, Tianjin and Hainan) has been formed to provide a solid basis for the Group's ongoing development in future.

The Group has always adhered to a prudent land bank replenishment strategy. Its current land bank stands at approximately 8.40 million sq.m., which is sufficient for the Group's development in the coming 5 to 6 years.

To ensure stable development through balanced revenue mix and risk diversion, the Group will seek deploying more resources for the establishment of a diversified property development portfolio with its focus on residential properties. By implementing a cautious growth strategy, the Group will focus on mid- to high-end residential properties while increasing the proportion of commercial properties, such as offices, hotels and high-end shopping malls, to be held in long-term.

MANAGEMENT STRUCTURE OF THE GROUP

- emphasis on a cohesive team and collaboration
- clearly-defined division of staff and duties
- nurturing talents and providing internal promotion

Audit Committee

Remuneration Committee

Nomination Committee

Chief Financial Officer

Vice President → Human Resources Division

Vice President → Operations Management Division

Vice President → Finance Resources Division

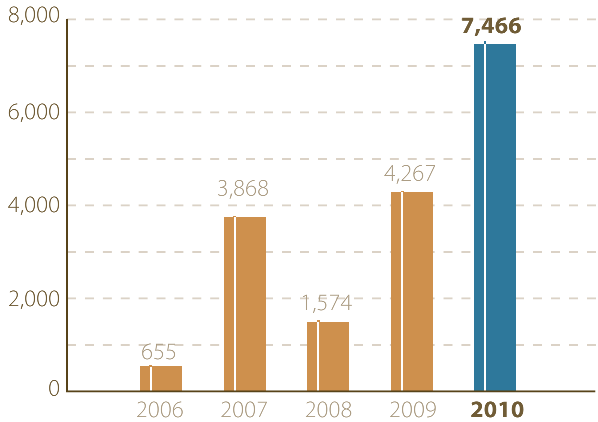
Vice President → Corporate Strategy & Brand Marketing Division

General Manager → Property Management Division

FINANCIAL HIGHLIGHTS

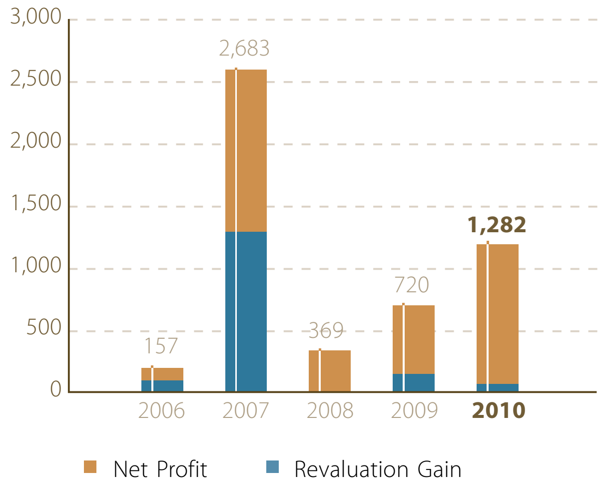
Revenue

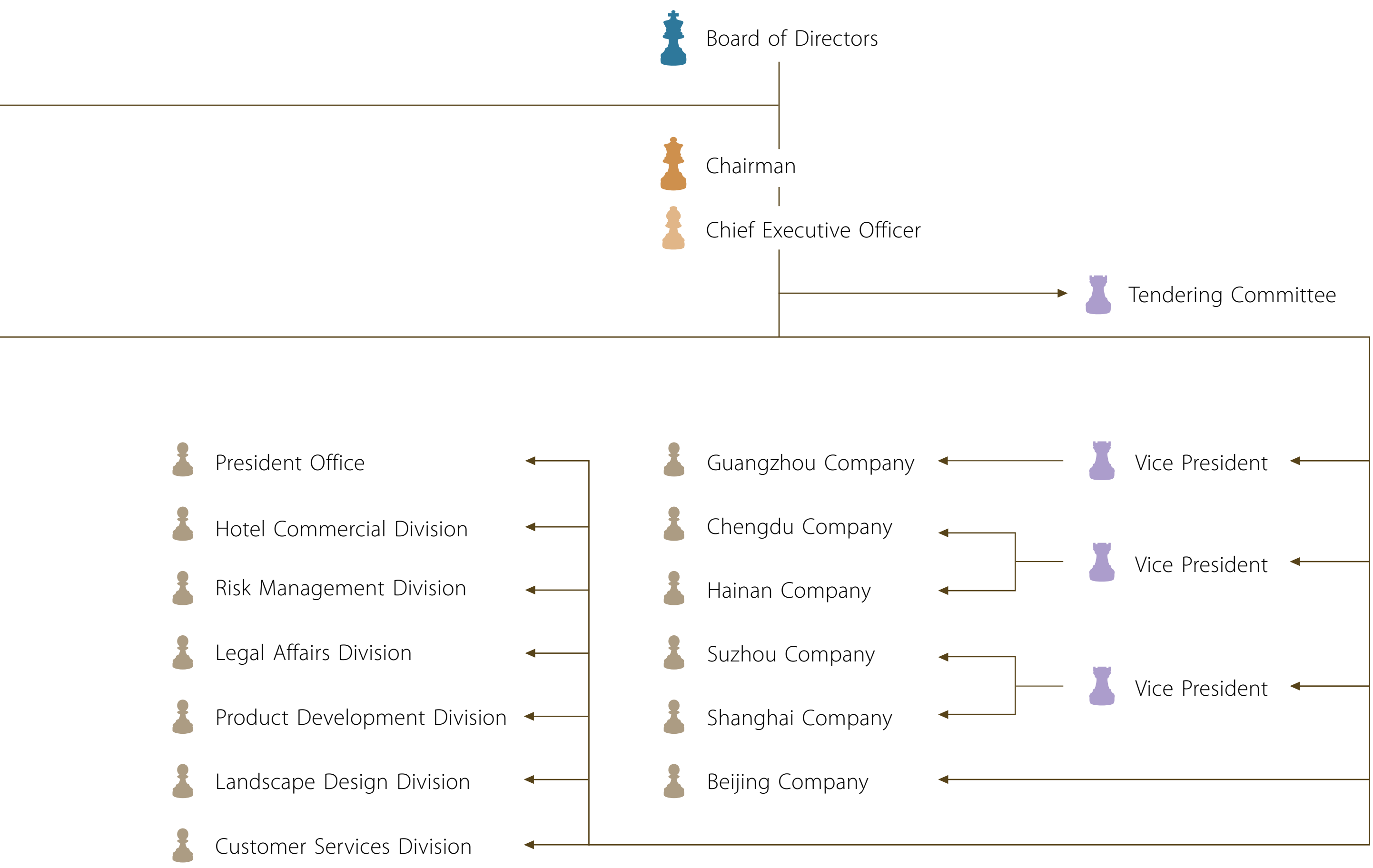
(in RMB Million)



Profit Attributable to Owners of the Parent

(in RMB Million)





	Year Ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS					
Revenue	**7,465,911**	4,266,572	1,574,214	3,868,136	654,632
Profit attributable to owners of the parent	**1,281,772**	720,078	368,532	2,683,055	157,156
Earnings per share attributable to owners of the parent (RMB cents) – Basic and diluted	**44**	26	14	120	9
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**40,034,332**	28,565,186	21,766,788	18,974,533	4,406,334
Total liabilities	**28,440,060**	18,156,863	12,575,577	9,702,187	3,419,307

MAJOR EVENTS FOR 2010

MARCH

- March 2010: The Summit, the Group's integrated project located in Zengcheng, Guangzhou, was officially launched for sale and 65 villas were sold on the first day.

OCTOBER

- October 2010: Suzhou Apex, the Group's fourth residential project in Suzhou, was officially launched for sale. 120 units were sold on the first day with average selling price ("ASP") reaching approximately RMB14,200 per sq.m., as compared to the planned ASP of RMB12,000 per sq.m.

- October 2010: RMB5.0 million donation for disaster-stricken areas in Hainan. At a fundraising gala organised by the Hainan Provincial CCP Committee and Provincial Government, KWG Property donated RMB5.0 million to help people in disaster-stricken areas rebuild their homes.

- October 2010: RMB10.0 million donation for Jinan University (暨南大學). RMB10.0 million was donated in the name of Chairman Mr. Kong Jian Min and KWG Property to set up the "KWG • Jinan University Education Development Foundation". In the coming three years, KWG Property will donate RMB10.0 million in aggregate through the Chinese Language Education Foundation of China (中國華文教育基金會) to finance the Teacher Recruitment Education Development Project (名師興校教育發展工程) of Jinan University and the establishment and operation of the Institute of Strategic Research on the Real Estate Industry (房地產戰略研究所).

NOVEMBER

- November 2010: KWG Property acquired the Xinjiangwan project in Shanghai in joint venture with Guangzhou R & F Properties Co., Ltd. ("R&F Properties"). The project will comprise 加州水郡, a residential development, and 加州廣場, an integrated complex providing commercial, office and hotel space. The consideration of the acquisition was US$353.5 million.

- November 2010: KWG entered into joint venture with Hongkong Land China Holdings Limited ("Hongkong Land") to develop a site in Pan Cheng Gang Pian Qu, Jinjiang District, Chengdu, Sichuan, China with a site area of approximately 190,253 sq.m..

HONOURS AND AWARDS

KWG Property

Chairman

- Prominent Personalities in the Guangdong Real Estate Industry (Kong Jian Min) *(Nanfang Daily)*

Fortune China 500

- Fortune China 500 – 2010 (KWG Property) *(Fortune Magazine)*

Top 100 Real Estate Companies of China

- Top 100 Real Estate Companies of China – 2010 *(China Real Estate Association, Enterprises Development Research Centre of the State Council, the Property Market Research Center of Tsinghua University and the Chinese Index Academy)*

Top 10 Profit Makers

- Top 10 Profit Makers in Top 100 Real Estate Companies of China – 2010 *(China Real Estate Association, Enterprises Development Research Centre of the State Council, the Property Market Research Center of Tsinghua University and the Chinese Index Academy)*

Award of Outstanding Contributions to the Development of Headquarters Economy

- Award of Outstanding Contributions to the Development of Headquarters Economy *(Tianhe District People's Government)*

Branded Property Enterprise

- Branded Property Enterprise – Ranking of Guangdong Property Industry Leaders (KWG Property) *(Nanfang Daily)*

Enterprise with Outstanding Contributions

- Enterprise with Outstanding Contributions to Urban Construction in Guangzhou (KWG Property) *(Guangzhou Real Estate Industry Association)*

Charitable Contributor

- Charitable Contributor – 2010 Guangzhou Asian Paralympic Games (KWG Property) *(Guangzhou Real Estate Industry Association)*

Top 10 Property Companies of Huadu District

- Top 10 Property Companies of Huadu District (KWG Property) *(Huadu People's Government)*

Top 100 Real Estate Companies of China

- Top 100 Real Estate Companies of China – 2009–2010 (KWG Property) *(Guangzhou Real Estate Industry Association)*

In Top 100 Real Estate Companies of China

- In Top 100 Real Estate Companies of China for 5 Consecutive Years – 2009–2010 (KWG Property) *(Guangzhou Real Estate Industry Association)*

Top 10 Brands of Residential Properties in Guangdong

- Top 10 Brands of Residential Properties in Guangdong (KWG Property) *(Guangdong Construction News)*

Annual Ranking of Top 30 Real Estate Companies of China and Annual Ranking of Top 30 Companies of Excellence

- Annual Ranking of Top 30 Real Estate Companies of China and Annual Ranking of Top 30 Companies of Excellence (KWG Property) *(www.guandian.cn)*

Certificate of Honour

- Certificate of Honour (RMB5.0 million donation for flood disaster relief in Hainan) *(Hainan Charity Federation)*

The 7th Ranking of Internet Popularity of PRC Properties

- The 7th Ranking of Internet Popularity of PRC Properties – Most Popular Branded Property Companies in Suzhou (KWG Property) *(www.soufun.com)*

The 8th Chengdu Property Gold Lotus Cup (2010)

- The 8th Chengdu Property Gold Lotus Cup (2010) – Most Influential Property Companies of Chengdu (KWG Property Holding Limited) *(Sichuan Daily News Group and Chengdu Urban and Rural Real Estate Administration)*

Feast of Real Estate Brand Names in Beijing 2010

- Feast of Real Estate Brand Names in Beijing 2010 – Top 10 Influential Brands 2010 (KWG Property) *(Beijing Evening News, [China Mainstream Property Media Alliance])*

Pole Brand Names in the Beijing Property Sector

- Pole Brand Names in the Beijing Property Sector (KWG Property) *(Beijing News)*

HONOURS AND AWARDS

The Summit

Innovation Property Projects

- Innovation Property Projects – Ranking of Guangdong Property Industry Leaders (The Summit) *(Nanfang Daily)*

Pole Quality Property Projects of South China

- Pole Quality Property Projects of South China – 2010 (The Summit) *(www.dayoo.com)*

Residential Community with Best House Layout Design

- Residential Community with Best House Layout Design – Ranking of the China Property Sector 2010 (The Summit) *(house.163.com)*

Best High-end Residential Community

- Best High-end Residential Community – Ranking of Influential Property Brands in Guangzhou 2010 (The Summit) *(New Express Daily)*

High-end Property Award of China 2010

- High-end Property Award of China 2010 (South China) (The Summit) *(house.sina.com.cn)*

Award of Innovative House Layout 2010

- Award of Innovative House Layout 2010 (The Summit) *(www.mailoutong.com)*

Sky Ville

Ranking of Guangdong Property Industry Leaders

- Trump Villa – Ranking of Guangdong Property Industry Leaders (Sky Ville) *(Nanfang Daily)*

International Creative Valley

Property with Best Investment Potential

- Property with Best Investment Potential – Ranking of the China Property Sector 2010 (International Creative Valley) *(house.163.com)*

International Finance Place

Best Commercial Property

- Best Commercial Property – Ranking of Guangdong Property Industry Leaders (International Finance Place) *(Nanfang Daily)*

Suzhou Apex

The 7th Ranking of Internet Popularity of PRC Properties

- The 7th Ranking of Internet Popularity of PRC Properties – Most Popular Landmark Property Projects in Suzhou (Suzhou Apex) *(www.soufun.com)*

Gold Property Projects in Jiangsu and Suzhou with Innovative House Layout

- Gold Property Projects in Jiangsu and Suzhou with Innovative House Layout – 2010 (Suzhou Apex) *(Property Market News published by the News Publication Centre of Jiangsu TV)*

HONOURS AND AWARDS

The Sapphire

Innovative Summit Meeting on Serving China

- Innovative Summit Meeting on Serving China (Suzhou, Changzhou and Wuxi) – Best Overall Sales in Xiangcheng, Suzhou 2010 (The Sapphire) *(www.sina.com & www.baidu.com)*

The 7th Ranking of Internet Popularity of PRC Properties

- The 7th Ranking of Internet Popularity of PRC Properties – Gold Ranking of Most Popular Property Deals in Suzhou *(The Sapphire)* *(www.soufun.com)*

The Vision of the World

The 35th Chengdu Real Estate Trade Fair

- The 35th Chengdu Real Estate Trade Fair (Spring 2010) – Property Projects Getting Most Attention from Internet Surfers (The Vision of the World) *(www.soufun.com)*

The 35th Chengdu Real Estate Trade Fair

- The 35th Chengdu Real Estate Trade Fair (Spring 2010) – Recommended Brands in the Programme Note published by Chengdu Residential and Real Estate Industry Association – Regional Pole Property Project *(The Vision of the World) (Chengdu Residential and Real Estate Industry Association)*

Metro Line Property in Chengdu with Best Value Growth Potential

- Metro Line Property in Chengdu with Best Value Growth Potential – 2010 (The Vision of the World) *(www.focus.cn)*

Chengdu Cosmos

Best Property Projects 2010

- Ranking of Sichuan Property Companies by Integrated Strengths 2010 – Best Property Projects 2010 *(Chengdu Cosmos) (West China City Daily)*

The 8th Chengdu Property Gold Lotus Cup (2010)

- The 8th Chengdu Property Gold Lotus Cup (2010) – Gold Property Project Award (Chengdu Cosmos) *(Sichuan Daily News Group and Chengdu Urban and Rural Real Estate Administration)*

Fragrant Seasons

The 1st "Post-80s" Home Purchase Festival

- The 1st "Post-80s" Home Purchase Festival – Exemplary House for "Post-80s" Home Buyers (Fragrant Seasons) *(Fazhi Wanbao, Beijing Media, Beijing Youth Daily, 北京四季房屋, 廣廈時代, www.funlon.com)*

Top 10 Best-selling Property Projects

- Ranking of Prominent Property Companies 2010–2011 – Top 10 Best-selling Property Projects (Fragrant Seasons) *(All China Chamber of Commerce for Real Estate Industry, Expert Adjudication Committee on Prominent Real Estate Players for the Year, [China Mainstream Property Media Alliance], iHome Magazine)*

5-star World-class Residences of Beijing 2010

- 5-star World-class Residences of Beijing 2010 (Fragrant Seasons) *(Beijing Daily, Beijing Evening News)*

Top 10 Best-selling Property Projects

- Feast of Real Estate Brand Names in Beijing 2010 – Top 10 Best-selling Property Projects (Fragrant Seasons) *(Beijing Evening News, Alliance of PRC Real Estate Companies for Mainstream Media Publicity)*

Choice of Owners of Million-Yuan-Worth Properties 2010

- Choice of Owners of Million-Yuan-Worth Properties 2010 – Most Anticipated Property Projects in Beijing (Fragrant Seasons) *(Brightness DM (China))*

Grand Award of Initial Gains in the Beijing Property Market 2010

- The 1st Conference of Real Estate Agents in China and the Beijing Forum on China's Real Estate Business – Grand Award of Initial Gains in the Beijing Property Market 2010 (Fragrant Seasons) *(Beijing Media Fazhi Wanbao, China Alliance of Real Estate Agents, [China Mainstream Property Media Alliance], www.funlon.com)*

CHAIRMAN'S STATEMENT

Looking ahead, we are confident of our business development in 2011. With the launch of our new projects in Guangzhou, Shanghai, Tianjin, Chengdu and Hainan, as well as new phases of the existing projects in Guangzhou, Suzhou, Chengdu and Beijing, we aim to achieve growth in sales volume and ASP through contributions from various regions and upgraded product mix.

The Group delivered solid results in 2010 thanks to the diligent work of staff at all levels. It was the second consecutive year, following 2009, in which we achieved our annual target within the first ten months of the year.

We also reported good results in land acquisition in 2010, as we continued to prudently replenish our land bank. Our Group acquired seven prime sites in Shanghai, Tianjin, Chengdu and Guangzhou during the year to add land bank with gross floor area ("GFA") of approximately 2.10 million sq.m., which marked our entrance into the markets of Shanghai and Tianjin, in addition to our established presence in the five cities/regions of Guangzhou, Suzhou, Chengdu, Beijing and Hainan. These sites were acquired at reasonable costs, as six were acquired through private and government negotiations, while only one of them was acquired through public auction. Also noteworthy was our partnerships with renowned developers such as Hongkong Land, Sun Hung Kai Development (China) Ltd. ("SHK") and a number of reputable mainland real estate developers, which helps to mitigate development risk and allows us to leverage off partners' expertise.

As at 31 December 2010, the Group had a land bank with a total GFA of approximately 8.40 million sq.m., covering 25 projects in 7 cities/regions, with a low average land cost. The size of the Group's land bank increased by 20% over the corresponding period in 2009. While the Group's footprint for development continues to expand into new areas, the land premium outstanding was relatively low.

The Group has been dealing with its financial affairs in stringent discipline and increased access to funding sources to ensure its solid financial positions. For instance, we successfully completed a US Dollar global bond offering that raised net proceeds of approximately US$245.2 million in August 2010. Meanwhile, we continued to build our relationship with banking partners who provide us with credit facilities. Moreover, the Group was consistently striving to improve its internal financial regimes, with a goal to establishing a healthy and stable financial system. The Group's gearing ratio as at 31 December 2010 was approximately 47.7%, which was low relative to the industry average. Cash on hand of approximately RMB6,804.0 million provides adequate liquidity for 2011.

By now, the Group has formed a strategic development platform covering three tier-one cities and four top tier-two cities/regions. Looking ahead, we are confident of our business development in 2011. With the launch of our new projects in Guangzhou, Shanghai, Tianjin, Chengdu and Hainan, as well as new phases of the existing projects in Guangzhou, Suzhou, Chengdu and Beijing, we aim to achieve growth in sales volume and ASP through contributions from various regions and upgraded product mix.

Last but not least, I would like to express sincere gratitude to our shareholders, investors, business partners, customers and staff for their continued trust and support. Looking to the future years, we pledge to scale new heights by following a course of prudent development in fulfillment of our mission to "Build Home with Heart, Create Future with Aspiration."

Kong Jian Min
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

2010 was a good year for KWG Property. For the second year in a row, the Group exceeded its annual target in another fine testament to its sustainable execution capabilities. We have successfully launched two new projects, The Summit (譽山國際) in Guangzhou and Suzhou Apex (蘇州領峰), and our existing projects recorded strong sales as well. Meanwhile, we entered into the Shanghai and Tianjin markets with the acquisitions of four sites in Shanghai and one in Tianjin, so that the number of cities with our developments increased from five to seven. A strategic development platform covering three tier-one cities (Guangzhou, Beijing and Shanghai) and four top tier-two cities/regions (Suzhou, Chengdu, Tianjin and Hainan) has been formed to provide a solid basis for the Group's ongoing development in the future.

As a property developer originated from Guangdong, KWG Property maintained a well-paced expansion in its ex-Guangdong business in 2010, growing pre-sales contributions from Suzhou, Chengdu and Beijing. Our confidence in the Group's business performance in 2011 is further fueled by our strong pre-sales in 2010.

In Suzhou, subsequent to achieving a third ranking in terms of units sold in 2009, the Group continued to consolidate its market position in this city, accounting for an approximately 6% share of Suzhou's residential market in 2010 with four projects (The Sapphire (峰匯國際), Suzhou Apex (蘇州領峰), City Island (朗悅灣) and Up Blue Town (晶藍上城)), the sale of which is ongoing at the moment. We continued to report outstanding sales for The Sapphire (峰匯國際), which became the second best-selling residential project in Suzhou in 2010. The development of Suzhou Apex (蘇州領峰), our fourth project in the city received overwhelming market response in October 2010. Strong sales had been reported since its launch, making it the seventh of the top ten best-selling residential projects (in terms of units sold) in the new area of Suzhou in 2010. Efficient project development coupled with strong sales effectively assured ample cash flow for the Group.

In Chengdu, steady growth was reported in the sales of three projects of the Group, namely Chengdu Cosmos (成都譽峰), The Vision of the World (萬景峰) and The Emerald (疊翠峰). At Chengdu Cosmos (成都譽峰), a number of high-rise apartment units with indoor swimming pools were launched in 2010. The pioneering designs and meticulous delivery standards were well-received by the market. The success of Chengdu Cosmos (成都譽峰) lent further evidence to the Group's execution ability in other regions and its growing brand recognition. The Group acquired a prime site also located in Pan Cheng Gang Pian Qu of Jinjiang District, Chengdu in joint venture with Hongkong Land, on which the fourth project in Chengdu will be constructed.

In Beijing, we continued to report steady sales from our Fragrant Seasons (香悅四季). Meanwhile, Fragrant Seasons (香悅四季) made its way into the top 20 best-selling residential developments of Beijing in 2010. In 2010, the Company joined forces with R&F Properties, Agile Property Holdings Limited ("Agile Property") and Shimao Property Holdings Limited ("Shimao Property") to develop a site in the southern part of Tianjin. We intend to enhance our development in North China by leveraging the successful experience and strengths in resources generated from our existing project in Beijing.

In Guangzhou, our home base, a new project known as The Summit (譽山國際) in Zengcheng and the new phase of office and residential units of International Creative Valley (科匯金谷), the top-selling project of Guangzhou's market for office buildings in 2010 (in terms of GFA sold), were launched during the year. Waterfront Mansion (上城灣畔), a residential project in Conghua, a suburb district of Guangzhou, was the best-selling property in Conghua in 2010 in terms of both sales amount and number of units sold. In March 2010, we acquired a 20% equity interest in the Foshan Project from SHK, a valued partner with whom we had shared a positive joint venture experience in the Lie De Project of Guangzhou. We believe that the current stake acquisition will be mutually beneficial, while also providing a powerful drive for our own betterment.

In 2010, the Group achieved notable results in its strategy of prudent land bank replenishment. In addition to the three new sites in Chengdu, Tianjin and Foshan of Guangzhou mentioned above, we have also gained access to Shanghai with the acquisition of four sites in the city. Out of the seven prime sites acquired by the Group during the year, six were either close to Metro stations or located in districts covered by the Metro lines. Most of these sites will be developed in joint ventures with other well-known developers, such as the New Jiang Wan project in Shanghai with R&F Properties, the Putuo project in Shanghai with Shanghai Greenland Group Limited, the Chengdu Jinjiang project with Hongkong Land, the Jinnan project in

Tianjin with R&F Properties, Agile Properties and Shimao Properties, and the Foshan project in Guangzhou with SHK. As at 31 December 2010, the Group's land bank has grown to 8.40 million sq.m. after acquisitions of land sites with a total area of approximately 2.10 million sq.m. during the year.

By now, the Group has formed a strategic development platform covering three tier-one cities and four top tier-two cities/regions, with Beijing and Tianjin as the hub for North China, Suzhou and Shanghai for East China, Chengdu and Hainan for Southwest China and Guangzhou for South China. We have plans to launch some of the new projects in Shanghai, Tianjin, Chengdu, Hainan, and Pearl River New Town, Guangzhou. In 2011, we will continue to develop properties throughout the regions in which we operate.

Finally, I would like to thank all staff of KWG Property for their concerted efforts to contribute to the Company's expansion and development. KWG Property is committed to achieving further growth in the coming year on the back of excellent execution, as it continues to seek improvements in corporate governance standards and exercise stringent cost control.

Kong Jian Tao
Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax, from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development, property investment, hotel operation and provision of property management services.

The revenue amounted to approximately RMB7,465.9 million in 2010, representing a significant increase of 75.0% from approximately RMB4,266.6 million in 2009, primarily due to the substantial increase of total GFA delivered in sales of properties in 2010.

In 2010, the revenue generated from property development, property investment, hotel operation and property management services were approximately RMB7,221.1 million, RMB124.2 million, RMB56.9 million and RMB63.7 million, respectively.

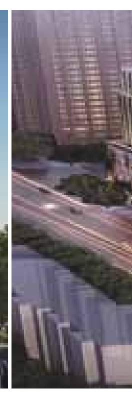
Property development

Revenue generated from property development increased by 75.7% to approximately RMB7,221.1 million in 2010 from approximately RMB4,110.0 million in 2009, primarily due to a 53.8% increase in the total GFA delivered to 784,116 sq.m. in 2010 from 509,834 sq.m. in 2009. The increase in the total GFA delivered in 2010 was principally due to the Group's effort of delivery increased number of projects in other high growth cities. The successful pre-sales in 2009 and 2010 also contributed to the higher revenue.

The increase in revenue was also attributable to the increase in the recognised ASP of our properties sold. The recognised ASP of property increased to RMB9,209 per sq.m. in 2010 from RMB8,061 per sq.m. in 2009 reflecting a better product mix as well as an upgrade on city mix.

Property investment

Revenue generated from the property investment increased by 25.8% to approximately RMB124.2 million in 2010 from approximately RMB98.7 million in 2009, primarily attributable to an increase in total GFA of our rental area leased in International Finance Place ("IFP") during the year under review as well as 2010 being the first full year to us of generating rental income from certain tenants.



Hotel operation

Revenue generated from hotel operation increased by 469.0% to approximately RMB56.9 million in 2010 from approximately RMB10.0 million in 2009, mainly due to 2010 being the first full year to us of generating hotel operation income from our Four Points by Sheraton Guangzhou, Dongpu.

Provision of property management services

Revenue generated from the provision of property management services increased by 33.0% to approximately RMB63.7 million in 2010 from approximately RMB47.9 million in 2009, primarily attributable to an increase in the number of properties under management as well as 2010 being the first full year where we provided property management services to certain projects.

Cost of sales

Cost of sales of the Group primarily represents the costs we incur directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing cost on related borrowed funds during the period of construction.

Cost of sales increased by 64.8% to approximately RMB4,368.3 million in 2010 from approximately RMB2,650.3 million in 2009, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. increased from RMB1,222 in 2009 to RMB1,759 in 2010, primarily due to the recognised land costs of projects at better locations with relatively higher land costs.

Construction cost per sq.m. decreased from RMB3,708 in 2009 to RMB3,507 in 2010, mainly due to the highly effective cost control mechanism in place.

Gross profit

Gross profit of the Group increased by 91.6% to approximately RMB3,097.6 million in 2010 from approximately RMB1,616.3 million in 2009. The increase in gross profit was primarily attributable to the increase in the total revenue and recognised ASP in 2010. The Group reported a gross profit margin of 41.5% for 2010 as compared with 37.9% for 2009.

Other income and gains

Other income and gains increased by 60.0% to approximately RMB78.9 million in 2010 from approximately RMB49.3 million in 2009, mainly comprising interest income of approximately RMB33.5 million and net exchange gains of approximately RMB12.5 million.

1 2 3

1. *The large scale comprehensive project of the Summit in Guangzhou included mid-to high-end residential and villas etc.*

2.&3. *Zhenru project in Shanghai was situated at the central zone along the prime locations in the second centre of Zhenru City, Shanghai, which included exquisitely-decorated residential, serviced apartments and Pre-Grade A offices etc.*

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing costs

Selling and marketing costs of the Group increased by 28.8% to approximately RMB242.8 million in 2010 from approximately RMB188.5 million in 2009, which is primarily due to an increase of 18.1% in advertising expenses to approximately RMB123.3 million in 2010 from approximately RMB104.4 million in 2009, which was largely attributable to increased advertising for our new projects, such as Chengdu Cosmos in Chengdu, The Sapphire in Suzhou, Fragrant Seasons in Beijing, International Creative Valley and The Summit in Guangzhou. The increase in selling and marketing costs was also due to the increase of sales commission fee, which was in line with the revenue in sale of properties during the year.

Administrative expenses

Administrative expenses of the Group increased by 46.7% to approximately RMB413.8 million in 2010 from approximately RMB282.0 million in 2009, primarily attributable to an increased headcount to match with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentives scheme as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees. The first full year operation of our Four Points by Sheraton Guangzhou, Dongpu and the increase of other tax and surcharges on sales of properties also contributed to the increment in administrative expenses in 2010.

Other operating expenses, net

Other operating expenses of the Group was approximately RMB5.4 million in 2010 (2009: approximately RMB42.2 million), mainly comprising the losses on the disposal of certain investment properties during the year.

Fair value gains on investment properties, net

During the year 2010, there was no new investment property project and the market value of the Group's existing investment properties remained stable, therefore there was no significant fair value gains on investment properties for the Group. The Group reported net fair value gains on investment properties of approximately RMB3.9 million for 2010 (2009: approximately RMB60.6 million).

Finance costs

Finance costs of the Group being approximately RMB20.0 million in 2010 (2009: approximately RMB9.0 million), related to the borrowing costs on certain general corporate loans. Since such loans were not earmarked for project development, thus such borrowing costs have not been capitalised.

Income tax expenses

Income tax expenses increased by 123.7% to approximately RMB1,225.9 million in 2010 from approximately RMB548.0 million in 2009, as a result of the significant increase in profits on properties sold during 2010 and hence the provision for LAT increased accordingly.

Profit attributable to owners of the parent

Profit attributable to owners of the parent of the Group in 2010 increased by 78.0% to approximately RMB1,281.8 million from approximately RMB720.1 million in 2009. Net profit margin increased to 17.2% in 2010 from 16.9% in 2009, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2010, the carrying amount of the Group's cash and bank deposits was approximately RMB6,803.6 million (31 December 2009: approximately RMB3,610.6 million), representing an increase of 88.4% as compared to that as at 31 December 2009.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2010, the carrying amount of the restricted cash was approximately RMB1,528.0 million (31 December 2009: approximately RMB1,069.9 million).

Borrowings and charges on the Group's assets

As at 31 December 2010, the Group's bank loans and senior notes were approximately RMB10,713.3 million and RMB1,618.3 million (equivalent) respectively. Amongst the loans, approximately RMB2,281.7 million were repayable within 1 year, approximately RMB7,724.6 million were repayable between 2 and 5 years and approximately RMB707.0 million will be repayable over 5 year. The senior notes were repayable over five years.

As at 31 December 2010, the Group's bank loans of approximately RMB9,789.2 million were secured by property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying values of approximately RMB10,366.5 million and equity interests of certain subsidiaries and an associate of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares.

The carrying amounts of all the Group's bank loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK$1,471.4 million and US$90.3 million as at 31 December 2010 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank loans were charged at floating interest rates except for a loan balance with an aggregate amount of RMB90.1 million was charged at fixed interest rate as at 31 December 2010. The Group's senior notes were denominated in U.S. dollar.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2010, the gearing ratio was 47.7% (2009: 48.4%).

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenues and expenses are measured in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2010, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

CONTINGENT LIABILITIES

(i) As at 31 December 2010, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB6,160.6 million (31 December 2009: approximately RMB4,067.1 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements as at 31 December 2010 and 2009 for the guarantees.

(ii) As at 31 December 2010, the Group had provided a guarantee in respect of certain bank loans for an associate and a jointly-controlled entity.

(iii) As at 31 December 2010, the Group had provided a guarantee in respect of a payable to for a jointly-controlled entity.

(iv) As at 31 December 2010, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million (31 December 2009: RMB700.0 million) for the ex-owner of The Summit in Guangzhou, PRC.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2010, the Group employed a total of approximately 2,900 employees. The total staff costs incurred was approximately RMB226.0 million during the financial year ended 31 December 2010. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the year ended 31 December 2010, 8,000,000 share options had been granted by the Company to the grantees, including certain employees of the Group on 30 March 2010. None of the share options were exercised by the grantees or cancelled by the Company as at the date of approval of these financial statements.

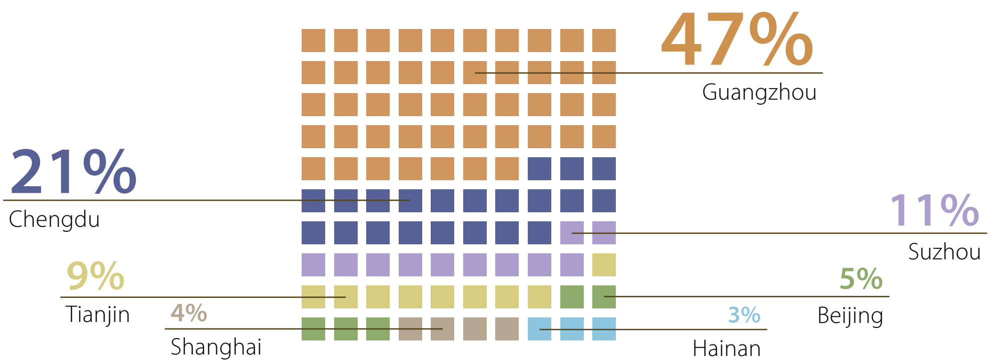
Business Review

In 2010, KWG Property continued to implement the policy of proactive monitoring and timely acquisition in its move for land acquisition. The Group's land bank was substantially enlarged with the acquisition of seven prime sites. We have acquired sites in cities where we have already established the Group's presence, such as the Foshan site in Guangzhou and the Jinjiang site in Chengdu, with a view to enhancing the Group's brand recognition and market share in these cities. We have also acquired sites in the neighbouring areas of these cities to facilitate resource sharing and integration, such as four sites in Shanghai and one site in Tianjin. Moreover, the said acquisitions have been conducted primarily in partnerships with well-known developers including Hongkong Land, SHK and several Mainland property developers, which will allow us to keep land costs under control and address market risk in a more effective manner.

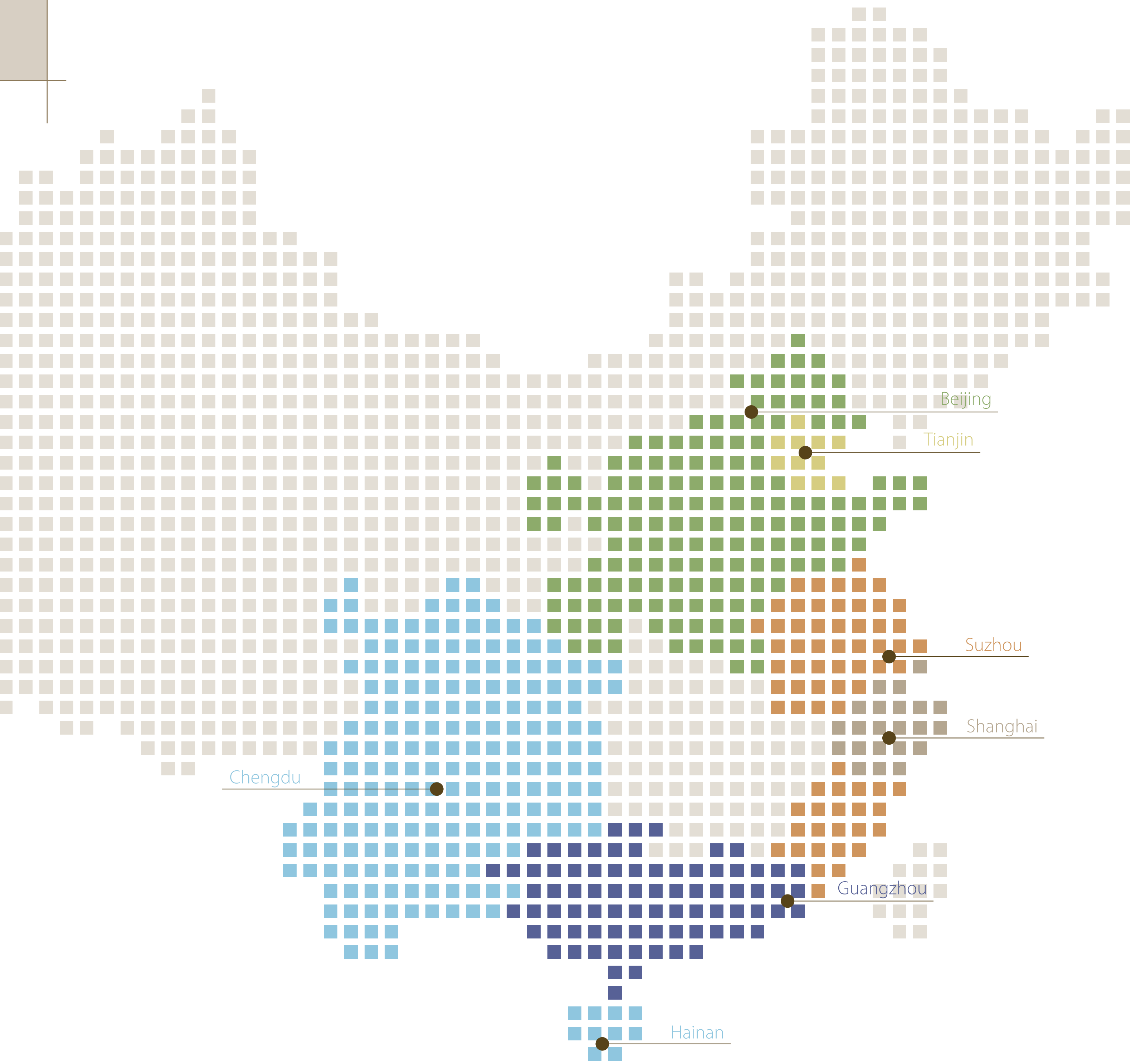
These ventures have provided the Group with access to two new cities of Shanghai and Tianjin, which means that we have now formed a strategic development platform covering three tier-one cities (Guangzhou, Beijing and Shanghai) and four top tier-two cities/regions (Suzhou, Chengdu, Tianjin and Hainan). As at 31 December 2010, the Group had a land bank with GFA of approximately 8.40 million sq.m., covering 25 projects in 7 cities and regions, which is expected to be sufficient for development in the next 5 to 6 years.

Diversified land bank portfolio (as at 31 December 2010)

Total GFA attributable to the Group by geographical areas (Units: '000 sq.m.)



MANAGEMENT DISCUSSION AND ANALYSIS



North China
2 project

1,210,000 sq.m.

Tianjin
Jinnan Project

Beijing
Fragrant Seasons

Shanghai
Pudong Project
Putuo Project
Jiading E06 Project
Xinjiangwan Project

East China
8 projects

1,217,000 sq.m.

Suzhou
The City Island
The Up Blue Town
The Sapphire
Suzhou Apex

Southwest China
4 projects

2,024,000 sq.m.

Chengdu
The Vision of The World
The Cosmos
Chengdu Jinjiang Project

Hainan
Lingshui Project

Guangzhou
Sky Ville
Waterfront Mansion
The Apex
International Creative Valley
The Summit
D3-4 Project
J2-2 Project
Lie De Project
Foshan Project
International Finance Place
Four Points by Sheraton Hotel

South China
11 projects

3,971,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2010, the Group had total 25 projects located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai and Tianjin.

Project	District	Type of property	GFA attributable to the Group's Interest ('000 sq.m.)	Interests attributable to the Group (%)
The Apex	Guangzhou	W Hotel/W serviced apartments	74	100
Sky Ville	Guangzhou	Low density villas/townhouses and high-rise apartments/5-star hotel	179	100
International Creative Valley	Guangzhou	Office building/serviced apartments	225	100
The Summit	Guangzhou	Large scale comprehensive project: mid-to high-end residential/villas/townhouses/ commercial building	2,507	100
D3-4 Project	Guangzhou	High-end projects: serviced apartments/office building	34	100
J2-2 Project	Guangzhou	High-end comprehensive project: office building/commercial building	72	50
Lie De Project	Guangzhou	High-end comprehensive project: apartments/ hotel/commercial building	155	33.3
The Up Blue Town	Suzhou	Mid-to high-end residential/apartments	52	100
The Sapphire	Suzhou	High-end residential/hotel/office building	647	100
Suzhou Apex	Suzhou	High-end residential/hotel/commercial building	127	29.9
The Vision of the World	Chengdu	Mid-to high-end residential	456	100
The Cosmos	Chengdu	High-end comprehensive project: residential/ hotel/serviced apartments/office building/ shopping mall	825	100
Chengdu Jinjiang Project	Chengdu	High-end residential/commercial building	450	50
Fragrant Seasons	Beijing	Mid-to high-end residential/townhouses	460	100
Lingshui Project	Hainan	Hotel/villas/high-rise apartments	293	100
Pudong Project	Shanghai	Office building	78	100
Putuo Project	Shanghai	High-end residential/office building/commercial building	79	50
Jiading E06 Project	Shanghai	Mid-to high-end residential/office building/ commercial building	111	100
Xinjiangwan Project	Shanghai	High-end residential/office building/commercial building	95	35
Jinnan Project	Tianjin	Mid-to high-end residential/commercial building	750	25
Waterfront Mansion	Guangzhou	Mid-to high-end residential/apartments	42	100
International Finance Place	Guangzhou	High-end grade A office building	61	100
Four Points by Sheraton	Guangzhou	Hotel	35	100
Foshan Project	Guangzhou	Mid-to high-end residential/shopping mall	560	20
The City Island	Suzhou	Mid-to high-end residential/villas/townhouses	28	100

Investment properties and hotels

During 2010, KWG Property continued the development of its hotels and investment properties in specific projects. In the long run, we will continue to explore opportunities in diversified property investments with the objective to maintain a balanced product portfolio. We expect the contribution from the Group's portfolio of hotels, retail shop units, shopping malls and offices held on a long-term basis to be steadily maintained at around 20% of the Group's asset base.

During the year under review, turnover of the Group from its investment in office premises and leasing of retail properties amounted to approximately RMB124.2 million (2009: approximately RMB98.7 million).

(1) *Hotels*

In September 2009, KWG Property commenced the soft launch of the Group's Four Points by Sheraton Guangzhou, Dongpu, located in Tianhe Dongpu, Guangzhou. In addition, KWG Property has two high-end star-rated hotels under construction in Guangzhou, namely, Guangzhou W Hotel and Huadu Sheraton Resort, and six other high-end star-rated hotels and two high-end shopping malls under planning, variously located in Guangzhou, Suzhou, Chengdu and Hainan.

To ensure high quality of the Group's hotel services, the Group entered into a management agreement with Starwood Group, an internationally renowned hotel management group. Pursuant to the agreement, Starwood Group will provide hotel and serviced apartment operation and management services with respect to the Group's Guangzhou W Hotel, Huadu Sheraton Resort, Four Points by Sheraton Guangzhou, Dongpu, and Westin Hotel in Suzhou.

(2) *Investment properties completed and available for lease*

To uphold the portfolio of premium tenants that IFP has established since coming on-stream in 2007, the Group continues to lease spaces on a selective basis in order to maintain the high-end and premium nature of IFP tenants. As at 31 December 2010, the occupancy rate of IFP, the Group's Grade A+ office building, stood at above 95%. The tenants mainly include about 13 domestic and foreign banks, the Guangzhou offices of various multi-national corporations and diplomatic institutions such as the Italian Consulate.

Business Outlook

Looking to 2011, the property development segment continues to grow across its land bank portfolio and we aim to enlarge our market shares in various regions we operate.

Meanwhile, the Group will continue to monitor market changes closely and our corporate strategies as and when appropriate to address such changes. Internally, we will continue to enhance our corporate governance standards and practice strict financial discipline, so that we could achieve further growth in 2011 from operational efficiency improvement.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Directors

Executive Directors

Kong Jian Min, aged 43, is the founder of the Group, an executive director and the Chairman of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. Mr. Kong has over 15 years of experience in property development and investment. Prior to the founding of the Group, Mr. Kong served as a credit officer of the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands, various subsidiaries incorporated in the PRC and one subsidiary incorporated in Hong Kong.

Kong Jian Tao, aged 40, is an executive director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 15 years of experience in property development and has been a director of the Group since 1995. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands, various subsidiaries incorporated in the PRC and one subsidiary incorporated in Hong Kong.

Kong Jian Nan, aged 45, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resource, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands, various subsidiaries incorporated in the PRC and one subsidiary incorporated in Hong Kong.

Li Jian Ming, aged 44, is an executive director of the Company, a vice president of the operations management division and a general manager of the Southern China Region of the Group. Mr. Li graduated from South China University of Technology, majoring in industrial and civil construction. Mr. Li joined the Group in 1994 and had held the position of vice president in the engineering management division. He was appointed as an executive director of the Company in June 2007. Currently, Mr. Li is responsible for the internal operations and management of the Group and the overall operations and management of the Southern China Region. Save as disclosed above, Mr. Li is also a director of one of the subsidiaries incorporated in the PRC.

Tsui Kam Tim, aged 42, is an executive director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax, risk management including internal control and other related finance matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in Commerce and he is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the Chief Financial Officer and was appointed as an executive director of the Company in November 2007. Saved as disclosed above, Mr. Tsui is also a director of various subsidiaries incorporated in Hong Kong.

He Wei Zhi, aged 43, is an executive director of the Company, a vice president and a general manager of the South-western China Region of the Group. Mr. He graduated from Guangzhou University majoring in hotel management. He joined the Group in 1995 and had held the positions of manager and deputy general manager of the sales department. Since his joining of the Group, he has been responsible for project planning, design and sales planning work of the Group, gaining extensive experience in property market. Mr. He was appointed as an executive director of the Company in February 2009 and is mainly responsible for the overall operation and management of the South-western China Region. Saved as disclosed above, Mr. He is also a director of various subsidiaries incorporated in the PRC.

Yu Yao Sheng, aged 49, is an executive director of the Company, a vice president and a general manager of the Eastern China Region of the Group. Mr. Yu joined the Group in January 2009 and is responsible for the overall operations and management of the Eastern China Region. Mr. Yu was appointed as an executive director of the Company in March 2010 and he is also one of the directors of a jointly-controlled entity. Mr. Yu is a senior engineer and a grade-one national registered structural engineer. He has extensive experience in architectural design, engineering management, project management, regional development, administration and human resources management. Mr. Yu graduated from Hefei University of Technology with a bachelor's degree in architecture, and also holds a master's degree from China University of Mining and Technology. Prior to joining the Group, Mr. Yu was the head of architectural design institute, deputy director of urban construction commission and executive deputy commander-in-chief of the construction command office of National Development Zones, PRC.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo, aged 50, is an independent non-executive director and a member of audit committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and a non-executive director of Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited, Termbray Industries International (Holdings) Limited and Yugang International Limited, all of which are listed on the Stock Exchange. Mr. Lee is a deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited. He is also a member of SFC Dual Filing Advisory Group of Securities and Future Commission, a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and a chairman of the Transport Tribunal of the Hong Kong Government.

Dai Feng, aged 69, is an independent non-executive director, a member of audit committee and a member of remuneration committee of the Company. Mr. Dai joined the Company in June 2007. He is a member of the Expert Committee on Urban Planning of the Ministry of Construction (國家建設部城市規劃專家委員會), a member of the Expert Committee on Living Environment of the China Research Association on Property and Residence (中國房地產及住宅研究會人居環境委員會), and member of various other professional organizations on urban planning and research in the PRC. He is a part-time professor of Huazhong University of Science and Technology and Wuhan University of Technology and is also a fellow of the International Eurasian Academy of Sciences. Mr. Dai has over 40 years of experience in property development, specializing in urban planning, design and related information technology. Since 1985, he has won various prizes in urban planning and application of advanced technology. His achievements were highly recognized by the Ministry of Construction of China. Mr. Dai is an independent non-executive director of Guangzhou R&F which is listed on the Main Board of the Stock Exchange, and is also an independent director of Poly Real Estate Group Co. Ltd. and Guangzhou Donghua Enterprises Co. Ltd., both of which are listed on the Shanghai Stock Exchange.

Tam Chun Fai, aged 48, is an independent non-executive director, chairman of audit committee and a member of remuneration committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of Chartered Financial Analyst. Mr. Tam has over 20 years of experience in auditing and corporate advisory services as well as financial management and compliance work. He is an executive director, the chief financial officer and company secretary of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and is an independent non-executive director of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Senior Management

Leung Kin, Kenneth, aged 37, is a general manager of business development of the Group. Mr. Leung joined the Group in March 2009 and is responsible for strategy, corporate finance and business development of the Group. Mr. Leung graduated from the Wharton School of the University of Pennsylvania. Prior to joining the Group, Mr. Leung was an investment banker at Credit Suisse and Merrill Lynch.

Law Siu Wo, aged 48, is a vice president of finance of the Group. Mr. Law joined the Group in October 2008 and is responsible for the overall domestic and foreign financial budgets and analysis of the Group. He graduated from University of Wisconsin in the United States and holds a master's degree in business administration from University of California, Los Angeles. Mr. Law had worked for an international firm of certified public accountants for more than six years and another private equity fund for three years. He also had worked as financial controllers of several listed companies in Hong Kong and United States for more than 10 years. Mr. Law is a member of the American Institute of Certified Public Accountants and a member of Hong Kong Institute of Certified Public Accountants.

Luo Guo Qing, aged 48, is a vice president of the Group. He is responsible for the operations and management of the Corporate Strategy and Brand Marketing Division of the Group. Mr. Luo holds a bachelor's degree in civil engineering from South China University of Technology, and a master's degree in business administration from Jinan University, and is a senior engineer in technical management. He has over 25 years of experience in the property industry and joined the Group in November 2008. Prior to joining the Group, Mr. Luo had held the positions of general manager and president at several large real estate development groups in the Southern China Region.

Rao Jun, aged 44, is a vice president of human resources division of the Group. Mr. Rao graduated from Zhongshan University majoring in philosophy. Mr. Rao joined the Group in June 2009 and is responsible for human resources and administration. Prior to joining to the Group, Mr. Rao worked in an internationally recognised U.S. enterprise. He has 20 years of extensive working experiences in human resources and management.

Chen Jie Ping, aged 38, is a director of the hotel and commerce division of the Group. Mr. Chen joined the Group in 2003 and had been responsible for the marketing and planning of the Group's projects. Currently, Mr. Chen is responsible for the planning and operations of hotel and commercial properties of the Group. Prior to joining the Group, Mr. Chen was a deputy general manager of a property agent and is experienced in the sale of properties in the PRC.

Wu Yue Zhao, aged 37, is a director of the product research and development division of the Group. He is responsible for the research, development and design of the products of the Group. Mr. Wu graduated from South China University of Technology with a master's degree in construction and is a registered planning professional. He joined the Group in 2006. Prior to joining the Group, Mr. Wu was the manager of the design department of several well-known property developers.

Luo Xiao Yun, aged 43, is a director of the legal affairs division of the Group and assistant to the Chairman. Ms. Luo joined the Group in November 2009 and is responsible for the overall operations and management of legal affairs. Ms. Luo graduated from Zhongshan University with a bachelor's degree in laws and subsequently was admitted to practise in the PRC as a qualified solicitor. Ms. Luo is a practising solicitor with extensive working experiences in financial investment, Corporate Law as well as Civil and Commerce Law, facilitating her clients which are both newly established companies and listed companies to their growth and success. Prior to joining the Group, Ms. Luo began her legal career in Foreign Economic and Trade Cooperation Committee and was a solicitor in other law firms.

Lin Kai Ping, aged 37, is a general manager of Guangzhou Ningjun Property Management Limited under the Group. Ms. Lin joined the Group in April 2004 and is responsible for the overall property management of the Southern China Region. Ms. Lin graduated from the University of International Business and Economics majoring in administration management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 18 years of extensive working experiences in property management.

CORPORATE GOVERNANCE REPORT

Compliance with the Code on Corporate Governance Practices

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success. The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2010.

Board of Directors

The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive directors and management of the Company.

As at 31 December 2010, the Board consists of ten members, including seven executive directors, Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao, Mr. Kong Jian Nan, Mr. Li Jian Ming, Mr. Tsui Kam Tim, Mr. He Wei Zhi and Mr. Yu Yao Sheng, and three independent non-executive directors, Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng and Mr. Tam Chun Fai. Biographical details of the Directors are set out on pages 28 to 29. Messrs. Kong Jian Min, Kong Jian Tao and Kong Jian Nan are brothers. Save as disclosed, there is no family or other material relationship among members of the Board.

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

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive directors have entered into letters of appointment with the Company for a specific term of one year. One third of the directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

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

CORPORATE GOVERNANCE REPORT

All directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with Board papers and related materials. The directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against directors arising out of corporate activities.

During the year of 2010, the Board held four meetings. At these board meetings, directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance and internal control system, including financial, operational and compliance controls and risk management systems, and reviewed and approved the interim and annual results.

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

Directors	**Meetings Attended/ Total**
Executive Directors	
Kong Jian Min *(Chairman)*	4/4
Kong Jian Tao	4/4
Kong Jian Nan	4/4
Li Jian Ming	4/4
Tsui Kam Tim	4/4
He Wei Zhi	4/4
Yu Yao Sheng*	4/4
Independent Non-Executive Directors	
Lee Ka Sze, Carmelo	4/4
Dai Feng	4/4
Tam Chun Fai	4/4

* appointed on 22 March 2010

At least 14 days notice prior to the date of meeting is given to all directors and an agenda together with board papers are sent to all directors no less than three days before the date of meeting. All directors are given opportunity to include in the agenda any other matter that they would like to discuss in the meeting. With respect to the board committee meeting, reasonable prior notice is given to all committee members. All directors and committee members of the Board committee are urged to attend the board meeting and board committee meeting in person. For the directors and committee members, who are unable to attend the meeting, participation through electronic means will be arranged and available.

Should a director have a potential conflict of interest in a matter being considered in the board meeting, he will be abstained from voting. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict of interest issues.

The company secretary assists the Chairman of the Board in preparation of the agenda for the board meeting and board committee meeting and ensures that all applicable rules and regulations regarding the board meeting are followed. He also prepares and keeps detailed minutes of each board meeting and board committee meeting. Within a reasonable time after each meeting, the draft minutes are circulated to all directors for comment and the final and approved version of minutes is sent to all directors for their records. Board committees, including the audit committee, nomination committee and remuneration committee, all follow the applicable principles, practices and procedures used in board meetings.

Chairman and Chief Executive Officer

Mr. Kong Jian Min is the Chairman of the Board and Mr. Kong Jian Tao is the Chief Executive Officer of the Company. As disclosed, Messrs. Kong Jian Min and Kong Jian Tao are brothers. Despite their relationship, the divisions of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

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

Mr. Kong Jian Tao, being the Chief Executive Officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code during the financial year ended 31 December 2010.

Directors' Responsibility for the Financial Statements

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

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

Board Committees

The Board has established three board committees, namely audit committee, remuneration committee and nomination committee, to oversee the particular aspect of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

CORPORATE GOVERNANCE REPORT

Audit Committee and Accountability

In compliance with Rule 3.21 of the Listing Rules, an audit committee was established on 11 June 2006 with written terms of reference in accordance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The audit committee comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze Carmelo and Mr. Dai Feng. The audit committee reports to the Board and is delegated by the Board to assess matters related to the financial statements of accounts. Under its terms of reference, the audit committee is required to perform, amongst the others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Groups' financial statements and annual reports and accounts and half-year report.

The audit committee held two meetings during the year and all minutes were kept by the company secretary. The audit committee has reviewed the accounting policies and practices adopted by the Group and the annual and interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management system. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2010 is set out as follows:

Committee Members	**Meetings Attended/ Total**
Tam Chun Fai	2/2
Lee Ka Sze, Carmelo	2/2
Dai Feng	2/2

For the year ended 31 December 2010, the external auditors' remuneration in respect of audit services provided to the Group amounted to RMB4,000,000 and fees for non-audit services amounted to an aggregate amount of approximately RMB1,570,000 (equivalent), being the service charge for the review of financial information.

Remuneration Committee

The remuneration committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. The remuneration committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the remuneration committee.

The Board expects the remuneration committee to exercise independent judgment and ensures that executive directors do not participate in the determination of their own remuneration.

Though the remuneration committee did not hold any committee meeting for the year ended 31 December 2010, members of the remuneration committee have reviewed the remuneration package of the directors and the remuneration policies of the Company, which are determined with reference to the prevailing market practices.

Nomination Committee

The nomination committee was established on 11 June 2007. The nomination committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendation to the Board on selection of candidates for directorships. The nomination committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the nomination committee.

During the year ended 31 December 2010, despite of no meeting was held by the nomination committee, members of the nomination committee have reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business.

Internal Control

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

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

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

CORPORATE GOVERNANCE REPORT

Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its shareholders and values every opportunity to communicate with them. The Company has adopted a policy of disclosing clear and relevant information to shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all shareholders by post as requested. The Company has also complied with provisions of the Listing Rules by posting announcements, notices, annual reports, interim reports and shareholders' circulars on the website of the Stock Exchange and the Company (http://www.kwgproperty.com) for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answer session at the meeting allow shareholders to stay informed of the Group's strategies and goals.

In addition to the Chairman of the Board, the chairman of the Board committees, or in their absence, other members of the respective committees, are available to answer any queries that shareholders may have. The Chairman of the Board will propose separate resolutions for each issue to be considered at the annual general meeting.

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman of the Board. Vote results are released by way of publication of an announcement.

REPORT OF THE DIRECTORS

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

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 126.

The Board of the Company has proposed the payment of a final dividend of RMB11 cents per ordinary share for the year ended 31 December 2010. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 8 July 2011 to the shareholders on the Register of Members on 3 June 2011.

Summary Financial Information

A financial summary of the Group is set out on page 128. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 127.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 20 to the financial statements. Further details of the Group's major properties under development are set out on page 127.

Completed Properties held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 21 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 127.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the financial statements.

Pre-emptive Rights

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

REPORT OF THE DIRECTORS

Purchase, Redemption or Sale of Listed Securities of the Company

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with articles 146 of the articles of association of the Company, amounted to approximately RMB6,604,816,000, of which approximately RMB318,247,000 has been proposed as a final dividend for the year.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB26,979,000.

Major Customers and Suppliers

For the year ended 31 December 2010, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payment attributable to the Group's largest contractor and five largest contractors amounted to approximately 11.0% and 31.2% respectively, of the total payment under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 12.8% and 31.4% respectively, of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest contractors and suppliers.

Directors

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

Executive Directors:
Mr. Kong Jian Min *(Chairman)*
Mr. Kong Jian Tao *(Chief Executive Officer)*
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi
Mr. Yu Yao Sheng *(appointed on 22 March 2010)*

Independent Non-executive Directors:
Mr. Lee Ka Sze, Carmelo
Mr. Dai Feng
Mr. Tam Chum Fai

In accordance with articles 86(3), 87(1) and 87(2) of the Company's articles of association, Messrs. Kong Jian Tao, Kong Jian Nan, Li Jian Ming and Tsui Kam Tim will retire from office as executive directors of the Company by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for a period of one year.

The Company has received annual confirmations of independence from Messrs. Lee Ka Sze, Carmelo, Dai Feng and Tam Chun Fai, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 28 to 30 of the annual report.

Changes in Biographical Details of Certain Directors

Mr. Lee Ka Sze, Carmelo was appointed as a member of SFC Dual Filing Advisory Group of Securities and Future Commission with effect from 1 April 2010 until 31 March 2012, both days inclusive; and as a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountant with a 2-year term commencing from 1 February 2011.

Save as disclosed above, none of the Directors had a change in any of the information required to be disclosed pursuant to the paragraph (a) to (e) and (g) of Rules 13.51 (2) of the Listing Rules.

Directors' Service Contracts

Each of Messrs. Kong Jian Min, Kong Jian Tao, Kong Jian Nan, Li Jian Min, Tsui Kam Tim and He Wei Zhi has a service contract with the Company for a term of three years and Mr. Yu Yao Sheng has a service contract with the Company for a term of three years commencing on 22 March 2010 and each of these service contracts is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive director has entered into a letter of appointment with the Company for a term of one year and is subject to termination by either party giving not less than three months' written notice.

REPORT OF THE DIRECTORS

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

Directors' Remuneration

The directors' emoluments are subject to the recommendations of the remuneration committee and the Board's approval. The emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares

At 31 December 2010, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Long position/ short position	Nature of interests	Approximate number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long Position	Interest of controlled corporations	1,714,441,500	59.26%
	Long Position	Beneficial owner	4,067,000	0.14%
Kong Jian Tao (Notes 2 and 3)	Long Position	Interest of controlled corporations	1,687,500,000	58.33%
	Long Position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 2 and 3)	Long Position	Interest of controlled corporations	1,687,500,000	58.33%
He Wei Zhi	Long Position	Interest of spouse	10,000 (Note 5)	0.00035%
Yu Yao Sheng	Long Position	Beneficial owner	275,000	0.0095%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. Plus Earn Consultants Limited ("**Plus Earn**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,612,500,000 Shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.

3. Right Rich Consultants Limited ("**Right Rich**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 Shares through their interests in Right Rich. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Right Rich.

4. Hero Fine Group Limited ("**Hero Fine**") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 26,941,500 Shares through his interest in Hero Fine. Kong Jian Min is the sole director of Hero Fine.

5. These Shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.

Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above, as at 31 December 2010, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any Directors or chief executive of the Company, as at 31 December 2010, other than the interests and short positions of the Directors or chief executive of the Company as disclosed in the Section "Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares" above and the Section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

REPORT OF THE DIRECTORS

(I) Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	55.74%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.

(II) Interests and Short Positions of Other Persons in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares in Long Position (L)/ Lending Pool (LP) (Note 1)	Percentage of issued share capital
JPMorgan Chase & Co.	Interest of controlled corporations	(L) 172,867,981 (P) 122,222,981	5.98% 4.22%

Note:

(1) Share(s) of HK$0.10 each in the capital of the Company.

Save as disclosed above, as at 31 December 2010, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007. Details of the Scheme are set out in notes 33 to the financial statements.

During the year ended 31 December 2010, the Company announced that it offered to grant 8,000,000 share options to certain employees of the Group on 30 March 2010. Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted as at 1 January 2010	Number of share options granted during the year (Note 1)	Number of options outstanding at the end of the year	Date of grant	Period during which share options are exercisable (Note 1)	Exercise price per share (HK$)
Li Jian Ming	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
He Wei Zhi	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Tsui Kam Tim	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Yu Yao Sheng	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Tam Chung Fai	30,000	—	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Lee Ka Sze, Carmelo	30,000	—	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Dai Feng	30,000	—	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Other employees of the Group	5,891,000	—	5,891,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Other employees of the Group	—	8,000,000	8,000,000	30 March 2010	30 March 2010 – 29 March 2015	5.67

Note:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise periods.

2. Details of the exercise period of the share option are set out in note 33 to the financial statements.

During the year ended 31 December 2010, no share options were exercised, cancelled or lapsed.

Valuation of Share Options

The Company has been using the Black-Scholes Model (the "Model") to value the share options granted. Details of the key parameters used in the Model and the corresponding fair values of the options granted during the year ended 31 December 2010 are set out in note 33 to the financial statements.

REPORT OF THE DIRECTORS

Contract of Significance

No contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Corporate Governance

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

Directors' Interests in a Competing Business

During the year and up to the date of this report, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Events After the Reporting Period

Details of the significant events after the reporting period are set in note 44 to the financial statements.

Auditors

Ernst & Young retire and a resolution for the re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Kong Jian Min
Chairman

Hong Kong
10 March 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of KWG Property Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 126, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

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

10 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	5	**7,465,911**	4,266,572
Cost of sales		**(4,368,278)**	(2,650,267)
Gross profit		**3,097,633**	1,616,305
Other income and gains	5	**78,893**	49,265
Selling and marketing costs		**(242,805)**	(188,494)
Administrative expenses		**(413,836)**	(281,988)
Other operating expenses, net		**(5,356)**	(42,183)
Fair value gains on investment properties, net		**3,869**	60,587
Finance costs	7	**(19,974)**	(9,024)
Share of profits and losses of:			
Associates		**(2,246)**	(10)
Jointly-controlled entities		**11,485**	65,024
PROFIT BEFORE TAX	6	**2,507,663**	1,269,482
Income tax expenses	10	**(1,225,889)**	(548,025)
PROFIT FOR THE YEAR		**1,281,774**	721,457
Attributable to:			
Owners of the parent		**1,281,772**	720,078
Non-controlling interests		**2**	1,379
		1,281,774	721,457
Earnings per share attributable to owners of the parent – Basic and diluted	13	**RMB44 cents**	RMB26 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR	**1,281,774**	721,457
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**20,713**	(32,985)
Share of exchange differences on translation of associates	**10,885**	–
Share of exchange differences on translation of jointly-controlled entities	**17,772**	3,071
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**49,370**	(29,914)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,331,144**	691,543
Attributable to:		
Owners of the parent	**1,331,142**	690,184
Non-controlling interests	**2**	1,359
	1,331,144	691,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,343,901**	981,508
Investment properties	15	**3,461,980**	3,501,460
Land use rights	16	**866,274**	572,833
Interests in associates	18	**3,403,588**	1,348,990
Interests in jointly-controlled entities	19	**5,434,914**	1,228,036
Deferred tax assets	29	**603,560**	398,325
Total non-current assets		**15,114,217**	8,031,152
CURRENT ASSETS			
Properties under development	20	**13,730,027**	13,951,102
Completed properties held for sale	21	**2,553,758**	2,300,415
Trade receivables	22	**47,687**	147,413
Prepayments, deposits and other receivables	23	**1,679,437**	453,039
Due from a jointly-controlled entity	19	**46,155**	46,999
Taxes recoverable	24(a)	**59,450**	24,492
Restricted cash	25	**1,527,992**	1,069,876
Cash and cash equivalents	25	**5,275,609**	2,540,698
Total current assets		**24,920,115**	20,534,034
CURRENT LIABILITIES			
Trade payables	26	**1,670,898**	1,415,470
Other payables and accruals	27	**8,745,262**	5,222,361
Due to associates	18	**442,382**	129,956
Due to a jointly-controlled entity	19	**73,454**	–
Interest-bearing bank and other borrowings	28	**2,281,674**	2,566,628
Taxes payable	24(b)	**2,217,971**	1,418,808
Total current liabilities		**15,431,641**	10,753,223
NET CURRENT ASSETS		**9,488,474**	9,780,811
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,602,691**	17,811,963
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**10,049,956**	6,078,852
Deferred tax liabilities	29	**669,168**	624,788
Deferred revenue	30	**700,000**	700,000
Other non-current liabilities	31	**1,589,295**	–
Total non-current liabilities		**13,008,419**	7,403,640
NET ASSETS		**11,594,272**	10,408,323

	Notes	2010 RMB'000	2009 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**280,485**	280,538
Treasury shares	32(b)	**–**	(3,041)
Reserves	34(a)	**10,985,534**	9,982,514
Proposed final dividends	12	**318,247**	144,658
		11,584,266	10,404,669
Non-controlling interests		**10,006**	3,654
TOTAL EQUITY		**11,594,272**	10,408,323

Kong Jian Min
Director

Kong Jian Tao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to owners of the parent											
	Notes	Issued capital RMB'000	Share premium account RMB'000	Treasury shares reserve RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009		254,093	5,321,931	–	189,345	(83,968)	–	–	2,709,489	77,813	8,468,703	722,508	9,191,211
Profit for the year		–	–	–	–	–	–	–	720,078	–	720,078	1,379	721,457
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	(32,965)	–	–	–	–	(32,965)	(20)	(32,985)
Share of exchange differences on translation of a jointly-controlled entity		–	–	–	–	3,071	–	–	–	–	3,071	–	3,071
Total comprehensive income for the year		–	–	–	–	(29,894)	–	–	720,078	–	690,184	1,359	691,543
Issue of shares	32(a)	26,445	1,322,250	–	–	–	–	–	–	–	1,348,695	–	1,348,695
Share issue expenses	32(a)	–	(25,469)	–	–	–	–	–	–	–	(25,469)	–	(25,469)
Repurchase of shares	32(b)	–	–	(3,041)	–	–	–	–	–	–	(3,041)	–	(3,041)
Acquisition of non-controlling interests	36(b)	–	–	–	–	–	–	2,216	–	–	2,216	(718,184)	(715,968)
Share option expenses	33	–	–	–	–	–	1,194	–	–	–	1,194	–	1,194
Dissolution of a subsidiary	36(c)	–	–	–	–	–	–	–	–	–	–	(2,029)	(2,029)
Final 2008 dividend declared		–	–	–	–	–	–	–	–	(77,813)	(77,813)	–	(77,813)
Transfer to reserves	34(a)	–	–	–	74,559	–	–	–	(74,559)	–	–	–	–
Proposed final 2009 dividend	12	–	–	–	–	–	–	–	(144,658)	144,658	–	–	–
At 31 December 2009		280,538	6,618,712*	(3,041)	263,904*	(113,862)*	1,194*	2,216*	3,210,350*	144,658	10,404,669	3,654	10,408,323

		Attributable to owners of the parent											
	Notes	Issued capital RMB'000	Share premium account RMB'000	Treasury shares reserve RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010		280,538	6,618,712	(3,041)	263,904	(113,862)	1,194	2,216	3,210,350	144,658	10,404,669	3,654	10,408,323
Profit for the year		–	–	–	–	–	–	–	1,281,772	–	1,281,772	2	1,281,774
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	20,713	–	–	–	–	20,713	–	20,713
Share of exchange differences on translation of associates		–	–	–	–	10,885	–	–	–	–	10,885	–	10,885
Share of exchange differences on translation of jointly-controlled entities		–	–	–	–	17,772	–	–	–	–	17,772	–	17,772
Total comprehensive income for the year		–	–	–	–	49,370	–	–	1,281,772	–	1,331,142	2	1,331,144
Cancellation of shares	32(b)	(53)	(2,988)	3,041	–	–	–	–	–	–	–	–	–
Acquisition of non-controlling interests	36(b)	–	–	–	–	–	–	(26,350)	–	–	(26,350)	(3,650)	(30,000)
Contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	–	10,000	10,000
Share option expenses	33	–	–	–	–	–	19,463	–	–	–	19,463	–	19,463
Final 2009 dividend declared		–	–	–	–	–	–	–	–	(144,658)	(144,658)	–	(144,658)
Transfer to reserves	34(a)	–	–	–	132,848	–	–	–	(132,848)	–	–	–	–
Proposed final 2010 dividend	12	–	–	–	–	–	–	–	(318,247)	318,247	–	–	–
At 31 December 2010		280,485	6,615,724*	–	396,752*	(64,492)*	20,657*	(24,134)*	4,041,027*	318,247	11,584,266	10,006	11,594,272

* These reserve accounts comprise the consolidated reserves of approximately RMB10,985,534,000 (2009: RMB9,982,514,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,507,663**	1,269,482
Adjustments for:			
Finance costs	7	**19,974**	9,024
Share of profits and losses of associates		**2,246**	10
Share of profits and losses of jointly-controlled entities		**(11,485)**	(65,024)
Interest income	5	**(33,483)**	(7,066)
Loss on disposal of investment properties, net	6	**4,573**	40,086
Gain on disposal of items of property, plant and equipment	6	**(147)**	–
Depreciation	6	**32,712**	16,716
Amortisation of land use rights	6	**1,415**	810
Changes in fair values of investment properties, net	15	**(3,869)**	(60,587)
Equity-settled share options expenses	33	**19,463**	1,194
		2,539,062	1,204,645
Decrease in properties under development		**891,723**	546,742
Increase in completed properties held for sale		**(253,343)**	(766,011)
(Increase)/decrease in trade receivables		**99,726**	(116,700)
(Increase)/decrease in prepayments, deposits and other receivables		**(1,227,506)**	692,980
Decrease in an amount due from a jointly-controlled entity		**844**	3,315
Increase in restricted cash		**(458,116)**	(863,934)
Increase/(decrease) in trade payables		**255,428**	(1,165,043)
Increase in other payables and accruals		**3,410,223**	810,448
Increase in amounts due to associates		**312,426**	129,956
Cash generated from operations		**5,570,467**	476,398
Interest received		**33,483**	7,066
Interest paid		**(663,258)**	(486,963)
Corporate income tax paid		**(433,192)**	(332,235)
Land appreciation tax paid		**(189,347)**	(62,235)
Net cash flows from/(used in) operating activities		**4,318,153**	(397,969)

	Notes	2010 RMB'000	2009 RMB'000
Net cash flows from/(used in) operating activities		**4,318,153**	(397,969)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(383,305)**	(548,946)
Acquisition of land use rights		**(304,885)**	(61,988)
Proceeds from disposal of investment properties		**49,500**	77,254
Acquisition of subsidiaries	36(a)	**(255)**	(94,444)
Acquisition of jointly-controlled entities		**(1,177,331)**	–
Acquisition of non-controlling interests	36(b)	**(30,000)**	(715,968)
Dissolution of a subsidiary	36(c)	**–**	(2,029)
Proceeds from disposals of property, plant and equipment		**1,048**	–
Investments in associates		**(705,000)**	(499,000)
Investments in jointly-controlled entities		**(1,449,693)**	–
Advances to associates		**(580,632)**	–
Advances to jointly-controlled entities		**(544,675)**	(274,281)
Net cash flows used in investing activities		**(5,125,228)**	(2,119,402)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32(a)	**–**	1,348,695
Proceeds from issue of senior notes		**1,617,304**	–
Share issue expenses	32(a)	**–**	(25,469)
Repurchase of shares	32(b)	**–**	(3,041)
New bank loans		**6,179,194**	5,471,033
Repayment of bank loans		**(4,117,575)**	(2,788,137)
Dividend paid		**(144,658)**	(77,813)
Contributions from non-controlling interests		**10,000**	–
Net cash flows from financing activities		**3,544,265**	3,925,268
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,737,190**	1,407,897
Cash and cash equivalents at beginning of year		**2,540,698**	1,167,009
Effect of foreign exchange rate changes, net		**(2,279)**	(34,208)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,275,609**	2,540,698
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**2,066,704**	2,502,996
Non-pledged time deposits with original maturity of less than three months when acquired	25	**3,208,905**	37,702
Cash and cash equivalents		**5,275,609**	2,540,698

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**248**	294
Interests in subsidiaries	17	**6,722,592**	7,039,380
Advances to associates	18	**1,888**	–
Interests in jointly-controlled entities	19	**1,663,596**	–
Total non-current assets		**8,388,324**	7,039,674
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**76,338**	324
Cash and cash equivalents	25	**444,394**	181,433
Total current assets		**520,732**	181,757
CURRENT LIABILITIES			
Other payables and accruals	27	**78,960**	4,172
Due to a jointly-controlled entity	19	**73,454**	–
Total current liabilities		**152,414**	4,172
NET CURRENT ASSETS		**368,318**	177,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,756,642**	7,217,259
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**1,871,341**	260,035
Total non-current liabilities		**1,871,341**	260,035
Net assets		**6,885,301**	6,957,224
EQUITY			
Issued capital	32	**280,485**	280,538
Treasury shares	32(b)	**–**	(3,041)
Reserves	34(b)	**6,286,569**	6,535,069
Proposed final dividends	12	**318,247**	144,658
Total equity		**6,885,301**	6,957,224

Kong Jian Min
Director

Kong Jian Tao
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2010

1. Corporate Information

KWG Property Holding Limited ("KWG Property" or the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to the "Group") were involved in the following principal activities in the People's Republic of China (the "PRC"):

- property development
- property investment
- hotel operation
- provision of property management services

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

2.1 Basis of Preparation

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

Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation from 1 January 2010 (continued)

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

Basis of consolidation prior to 1 January 2010

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

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

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

2.2 Changes in Accounting Policy and Disclosures

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

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

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 5, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 Changes in Accounting Policy and Disclosures *(continued)*

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

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

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

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

(b) *Improvements to HKFRSs 2009* issued in May 2009

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

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

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

(c) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. The interpretation has had no impact on the financial position or results of operations of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)–Int 14 Amendments	Amendments to HK(IFRIC)–Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)–Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of amendments to HKFRS 3, HKAS 1 and HKAS 27 included in improvements to HKFRSs 2010 as further explained below, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture.

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 Summary of Significant Accounting Policies *(continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Jointly-controlled operations

Joint venture arrangements which involve the use of the assets and other reserves of the Group and other parties, without the establishment of a separate entity, are referred to as jointly-controlled operations. Under this arrangement, assets remain under the ownership and control of each party. Revenue and expenses incurred in common are shared by the parties according to the contractual arrangement.

Assets that the Group controls and liabilities that it incurs in relation to jointly-controlled operations are recognised in the Group's consolidated statement of financial position on an accrual basis and are classified according to the nature of the items. The Group's share of the income that it earns from jointly-controlled operations, together with the expenses that it incurs, is included in the Group's consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to the Group.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivates in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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31 December 2010

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

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

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

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

Buildings	3% to 5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	10% to 20%

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

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

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

Assets under construction represent properties under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, amortised land use rights and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

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

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2.4 Summary of Significant Accounting Policies *(continued)*

Operating leases

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

Land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

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

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

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

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, advances to associates and advances to/amounts due from jointly-controlled entities.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of loans and receivables as follows:

Loans and receivables

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, amounts due to associates, an amount due to a jointly-controlled entity and interest-bearing bank and other borrowings and other non-current liabilities.

Subsequent measurement

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

Loans and borrowings

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair values of financial instruments

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

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Cash and cash equivalents

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 Summary of Significant Accounting Policies *(continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

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

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

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset or over the benefits received by the Group related to such assets.

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

(a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

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

(c) hotel revenue from room rentals, food and beverage sales and other ancillary services when the services are rendered;

(d) property management fee income, when the related management services have been provided; and

(e) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model (the "Model"), further details of which are given in note 33 to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payment transactions *(continued)*

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

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

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

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

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

2.4 Summary of Significant Accounting Policies *(continued)*

Dividends

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

Foreign currencies

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

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Operating lease commitments – Group as lessor

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

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3. Significant Accounting Judgements and Estimates *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2010 was approximately RMB4,556,000 (2009: approximately RMB23,956,000). Further details are contained in note 29 to the financial statements.

Estimation uncertainty

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

Corporate income taxes

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

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

PRC land appreciation taxes

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

Withholding tax arising from the distribution of dividends

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

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the jurisdictions is subject to judgement on the timing of the payment of the dividends. The Group considered that the applicate withholding tax rate is 5%.

Estimation of fair value of investment properties

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the income statement upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

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

4. Segment Information

For management purposes, the Group is organised into four reportable operating segments as follows:

(a) Property development: Sale of properties

(b) Property investment: Leasing of properties

(c) Hotel operation: Operation of a hotel

(d) Property management: Provision of property management services

The property development projects undertaken by the Group during the year are all located in the PRC.

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

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

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

4. Segment Information *(continued)*

Year ended 31 December 2010

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	**7,221,143**	**124,178**	**56,914**	**63,676**	**7,465,911**
Segment results	**2,670,347**	**122,184**	**7,842**	**255**	**2,800,628**
Reconciliation:					
Interest income and unallocated income					**78,893**
Unallocated expenses					**(351,884)**
Finance costs					**(19,974)**
Profit before tax					**2,507,663**
Income tax expenses					**(1,225,889)**
Profit for the year					**1,281,774**
Assets and liabilities:					
Segment assets	**26,396,019**	**5,251,652**	**355,696**	**11,811**	**32,015,178**
Reconciliation:					
Unallocated assets					**8,019,154**
Total assets					**40,034,332**
Segment liabilities	**24,590,220**	**216,995**	**59,450**	**4,951**	**24,871,616**
Reconciliation:					
Unallocated liabilities					**3,568,444**
Total liabilities					**28,440,060**
Other segment information:					
Depreciation and amortisation	**13,186**	**2,573**	**18,181**	**187**	**34,127**
Fair value gains on investment properties, net	**–**	**3,869**	**–**	**–**	**3,869**
Share of profits and losses of:					
Associates	**(2,246)**	**–**	**–**	**–**	**(2,246)**
Jointly-controlled entities	**11,485**	**–**	**–**	**–**	**11,485**

NOTES TO FINANCIAL STATEMENTS

31 December 2010

4. Segment Information *(continued)*

Year ended 31 December 2009

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	4,109,986	98,701	10,003	47,882	4,266,572
Segment results	1,351,695	115,921	(837)	8,059	1,474,838
Reconciliation:					
Interest income and unallocated income					49,265
Unallocated expenses					(245,597)
Finance costs					(9,024)
Profit before tax					1,269,482
Income tax expenses					(548,025)
Profit for the year					721,457
Assets and liabilities:					
Segment assets	19,248,106	4,651,704	364,874	5,072	24,269,756
Reconciliation:					
Unallocated assets					4,295,430
Total assets					28,565,186
Segment liabilities	15,193,704	205,117	70,219	1,557	15,470,597
Reconciliation:					
Unallocated liabilities					2,686,266
Total liabilities					18,156,863
Other segment information:					
Depreciation and amortisation	10,532	2,437	4,483	74	17,526
Fair value gains on investment properties, net	–	60,587	–	–	60,587
Share of profits and losses of:					
An associate	(10)	–	–	–	(10)
Jointly-controlled entities	65,024	–	–	–	65,024

5. Revenue, Other Income and Gains

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

An analysis of revenue, other income and gains is as follows:

	2010 **RMB'000**	2009 RMB'000
Revenue		
Sale of properties	**7,221,143**	4,109,986
Gross rental income	**124,178**	98,701
Hotel operation income	**56,914**	10,003
Property management fees	**63,676**	47,882
	7,465,911	4,266,572
Other income and gains		
Bank interest income	**33,483**	7,066
Foreign exchange differences, net	**12,510**	24,646
Others	**32,900**	17,553
	78,893	49,265

NOTES TO FINANCIAL STATEMENTS

31 December 2010

6. Profit Before Tax

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

	Notes	2010 RMB'000	2009 RMB'000
Cost of properties sold		**4,368,412**	2,636,989
Less: Government grant released	27(b)	**(50,675)**	–
		4,317,737	2,636,989
Depreciation	14	**32,712**	16,716
Amortisation of land use rights	16	**14,116**	6,576
Less: Amount capitalised in assets under construction		**(12,701)**	(5,766)
		1,415	810
Minimum lease payments under operating leases of land and buildings		**6,072**	4,175
Auditors' remuneration		**4,000**	3,800
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**198,037**	130,409
Pension scheme contributions*		**11,117**	7,680
Equity-settled share option expense		**16,821**	757
Less: Amount capitalised in assets under construction, properties under development and investment properties under development		**(59,962)**	(48,948)
		166,013	89,898
Loss on disposal of investment properties, net**		**4,573**	40,086
Gain on disposal of items of property, plant and equipment		**(147)**	–
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**21,948**	19,057

* At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

** The loss on disposal of investment properties, net is included in "Other operating expenses, net" in the consolidated income statement.

7. Finance Costs

	Group	
	2010	2009
	RMB'000	RMB'000
Interest on bank and other borrowings	**704,116**	456,589
Less: Interest capitalised	**(684,142)**	(447,565)
	19,974	9,024

8. Directors' Remuneration

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

	Group	
	2010	2009
	RMB'000	RMB'000
Fees	**2,522**	2,376
Other emoluments:		
Salaries, allowances and benefits in kind	**13,430**	6,110
Equity-settled share option expense	**2,642**	437
Pension scheme contributions	**440**	224
	16,512	6,771
	19,034	9,147

For the year ended 31 December 2010, no directors were granted share options.

For the year ended 31 December 2009, certain directors were granted share options, in respect of their services to the Group, under the share option scheme (the "Scheme") of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

8. Directors' Remuneration *(continued)*

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2010			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	**258**	**–**	**258**
Mr. Dai Feng	**258**	**–**	**258**
Mr. Tam Chun Fai	**258**	**–**	**258**
	774	**–**	**774**
2009			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	264	74	338
Mr. Dai Feng	264	74	338
Mr. Tam Chun Fai	264	73	337
	792	221	1,013

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

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2010					
Executive directors:					
Mr. Kong Jian Min	**258**	**2,202**	**–**	**70**	**2,530**
Mr. Kong Jian Tao	**258**	**2,193**	**–**	**71**	**2,522**
Mr. Kong Jian Nan	**258**	**1,952**	**–**	**71**	**2,281**
Mr. Li Jian Ming	**258**	**1,510**	**697**	**71**	**2,536**
Mr. Tsui Kam Tim	**258**	**2,010**	**697**	**21**	**2,986**
Mr. He Wei Zhi	**258**	**2,109**	**697**	**65**	**3,129**
Mr. Yu Yao Sheng	**200**	**1,454**	**551**	**71**	**2,276**
	1,748	**13,430**	**2,642**	**440**	**18,260**
2009					
Executive directors:					
Mr. Kong Jian Min	264	879	–	40	1,183
Mr. Kong Jian Tao	264	780	–	40	1,084
Mr. Kong Jian Nan	264	780	–	41	1,085
Mr. Li Jian Ming	264	1,104	72	41	1,481
Mr. Tsui Kam Tim	264	1,145	72	21	1,502
Mr. He Wei Zhi	264	1,422	72	41	1,799
	1,584	6,110	216	224	8,134

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2010 included four (2009: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2009: two) non-director, highest paid employee for the year are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,509**	3,962
Equity-settled share option expense	**2,302**	285
Pension scheme contributions	**21**	19
	5,832	4,266

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

	Number of employees	
	2010	2009
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	–
	1	2

No emoluments were paid by the Group to the directors or any of the non-director, highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

10. Income Tax Expenses

		Group	
		2010	2009
	Note	**RMB'000**	RMB'000
Current – PRC			
CIT		**692,592**	428,578
LAT		**694,152**	351,235
		1,386,744	779,813
Deferred	29	**(160,855)**	(231,788)
Total tax charge for the year		**1,225,889**	548,025

NOTES TO FINANCIAL STATEMENTS

31 December 2010

10. Income Tax Expenses *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax charge at the effective tax rate and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follows:

	Group			
	2010		2009	
	RMB'000	**%**	RMB'000	%
Profit before tax	**2,507,663**		1,269,482	
At statutory income tax rate of 25% (2009: 25%)	**626,916**	**25.0**	317,371	25.0
Income not subject to tax	**(466)**	**(0.1)**	(6,912)	(0.5)
Expenses not deductible for tax	**11,923**	**0.5**	10,479	0.8
Effect of withholding tax on the distributable profits of the Company's PRC subsidiaries	**56,753**	**2.2**	(17,389)	(1.4)
Profits and losses attributable to associates	**561**	**0.1**	2	0.1
Profits and losses attributable to jointly-controlled entities	**(2,871)**	**(0.1)**	(16,256)	(1.3)
Land appreciation tax	**694,152**	**27.7**	351,235	27.6
Effect of land appreciation tax	**(173,538)**	**(6.9)**	(87,809)	(6.9)
Others	**12,459**	**0.5**	(2,696)	(0.2)
Tax charge at the Group's effective rate	**1,225,889**	**48.9**	548,025	43.2

For the year ended 31 December 2010, the share of CIT and LAT attributable to the jointly-controlled entities amounting to approximately RMB3,636,000 (2009: approximately RMB21,648,000) and approximately RMB4,329,000 (2009: approximately RMB18,983,000), respectively, is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

For the year ended 31 December 2010, the share of CIT credit attributable to the associates amounting to approximately RMB801,000 (2009: Nil), is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2010 and 2009.

PRC corporate income tax

PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2010 and 2009, based on existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax

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

11. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of approximately RMB260,269,000 (2009: loss of approximately RMB23,862,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. Dividends

	2010 RMB'000	2009 RMB'000
Proposed final – RMB11 cents (2009: RMB5 cents) per ordinary share	**318,247**	144,658

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

13. Earnings Per Share Attributable to Owners of the Parent

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,893,150,000 (2009: approximately 2,735,117,000) in issue during the year.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the share options outstanding during the years had an anti-dilutive effect on the basic earnings per share presented.

The calculation of basic and diluted earnings per share is based on:

	2010 RMB'000	2009 RMB'000
Earnings		
Profit attributable to owners of the parent	**1,281,772**	720,078

	Number of shares 2010	 2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,893,150,000**	2,735,117,000

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14. Property, Plant and Equipment

Group

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2010							
At 31 December 2009 and 1 January 2010:							
Cost	**424,132**	**1,727**	**3,188**	**31,953**	**36,358**	**525,686**	**1,023,044**
Accumulated depreciation	**(13,861)**	**(1,548)**	**(2,773)**	**(10,051)**	**(13,303)**	**–**	**(41,536)**
Net carrying amount	**410,271**	**179**	**415**	**21,902**	**23,055**	**525,686**	**981,508**
At 1 January 2010, net of accumulated depreciation	**410,271**	**179**	**415**	**21,902**	**23,055**	**525,686**	**981,508**
Additions	**13,794**	**1,271**	**–**	**5,087**	**16,010**	**359,844**	**396,006**
Disposals	**(790)**	**–**	**–**	**(2)**	**(109)**	**–**	**(901)**
Depreciation provided during the year	**(20,955)**	**(535)**	**(246)**	**(6,607)**	**(4,369)**	**–**	**(32,712)**
At 31 December 2010, net of accumulated depreciation	**402,320**	**915**	**169**	**20,380**	**34,587**	**885,530**	**1,343,901**
At 31 December 2010:							
Cost	**436,358**	**2,998**	**3,188**	**37,035**	**52,207**	**885,530**	**1,417,316**
Accumulated depreciation	**(34,038)**	**(2,083)**	**(3,019)**	**(16,655)**	**(17,620)**	**–**	**(73,415)**
Net carrying amount	**402,320**	**915**	**169**	**20,380**	**34,587**	**885,530**	**1,343,901**

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2009							
At 1 January 2009:							
Cost	80,893	1,596	3,188	20,488	31,439	330,484	468,088
Accumulated depreciation	(6,379)	(1,428)	(2,286)	(4,725)	(10,002)	–	(24,820)
Net carrying amount	74,514	168	902	15,763	21,437	330,484	443,268
At 1 January 2009, net of accumulated depreciation	74,514	168	902	15,763	21,437	330,484	443,268
Additions	–	131	–	11,465	4,919	538,441	554,956
Transfers	343,239	–	–	–	–	(343,239)	–
Depreciation provided during the year	(7,482)	(120)	(487)	(5,326)	(3,301)	–	(16,716)
At 31 December 2009, net of accumulated depreciation	410,271	179	415	21,902	23,055	525,686	981,508
At 31 December 2009:							
Cost	424,132	1,727	3,188	31,953	36,358	525,686	1,023,044
Accumulated depreciation	(13,861)	(1,548)	(2,773)	(10,051)	(13,303)	–	(41,536)
Net carrying amount	410,271	179	415	21,902	23,055	525,686	981,508

14. Property, Plant and Equipment *(continued)*

Company

	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2010			
At 31 December 2009 and 1 January 2010:			
Cost	**48**	**482**	**530**
Accumulated depreciation	**(36)**	**(200)**	**(236)**
Net carrying amount	**12**	**282**	**294**
At 1 January 2010, net of accumulated depreciation	**12**	**282**	**294**
Additions	**53**	**–**	**53**
Depreciation provided during the year	**(14)**	**(85)**	**(99)**
At 31 December 2010, net of accumulated depreciation	**51**	**197**	**248**
At 31 December 2010:			
Cost	**101**	**482**	**583**
Accumulated depreciation	**(50)**	**(285)**	**(335)**
Net carrying amount	**51**	**197**	**248**
31 December 2009			
At 1 January 2009:			
Cost	48	482	530
Accumulated depreciation	(22)	(111)	(133)
Net carrying amount	26	371	397
At 1 January 2009, net of accumulated depreciation	26	371	397
Depreciation provided during the year	(14)	(89)	(103)
At 31 December 2009, net of accumulated depreciation	12	282	294
At 31 December 2009:			
Cost	48	482	530
Accumulated depreciation	(36)	(200)	(236)
Net carrying amount	12	282	294

At 31 December 2010, certain of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB786,312,000 (2009: approximately RMB778,633,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2009, the Group was in the process of obtaining the real estate ownership certificates of the Group's buildings with an aggregate net carrying amount of approximately RMB338,949,000 from the relevant government authorities.

NOTES TO FINANCIAL STATEMENTS

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15. Investment Properties

Group

	2010 Completed investment properties RMB'000	2010 Investment property under construction RMB'000	2010 Total RMB'000	2009 Completed investment properties RMB'000	2009 Investment property under construction RMB'000	2009 Total RMB'000
Carrying amount at 1 January	**3,431,260**	**70,200**	**3,501,460**	3,546,400	–	3,546,400
Transfers from properties under development						
– adoption of Improvements to HKFRSs	**–**	**–**	**–**	–	11,813	11,813
Additions	**–**	**10,724**	**10,724**	–	–	–
Transfers	**80,924**	**(80,924)**	**–**	–	–	–
Disposals	**(54,073)**	**–**	**(54,073)**	(117,340)	–	(117,340)
Gain from a fair value adjustment	**3,869**	**–**	**3,869**	2,200	58,387	60,587
Carrying amount at 31 December	**3,461,980**	**–**	**3,461,980**	3,431,260	70,200	3,501,460

The Group's investment properties are situated in the PRC and the related land is held under the lease terms of 10 to 50 years.

The Group's investment properties were revalued on 31 December 2010 by CB Richard Ellis Limited, independent professionally qualified valuers, at approximately RMB3,461,980,000 (2009: approximately RMB3,501,460,000) on an open market, existing use basis. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a). The gross rental income received and receivable by the Group and the direct expenses in respect of these investment properties are summarised as follows:

	Group 2010 RMB'000	Group 2009 RMB'000
Gross rental income	**124,178**	98,701
Direct expenses	**(21,948)**	(19,057)
Net rental income	**102,230**	79,644

At 31 December 2010, the Group's investment properties with an aggregate carrying amount of approximately RMB2,871,337,000 (2009: approximately RMB3,046,504,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2010, the Group was in the process of obtaining the real estate ownership certificate of the Group's investment property with a net carrying amount of approximately RMB69,530,000 (2009: RMB70,200,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 127 of the annual report.

16. Land Use Rights

	Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**586,851**	553,256
Additions	**307,655**	40,171
Amortisation recognised during the year	**(14,116)**	(6,576)
At 31 December	**880,390**	586,851
Current portion included in prepayments, deposits and other receivables	**(14,116)**	(14,018)
Non-current portion	**866,274**	572,833

The Group's land use rights are located in the PRC and held under the lease terms of 10 to 50 years.

Certain of the Group's land use rights with an aggregate net carrying amount of approximately RMB182,406,000 (2009: approximately RMB210,323,000) were pledged to banks to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2010, the Group is in the process of obtaining the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB310,829,000 (2009: approximately RMB20,319,000) from the relevant government authorities. The Group has not fully settled the purchase considerations in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payments of the purchase considerations.

17. Interests in Subsidiaries

	Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**300,306**	300,306
Due from subsidiaries	**6,415,161**	6,738,406
Capital contribution in respect of employee share-based compensation	**7,125**	668
	6,722,592	7,039,380

The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.

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17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Happy Clear Consultants Limitedβ	British Virgin Islands/ Hong Kong	US$1,000	100	–	Investment holding
Reach Luck Consultants Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Boom Faith International Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rising Wave Enterprises Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Good Excel Enterprises Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Prime Way Enterprises Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Hugeluck Investments Limitedβ	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Guangzhou Hejing Real Estate Development Limited ("Guangzhou Hejing")*#β	PRC	US$99,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited#β	PRC	US$12,930,000	–	100	Property development
Guangzhou Hejing Yingfu Real Estate Development Limited#β	PRC	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited*#β	PRC	RMB792,000,000	–	100	Property development
Guangzhou Zhongtianying Real Estate Development Limited*#β	PRC	US$198,000,000	–	100	Property development
Guangzhou Tianjian Real Estate Co., Ltd*#β	PRC	RMB1,617,000,000	–	100	Property development
Guangzhou Fuxin Property Management Limited*#β	PRC	RMB7,000,000	–	100	Property management
Guangzhou Ningjun Property Management Limited*#β	PRC	RMB7,000,000	–	100	Property management
Guangzhou Junzhao Property Operation Limited*#β	PRC	RMB7,000,000	–	100	Property management
Chengdu Zhongtianying Real Estate Development Limited#β	PRC	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited ("Guangzhou Liangyu")#β	PRC	RMB30,000,000	–	100	Property development
Hainan New World Property Development (HK) Limited*#β	PRC	HK$166,400,000	–	100	Property development

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Suzhou Hejing Real Estate Development Limited ("Suzhou Hejing")#β	PRC	RMB990,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited ("Guangzhou Conghua Hejing")*#β	PRC	US$99,000,000	–	100	Property development
Beijing Hejing Real Estate Development Limited ("Beijing Hejing")#β	PRC	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited*#β	PRC	HK$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#β	PRC	US$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#β	PRC	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited ("Guangzhou Wanhui") #β(i)	PRC	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited ("Guangzhou Lihe")#β	PRC	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Property Development Limited#^β	PRC	RMB100,000,000	–	100	Property development
Tianjin Hejing Property Development Limited#^β	PRC	RMB50,000,000	–	100	Property development
Hainan Hejing Property Development Limited#^β	PRC	RMB100,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Company Limited ("Shanghai Hejing")#^β(ii)	PRC	RMB100,000,000	–	100	Property development
Shanghai Zhongdao Real Estate Development Limited#^β	PRC	RMB100,000,000	–	90	Property development

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

β The statutory financial statements of these subsidiaries are not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

^ These companies were newly established during the year.

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17. Interests in Subsidiaries *(continued)*

Note:

(i) Guangzhou Wanhui was a wholly-owned subsidiary of Guangzhou Hejing (a subsidiary of the Group) established on 26 October 2009 in the PRC with registered capital of RMB30,000,000. Guangzhou Wanhui is a company engaged in a property development project in Guangzhou, namely D3-4 Project. In January 2010, CITIC Trust Co., Ltd. ("CITIC") and Guangzhou Hejing entered into an equity transfer agreement (the "Equity Transfer Agreement") whereby Guangzhou Hejing uses its 100% equity interest in Guangzhou Wanhui as consideration to acquire for the S1 type unit trust ("S1 Unit") under a trust administrated by CITIC (the "CITIC Trust"). Guangzhou Hejing also uses its RMB135,000,000 debt receivable from Guangzhou Wanhui as a consideration to acquire for S2 type unit ("S2 Unit") of the CITIC Trust. The terms of the Trust is 18 months, while CITIC can early terminate the CITIC Trust after 1 year. The CITIC Trust consists of three types of trust units, including 30,000,000 units of S1 Unit, 135,000,000 units of S2 Unit and 300,000,000 units of priority units. The subscription price for each unit of the CITIC Trust is RMB1. The priority units are sold to the public investors in the PRC. Priority units are entitled to a return calculated based on the amount invested, the number of days invested and a pre-determined return rate. Upon dissolution of the CITIC Trust, beneficiaries of S1 Unit and S2 Unit are subordinate to those of priority units in receiving CITIC Trust income and assets distribution of the CITIC Trust. After the distribution of the principal amount and pre-determined return of the priority units, and miscellaneous legal and administrative expenses, S1 Unit and S2 Unit can enjoy the residual benefit of the CITIC Trust. CITIC can decide the form of assets to be distributed to S1 Unit and S2 Unit (either in cash or other assets), particularly, CITIC may distribute the RMB135,000,000 receivable balance from Guangzhou Wanhui to S2 Unit holders. S1 Unit and S2 Unit are not transferrable, except within the Group.

CITIC, as trustee, applied the fund from the CITIC Trust to inject RMB300,000,000 into Guangzhou Wanhui as registered capital. The registered capital of Guangzhou Wanhui was then increased to RMB330,000,000 and CITIC held 100% equity interest in Guangzhou Wanhui (the "Equity Interest") after such capital injection (the "Capital Injection").

Pursuant to the Equity Transfer Agreement, Guangzhou Hejing has the pre-emptive right (the "Pre-emptive Right") to acquire the Equity Interest from CITIC, and Guangzhou Hejing agrees to pay CITIC, the fee ("Pre-emptive Right Fee") to maintain its Pre-emptive Right.

Upon 18 months after the effective date of the Equity Transfer Agreement, pursuant to the Equity Transfer Agreement, Guangzhou Hejing can acquire the Equity Interest from CITIC should all the following conditions be met:

(a) Guangzhou Hejing has promptly paid the Pre-emptive Right Fee and the consideration for acquisition of Equity Interest (the "Consideration") in full;

(b) The relevant guarantee agreements as mentioned in the Equity Transfer Agreement are effective and remain effective (such guarantee agreements mainly include the corporate guarantee provided by KWG and the pledge of Guangzhou Hejing 's 94.5% equity interest in one of its subsidiary, Guangzhou Liangyu, for Guangzhou Hejing 's fulfillment of its obligations as mentioned in the Equity Transfer Agreement);

(c) Relevant agreements entered into between CITIC and Guangzhou Hejing and the guarantors pursuant to the Equity Transfer Agreement are effective and remain effective, and there is no material breach of the contracts; and

(d) Application for transfer of relevant land use rights under D3-4 Project to Guangzhou Wanhui has been submitted to relevant government bureau within 60 business days after the effective date of the Equity Transfer Agreement (the transfer of relevant land use rights has been completed in March 2010).

Furthermore, Guangzhou Hejing can early exercise its Pre-emptive Right upon 12 months after the effective date of the Equity Transfer Agreement, provided that all the above four conditions have been met.

Within the above timeframe, if (a) the above conditions have not been met; or (b) Guangzhou Hejing has not notified CITIC in written form to exercise its Pre-emptive Right; or (c) Guangzhou Hejing defaults on the payment of the Consideration and the Pre-emptive Right Fee, then CITIC can issue a written notice to Guangzhou Hejing to request Guangzhou Hejing to acquire the Equity Interest and settle the Consideration and the Pre-emptive Right Fee within 3 days.

If (a) Guangzhou Hejing notifies CITIC, in written form, that it would not acquire the Equity Interest; or (b) Guangzhou Hejing defaults to settle the Consideration and the Pre-emptive Right Fee within 3 days, then the Pre-emptive Right is forfeited and CITIC can sell the Equity Interest to others.

17. Interests in Subsidiaries *(continued)*

Note: *(continued)*

(i) *(continued)*

CITIC can request Guangzhou Hejing to unconditionally acquire the Equity Interest if any of the following conditions exists:

(a) Guangzhou Hejing delays on the payment of the Pre-emptive Right Fee and still cannot fully settle the Pre-emptive Right Fee within 3 days after issuance of demand notice from CITIC;

(b) Guangzhou Hejing has not requested CITIC to sell the Equity Interest to Guangzhou Hejing within 18 months after the effective date of the Equity Transfer Agreement;

(c) The guarantee agreements as stipulated in the Equity Transfer Agreement are not effective;

(d) Application for transfer of certain land use rights to Guangzhou Wanhui has not been submitted to relevant government bureau within 60 business days after the effective date of the Equity Transfer Agreement;

(e) The title of the relevant land use right certificates under D3-4 Project cannot be transferred to Guangzhou Wanhui within 11 months after the effective date of the Equity Transfer Agreement;

(f) Within 18 months after the effective date of the Equity Transfer Agreement, Guangzhou Wanhui has no retained earnings for distribution or the amount of retained earnings available for distribution is less than RMB330,000,000; or

(g) 18 months lapses after the effective date of the Equity Transfer Agreement.

Further to the Equity Transfer Agreement, CITIC, Guangzhou Hejing and Industrial and Commercial Bank of China - Guangzhou Branch ("ICBC (Guangzhou)") entered into an agreement (the "Entrustment Agreement") in January 2010, whereby CITIC entrusted (a) Guangzhou Hejing to operate and manage the Equity Interest; and (b) ICBC (Guangzhou) to safeguard the land use rights and other relevant certificates of D3-4 Project.

Upon the completion of the Capital Injection, Guangzhou Wanhui continues to be a subsidiary of the Company as the Company has unilateral control over Guangzhou Wanhui.

(ii) This company is also known as Shanghai KWG Real Estate Development Co., Ltd. in the Company's announcement dated 20 January 2011.

In the current year, the Group acquired Guangzhou Hengjian Construction Limited ("Guangzhou Hengjian"). Further details of this acquisition are included in note 36(a) to the financial statements.

In the prior year, the Group acquired Guangzhou Lihe. Further details of this acquisition are included in notes 30 and 36(a) to the financial statements.

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

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18. Interests in Associates/Balances with Associates

	Group	
	2010	2009
	RMB'000	RMB'000
Share of net assets	**2,822,956**	1,348,990
Advances to associates	**580,632**	–
	3,403,588	1,348,990

	Company	
	2010	2009
	RMB'000	RMB'000
Advances to associates	**1,888**	–

The amounts due to associates included in the Group's current liabilities of approximately RMB442,382,000 (2009: approximately RMB129,956,000) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest attributable to the Group	Principal activity
Suzhou City Kaiyu Real Estate Development Company Limited ("Suzhou Kaiyu")#β (i)	Registered capital of RMB1 each	PRC	29.94%	Property development
Lyntondale Holdings Limitedβ (ii)	Registered capital of US$1 each	British Virgin Islands	20.00%	Investment holding
Foshan City Xinsheng Real Estate Development Company Limited ("Foshan Xinsheng")#β (ii)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinfeng Real Estate Development Company Limited ("Foshan Xinfeng")#β (ii)	Registered capital of RMB1 each	PRC	20.00%	Property development

18. Interests in Associates/Balances with Associates *(continued)*

Particulars of the principal associates are as follows: *(continued)*

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest attributable to the Group	Principal activity
Foshan City Xinjin Real Estate Development Company Limited ("Foshan Xinjin")#β (ii)	Registered capital of RMB1 each	PRC	20.00%	Property development
Bonserry Investments Limitedβ (ii)	Ordinary shares of US$1 each	British Virgin Islands	20.00%	Investment holding
Foshan City Xinjun Real Estate Development Company Limited ("Foshan Xinjun")#β (ii)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinhao Real Estate Development Company Limited ("Foshan Xinhao")#β (ii)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinhui Real Estate Development Company Limited ("Foshan Xinhui")#β (ii)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinjing Real Estate Development Company Limited ("Foshan Xinjing")#β (ii)	Registered capital of RMB1 each	PRC	20.00%	Property development
Shanghai Jingdong Property Development Limited ("Shanghai Jingdong")#β (iii)	Registered capital of RMB1 each	PRC	52.21%	Property development

\# The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

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

The above investments in associates are indirectly held by the Company through wholly-owned subsidiaries.

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18. Interests in Associates/Balances with Associates *(continued)*

Note:

(i) On 24 December 2009, China Construction Bank Corporation – Suzhou Branch ("CCB (Suzhou)") (as settler and beneficiary) and Jiangxi International Trust Co., Ltd. ("Jiangxi International") (as the trustee) entered into a trust agreement (the "Trust Agreement") where a trust (the "CCB Trust") was set up with a maximum trust capital (the "Trust Capital") of RMB901,000,000, which comprises 901,000,000 trust units of RMB1 each. Pursuant to the terms of the Trust Agreement, the Trust Capital shall be used to increase the registered capital of Suzhou Kaiyu, a non-wholly-owned subsidiary established by the Group in December 2009 to engage in a property development project in Xiaoxinqu, Suzhou. The Trust Capital was raised through the sale of an investment product (the "RMB Financing Product") by CCB (Suzhou). The RMB Financing Product comprises 900,000,000 senior trust units ("CCB Senior Units") and 1,000,000 junior trust units ("CCB Junior Units"), both at a subscription price of RMB1 each unit. All CCB Senior Units are open for subscription by the public and all CCB Junior Units were subscribed by Suzhou Hejing. The term of the RMB Financing Product is 1.5 years starting from the date when the CCB Trust was established (the "Trust Establishment Date"), which is 24 December 2009, subject to early termination upon the occurrence of certain events. Early redemption of the CCB Senior Units or CCB Junior Units is not allowed.

In connection with the CCB Trust, the following agreements were entered into on 24 December 2009:

(a) The Trustee, Suzhou Hejing and Suzhou Jinzhu Property Development Co., Ltd. ("Suzhou Jinzhu") entered into a capital increase agreement (the "Capital Increase Agreement"), pursuant to which the registered capital of Suzhou Kaiyu was increased from RMB400,000,000 to RMB1,500,000,000 by the capital injection (the "Capital Injection") of (i) RMB901,000,000 by the Trustee; (ii) RMB89,000,000 by Suzhou Hejing; and (iii) RMB110,000,000 by Suzhou Jinzhu. Immediately before the completion of the Capital Injection, Suzhou Kaiyu is owned as to 90% and 10% by Suzhou Hejing and Suzhou Jinzhu, respectively. Upon completion of the Capital Injection, Suzhou Kaiyu is owned as to 60.06%, 29.94% and 10.00% by the CCB Trust, Suzhou Hejing and Suzhou Jinzhu, respectively.

(b) Suzhou Hejing and CCB (Suzhou) entered into a product units option agreement (the "Product Units Option Agreement"), pursuant to which CCB (Suzhou) is entitled to exercise an option requiring Suzhou Hejing to acquire all the CCB Senior Units at a consideration equivalent to an amount determined as "Number of CCB Senior Units of RMB1 each X (1 + 11.5% X number of investment days in the CCB Senior Units/360" (the "Transfer Fee"), to CCB (Suzhou) upon the occurrence of certain material adverse events (the "Material Adverse Events"). If no Material Adverse Event occurs, Suzhou Hejing is entitled to acquire all the CCB Senior Units upon expiry of one year after the Trust Establishment Date. Suzhou Hejing should complete the acquisition of all the CCB Senior Units and pay the remaining consideration no later than one day before the expiry of 1.5 years after the Trust Establishment Date.

(c) Suzhou Hejing and CCB (Suzhou) entered into a pledge agreement (the "Pledge Agreement"), pursuant to which Suzhou Hejing pledged all its equity interest in Suzhou Kaiyu to CCB (Suzhou) to secure the performance and obligations of Suzhou Hejing under the Product Units Option Agreement as mentioned in (b) above.

(d) The Company and Guangzhou Hejing, a wholly-owned subsidiary of the Group entered into guarantee agreements (the "Guarantee Agreements") with CCB (Suzhou), pursuant to which the Company and Guangzhou Hejing provided guarantees to CCB (Suzhou) to secure the performance and obligations of Suzhou Hejing under the Product Units Option Agreement as mentioned in (b) above.

(e) The trustee, CCB (Suzhou), Suzhou Hejing, Suzhou Jinzhu and Suzhou Kaiyu entered into a supervision agreement (the "Supervision Agreement"), pursuant to which the Trust Capital should be deposited to the custodian bank account maintained with and managed by CCB (Suzhou) in accordance with the Supervision Agreement.

Upon the completion of the capital injection, Suzhou Kaiyu became an associate of the Group as the Group has no unilateral control over Suzhou Kaiyu, but is able to exercise significant influence over Suzhou Kaiyu.

(ii) On 17 March 2010, the Group entered into two cooperation agreements with Sun Hung Kai Development (China) Limited ("SHK") for the acquisition of 20% equity interest in Lyntondale Holdings Limited which holds 100% equity interests in Foshan Xinsheng, Foshan Xinfeng and Foshan Xinjin, and 20% equity interest in Bonserry Investments Limited which holds 100% equity interests in Foshan Xinjun, Foshan Xinhao, Foshan Xinhui and Foshan Xinjing. Further details of the acquisitions are included in the announcement of the Company dated 17 March 2010.

18. Interests in Associates/Balances with Associates *(continued)*

Note: *(continued)*

(iii) Guangzhou Hejing holds a project company, Shanghai Jingdong with injected capital of RMB50,000,000 through its wholly-owned subsidiary, Guangzhou City Wanjing Property Development Limited ("Guangzhou Wanjing"), and Shanghai Hejing with 50% equity interest each. The purpose for setting up of Shanghai Jingdong is for the development of a property project in Shanghai.

On 29 September 2010, Guangzhou Hejing, Shanghai Hejing and Guangzhou Wanjing entered into an co-operation agreement (the "New China Co-operation Agreement") with New China Trust Company Limited ("New China Trust"), pursuant to which, New China Trust has agreed to inject RMB650,000,000 to Guangzhou Wanjing as share capital. Upon the completion of the capital injection, Guangzhou Hejing's equity interest in Guangzhou Wanjing was diluted to 4.41% and New China Trust became a 95.59% shareholder of Guangzhou Wanjing. Such equity interest held by New China Trust was transferred to a trust scheme (the "New China Trust Scheme"), which is set up and managed by New China Trust. The funds raised by New China Trust of RMB650,000,000 from the senior unit investors of New China Trust Scheme was then injected into Shanghai Jingdong as share capital through Guangzhou Wanjing. At the same time, Shanghai Hejing injected cash of RMB650,000,000 to Shanghai Jingdong as share capital. Accordingly, the increase in share capital in Shanghai Jingdong of RMB1,300,000,000 included RMB650,000,000 from New China Trust and RMB650,000,000 from Shanghai Hejing. Upon the completion of the New China Co-operation Agreement, the Group effectively held 52.21% equity interest in Shanghai Jingdong. The remaining 47.79% effective equity interest in Shanghai Jingdong was held by the New China Trust Scheme through its equity interest in Guangzhou Wanjing.

Although the Group holds 4.41% equity interest in Guangzhou Wanjing and 52.21% equity interest in Shanghai Jingdong, the Group is not able to control the board of directors in both Guangzhou Wanjing and Shanghai Jingdong even though the Group can appoint majority of the board members in Guangzhou Wanjing and Shanghai Jingdong, as New China Trust has the veto power to disapprove the major decisions in the board meeting of Guangzhou Wanjing and Shanghai Jingdong. Since the Group had lost control but retained significant influences on the decisions of Guangzhou Wanjing and Shanghai Jingdong, Guangzhou Wanjing and Shanghai Jingdong became associates of the Group.

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

The following table illustrates the summarised financial information of the Group's associates:

	2010 RMB'000	2009 RMB'000
Assets	**6,894,131**	1,694,367
Liabilities	**(3,993,553)**	(194,400)
Revenue	**868**	–
Expense	**(9,682)**	(33)

19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities

	Group	
	2010 RMB'000	2009 RMB'000
Share of net assets	**3,750,785**	88,582
Advances to jointly-controlled entities	**1,684,129**	1,139,454
	5,434,914	1,228,036

	Company	
	2010 RMB'000	2009 RMB'000
Interests in jointly controlled entities	**1,250,786**	–
Advances to jointly-controlled entities	**412,810**	–
	1,663,596	–

The advances to jointly-controlled entities are unsecured, interest-free and not repayable within 12 months.

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19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities

(continued)

The amount due from a jointly-controlled entity included in the Group's current assets of approximately RMB46,155,000 (2009: approximately RMB46,999,000) is unsecured, interest-free and has no fixed term of repayment.

The amount due to a jointly-controlled entity included in the Group and the Company's current liabilities of approximately RMB73,454,000 (2009: Nil) is unsecured, interest-free and has no fixed term of repayment.

Particulars of the principal jointly-controlled entities are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Guangzhou Weibai Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Precious Wave Investments Limitedβ	Ordinary shares of US$1 each	British Virgin Islands	50	50	50	Investment holding
Quality Express Limitedβ	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Investment holding
Guangzhou Fujing Real Estate Development Limited#β	Registered capital of HK$1 each	PRC	33.3	33.3	33.3	Property development
Shanghai Zhendong Real Estate Company Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Tianjin Jinnan New Town Property Development Company Limited ("Tianjin Jinnan")#β (i)	Registered capital of RMB1 each	PRC	25	25	25	Property development
Tianjin He'an Investments Limited ("Tianjin He'an")#β(i)	Registered capital of RMB1 each	PRC	25	25	25	Property development
Shanghai Chengtou Yuecheng Real Estate Company Limited ("Shanghai Chengtou Yuecheng")#β(ii)	Registered capital of RMB1 each	PRC	35	35	35	Property development
Chengdu City Hongyu Real Estate Development Limited#β(iii)	Registered capital of RMB1 each	PRC	50	50	50	Property development
Great Command Investments Limitedβ	Ordinary shares of HK$1 each	Hong Kong	28.6	28.6	28.6	Investment holding
Total Champ Limitedβ	Ordinary shares of HK$1 each	Hong Kong	28.6	28.6	28.6	Investment holding

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

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

19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities

(continued)

Note:

(i) On 25 August 2010, Beijing Hejing, entered into a shareholders' agreement with three independent third parties (collectively the "4 Parties"), for the development of a property project in Tianjin by setting up a project company, Tianjin Jinnan. Each of the 4 Parties held 25.00% equity interest to Tianjin Jinnan upon the execution of the shareholders' agreement and the Tianjin Jinnan is considered as a jointly-controlled entity held by Beijing Hejing. Further details of the acquisition are included in the Company's announcement dated 25 August 2010.

On 17 September 2010, the 4 Parties entered into an equity transfer agreement (the "Equity Transfer Agreement") with 平安信託有限責任公司 ("Ping An Trust") to transfer their 98.16% (i.e. 24.54% each) equity interests in the Tianjin Jinnan to Ping An Trust for a total cash consideration of RMB3,600,000,000 (i.e. RMB900,000,000 each) and such 98.16% equity interests were then transferred to a trust scheme (the "Ping An Trust Scheme"), set up and managed by Ping An Trust. The sales proceeds paid by the Ping An Trust Scheme was financed by the issuance of 3,600,000,000 units of senior units ("Ping An Senior Units") by Ping An Trust Scheme to certain investors for a total proceeds of RMB3,600,000,000. The said sale proceeds of RMB3,600,000,000 received by the 4 Parties were then advanced to the Tianjin Jinnan through Tianjin He'an (unilateral controlled by the 4 Parties with 25.00% each), and the loan receivables from the Tianjin Jinnan of RMB3,600,000,000 were then used by Tianjin He'an to subscribe for 3,600,000,000 junior units ("Ping An Junior Units") in the Ping An Trust Scheme pursuant to the requirements set out in a framework agreement (the "Framework Agreement") entered into by the 4 Parties, Tianjin Jinnan and Ping An Trust in August 2010.

The effective period of the Ping An Trust Scheme is 18 months with a guaranteed return of 13% per annum to the Ping An Trust. At the end of the trust period, the Ping An Trust will be repaid with the subscription money of RMB3,600,000,000 plus a total guaranteed return of RMB702,000,000, and the holders of the Ping An Junior Units will be entitled to such 98.16% equity interest in Tianjin Jinnan. In addition, the 4 Parties granted Ping An Trust with an option to acquire a maximum of 16.00% equity interest in Tianjin Jinnan for a predetermined consideration upon the end of the trust period. Such option was revalued on 25 August 2010 and 31 December 2010 by CB Richard Ellis Limited, independent qualified valuers. In the opinion of the directors, the fair value of such option is considered not significant.

During the Ping An Trust Scheme period, Tianjin Jinnan continues to be accounted for as a jointly-controlled entity of the Group as Tianjin Jinnan is jointly-controlled by the 4 Parties and Ping An Trust.

Further details of the above transactions are included in the Company's announcement dated 17 September 2010.

(ii) On 5 November 2010, the Group entered into a share purchase agreement with Guangzhou R&F for the acquisition of the entire issued and paid-up share capital of Hines Shanghai New Jiangwan Development Co. Ltd., a company incorporated in the Cayman Islands, and Hines Shanghai New Jiangwan Development Co. Ltd. holds a 70.00% interest in the registered capital of Shanghai Chengtou Yuecheng, which holds the four parcels of land located in Shanghai and the properties developed and being developed thereon for a consideration of US$353,500,000. Further details of the acquisition are included in the announcement of the Company dated 5 November 2010.

(iii) Details of the joint venture arrangement are included in the Company's announcement dated 10 November 2010.

The above investments in jointly-controlled entites are indirectly held by the Company through wholly-owned subsidiaries, except Shanghai Chengtou Yuecheng.

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

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19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities

(continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2010 RMB'000	2009 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**957,347**	6,614
Current assets	**6,121,298**	1,499,720
Current liabilities	**(2,092,508)**	(1,417,752)
Non-current liabilities	**(1,235,352)**	–
Net assets	**3,750,785**	88,582
Share of the jointly-controlled entities' results:		
Revenue	**51,703**	294,544
Other income	**4,759**	375
	56,462	294,919
Total expenses	**(37,012)**	(189,264)
Tax	**(7,965)**	(40,631)
Profit after tax	**11,485**	65,024

20. Properties Under Development

	Group 2010 RMB'000	**Group** 2009 RMB'000
Properties under development expected to be recovered:		
Within one year	**11,940,440**	13,612,605
After more than one year	**1,789,587**	338,497
	13,730,027	13,951,102

The Group's properties under development were located in the PRC.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB6,123,124,000 (2009: approximately RMB3,953,230,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

Included in the Group's properties under development as at 31 December 2010 were land costs with an aggregate net carrying amount of approximately RMB778,662,000 (2009: approximately RMB860,209,000) in which the Group is in the process of obtaining land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 127 of the annual report.

21. Completed Properties Held for Sale

The Group's completed properties held for sale are located in the PRC. All completed properties held for sale are stated at cost.

At 31 December 2010, certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB335,763,000 (2009: approximately RMB514,362,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 127 of the annual report.

22. Trade Receivables

Trade receivables consist of receivables from the sale of properties and rentals under operating leases. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within 3 months	**31,035**	114,644
4 to 6 months	**3,135**	12,830
7 to 12 months	**4,952**	12,162
Over 1 year	**8,565**	7,777
	47,687	147,413

An ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**34,170**	127,474
1 to 6 months past due	**13,517**	19,939
	47,687	147,413

The Group's trade receivables relate to a large number of diversified customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there was no recent history of default and the balances are still considered fully recoverable.

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23. Prepayments, Deposits and Other Receivables

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**497,469**	240,892	**10,128**	87
Deposits and other receivables	**1,181,968**	212,147	**66,210**	237
	1,679,437	453,039	**76,338**	324

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

24. Taxes Recoverable/Taxes Payable

(a) Taxes recoverable

	Group	
	2010	2009
	RMB'000	RMB'000
Prepaid CIT	**17,265**	5,477
Prepaid LAT	**42,185**	19,015
	59,450	24,492

(b) Taxes payable

	Group	
	2010	2009
	RMB'000	RMB'000
CIT payable	**609,848**	338,660
LAT payable	**1,608,123**	1,080,148
	2,217,971	1,418,808

25. Cash and Cash Equivalents and Restricted Cash

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**3,594,696**	3,572,872	**435,801**	172,551
Time deposits		**3,208,905**	37,702	**8,593**	8,882
		6,803,601	3,610,574	**444,394**	181,433
Less: Restricted cash	(a)	**(1,527,992)**	(1,069,876)	**–**	–
Cash and cash equivalents		**5,275,609**	2,540,698	**444,394**	181,433
Denominated in RMB	(b)	**6,207,741**	3,362,484	**–**	–
Denominated in other currencies		**595,860**	248,090	**444,394**	181,433
		6,803,601	3,610,574	**444,394**	181,433

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties. As at 31 December 2010, such guarantee deposits amounted to approximately RMB1,460,392,000 (2009: approximately RMB1,066,876,000).

At 31 December 2010, certain of the Group's time deposits of RMB67,600,000 (2009: RMB3,000,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

(b) The RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for one day and earn interest at the respective short term time deposit rates.

26. Trade Payables

An ageing analysis of the trade payables as at the end of the reporting date is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Due within one year or on demand	**1,670,898**	1,415,470

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

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27. Other Payables and Accruals

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits received and receipts in advance		**6,686,400**	3,308,456	**–**	–
Other payables and accruals	(a)	**1,905,837**	1,710,205	**78,960**	4,172
Deferred income	(b)	**153,025**	203,700	**–**	–
		8,745,262	5,222,361	**78,960**	4,172

(a) As at 31 December 2010, other payables included the financial obligations of RMB300,000,000 and RMB953,500,000 arising from the trust financing arrangements related to CITIC Trust and CCB Trust, of the Group respectively. Details of the trust financing arrangements are set out in notes 17(i) and 18(i) to the financial statements.

(b) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB50,675,000 (2009: Nil) had been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on terms of three to six months.

28. Interest-bearing Bank and Other Borrowings

	Group					
	2010			2009		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– secured	**5.40–5.85**	**2011**	**382,194**	5.40–8.32	2010	408,210
– denominated in US$, secured	**LIBOR+3.20**	**2011**	**595,646**	–	–	–
Bank loans – unsecured	**–**	**–**	**–**	4.50–8.32	2010	1,438,693
Current portion of long-term bank loans						
– secured	**5.13–6.24**	**2011**	**606,133**	5.13–8.70	2010	480,246
– denominated in HK$, secured	**HIBOR+1.25–HIBOR+4.50**	**2011**	**264,577**	HIBOR+1.25–HIBOR+4.50	2010	211,244
– unsecured	**5.13–5.60**	**2011**	**433,124**	5.13–7.18	2010	28,235
			2,281,674			2,566,628
Non-current						
Bank loans – secured	**4.40–7.15**	**2012–2019**	**7,206,116**	4.86–8.90	2011–2019	4,745,085
Bank loans						
– denominated in HK$, secured	**HIBOR+1.25–HIBOR+4.00**	**2012–2014**	**734,499**	HIBOR+1.25–HIBOR+4.50	2011–2014	594,107
Bank loans – unsecured	**5.40–5.60**	**2012–2013**	**238,000**	5.13–7.18	2011	479,625
Bank loans						
– denominated in HK$, unsecured	**HIBOR+3.00**	**2012**	**253,010**	HIBOR+3.00	2012	260,035
Senior notes						
– denominated in US$, secured (i)	**12.50**	**2017**	**1,618,331**	–	–	–
			10,049,956			6,078,852
			12,331,630			8,645,480

	Company					
	2010			2009		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Non-current						
Bank loans						
– denominated in HK$, unsecured	**HIBOR+3.00**	**2012**	**253,010**	HIBOR+3.00	2012	260,035
Senior notes						
– denominated in US$, secured (i)	**12.50**	**2017**	**1,618,331**	–	–	–
			1,871,341			260,035

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28. Interest-bearing Bank and Other Borrowings *(continued)*

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**2,281,674**	2,566,628	**–**	–
In the second year	**2,948,962**	1,790,408	**253,010**	–
In the third to fifth years, inclusive	**4,775,663**	3,451,974	**–**	260,035
Beyond five years	**707,000**	836,470	**–**	–
	10,713,299	8,645,480	**253,010**	260,035
Senior notes repayable:				
Beyond five years	**1,618,331**	–	**1,618,331**	–
	12,331,630	8,645,480	**1,871,341**	260,035

Certain of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 38.

Except for the above mentioned borrowings denominated in HK$ and US$, all borrowings were denominated in RMB as at the end of the reporting period.

In the opinion of the directors of the Company, the carrying amounts of the Group's borrowings approximate to their fair values.

Note:

(i) On 11 August 2010, the Company issued 12.5% senior notes with a nominal value of US$250,000,000 (equivalent to approximately RMB1,693,123,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods. The senior notes carry interest at a rate of 12.5% per annum, which is payable semi-annually in arrears on 18 February and 18 August of each year commencing on 18 February 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 12 August 2010 and 19 August 2010.

29. Deferred Tax

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

Deferred tax liabilities

Group

	2010				
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2010	17,491	38,214	625,764	–	681,469
Deferred tax charged/(credited) to the income statement during the year (note 10)	6,956	–	(9,852)	56,753	53,857
Gross deferred tax liabilities at 31 December 2010	24,447	38,214	615,912	56,753	735,326

Deferred tax assets

Group

	2010					
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2010	567	299,092	23,956	80,466	50,925	455,006
Deferred tax credited/(charged) to the income statement during the year (note 10)	447	173,538	(19,400)	72,796	(12,669)	214,712
Gross deferred tax assets at 31 December 2010	1,014	472,630	4,556	153,262	38,256	669,718
Net deferred tax recognised at 31 December 2010						(65,608)

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29. Deferred Tax *(continued)*

Deferred tax liabilities

Group

	2009				
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2009	11,017	38,214	631,295	17,389	697,915
Deferred tax charged/(credited) to the income statement during the year (note 10)	6,474	–	(5,531)	(17,389)	(16,446)
Gross deferred tax liabilities at 31 December 2009	17,491	38,214	625,764	–	681,469

Deferred tax assets

Group

	2009					
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2009	215	211,283	14,023	14,143	–	239,664
Deferred tax credited to the income statement during the year (note 10)	352	87,809	9,933	66,323	50,925	215,342
Gross deferred tax assets at 31 December 2009	567	299,092	23,956	80,466	50,925	455,006
Net deferred tax recognised at 31 December 2009						(226,463)

29. Deferred Tax *(continued)*

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

	Group	
	2010	2009
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**603,560**	398,325
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(669,168)**	(624,788)
	(65,608)	(226,463)

The Group has unutilised tax losses of approximately RMB35,351,000 (2009: approximately RMB110,698,000) that can be carried forward for five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB17,127,000 (2009: approximately RMB14,874,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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

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30. Deferred Revenue

The Group entered into an agreement with the Vendor (the "Vendor") on 17 September 2009, pursuant to which the Group should pay a cash consideration of RMB100,000,000; and transfer certain apartments and the Group's entire equity interest in a new company to be established by the Group under the laws of the PRC, which will hold certain properties to be built by the Group on a portion of the land of Guangzhou Lihe (collectively, the "Transfer Properties") of RMB700,000,000 to the Vendor, in exchange for the entire equity interest in Guangzhou Lihe. The exchange of the Transfer Properties is accounted for as a transaction which generates revenue. As at 31 December 2010, the Transfer Properties were still under construction and had not been transferred to the Vendor. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the Transfer Properties. Further details of the acquisition of Guangzhou Lihe are disclosed in note 36(a) to these financial statements.

31. Other Non-current Liabilities

As at 31 December 2010, financial obligations arising from the trust financing arrangements related to New China Trust Scheme and Ping An Trust Scheme of RMB656,828,000 and RMB932,467,000, respectively, were recorded in other non-current liabilities of the Group. Details of the trust financing arrangements are set out in notes 18(iii) and 19(i) to the financial statements.

32. Share Capital

Shares

	2010 **RMB'000**	2009 RMB'000
Authorised: 8,000,000,000 (2009: 8,000,000,000) ordinary shares of HK$0.10 each	**786,113**	786,113
Issued and fully paid: 2,893,150,000 (2009: 2,893,750,000) ordinary shares of HK$0.10 each	**280,485**	280,538

32. Share Capital *(continued)*

The movements in share capital were as follows:

(a) During the year ended 31 December 2009, the Company issued an aggregate of 300,000,000 ordinary shares at HK$5.10 and the aggregate consideration received, net of transaction costs, was approximately HK$1,501,107,000 (equivalent to approximately RMB1,323,226,000).

(b) During the year ended 31 December 2009, the Company repurchased an aggregate of 600,000 ordinary shares at approximately HK$3,454,000 (equivalent to approximately RMB3,041,000) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the aggregate consideration paid (including transaction costs) was approximately HK$3,458,000 (equivalent to approximately RMB3,045,000). The repurchased shares were cancelled on 8 January 2010.

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

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2009	2,593,750,000	259,375	254,093	5,321,931	5,576,024
Issue of shares	300,000,000	30,000	26,445	1,322,250	1,348,695
Share issue expenses	–	–	–	(25,469)	(25,469)
At 31 December 2009 and 1 January 2010	2,893,750,000	289,375	280,538	6,618,712	6,899,250
Cancellation of shares	(600,000)	(60)	(53)	(2,988)	(3,041)
At 31 December 2010	2,893,150,000	289,315	280,485	6,615,724	6,896,209

33. Share Option Scheme

Pursuant to a written resolution of the shareholders of the Company on 11 June 2007, the Scheme was conditionally approved. On 3 July 2007, the aforesaid approval of the Scheme became unconditional and effective as the Company's shares were listed on the Stock Exchange. The Scheme is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's directors, including independent non-executive directors, any full-time or part-time employees of the Group, suppliers, customers, advisers, consultants and agents to the Group. Upon becoming effective, the Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company in issue immediately following completion of the global offering and the capitalisation issue of the Company's shares in 2007. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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33. Share Option Scheme *(continued)*

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

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

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

On 18 December 2009 and 30 March 2010, the Company granted 8,457,000 and 8,000,000 share options respectively to the grantees, including the board of directors of the Company and certain employees of the Group. None of the share options were exercised by the grantees or cancelled by the Company as at the date of approval of these financial statements.

Details of the share options outstanding at the end of the reporting period are as follows:

	Number of share options
As at 1 January 2010	8,457,000
Granted and accepted during the year	8,000,000
As at 31 December 2010	**16,457,000**

The exercise prices of the outstanding share options granted on 18 December 2009 and 30 March 2010 were HK$6.24 and HK$5.67 per share respectively.

The closing prices of the Company's shares on 18 December 2009 and 30 March 2010, the dates of grant, were HK$6.23 and HK$5.60 per share respectively.

33. Share Option Scheme *(continued)*

The share options granted to the executive directors of the Company and employees of the Company and its subsidiaries are exercisable during the following periods:

Share options granted on 18 December 2009

(i) up to 25% of the share options granted to each grantee at any time after the expiration of 12 months from 18 December 2009;

(ii) up to 25% of the share options granted to each grantee at any time after the expiration of 24 months from 18 December 2009;

(iii) up to 25% of the share options granted to each grantee at any time after the expiration of 36 months from 18 December 2009;

(iv) all the remaining share options granted to each grantee at any time after the expiration of 48 months from 18 December 2009;

and in each case, not later than 17 December 2014.

The share options granted to the independent non-executive directors of the Company are exercisable at any time prior to 17 December 2014.

Share options granted on 30 March 2010

(i) up to 25% of the share options granted to each grantee at any time after the date of grant;

(ii) up to 18.75% of the share options granted to each grantee at any time after the expiration of 12 months from 30 March 2010;

(iii) up to 18.75% of the share options granted to each grantee at any time after the expiration of 24 months from 30 March 2010;

(iv) up to 18.75% of the share options granted to each grantee at any time after the expiration of 36 months from 30 March 2010;

(v) all the remaining share options granted to each grantee at any time after the expiration of 48 months from 30 March 2010;

and in each case, not later than 29 March 2015.

HK$1.00 is payable for acceptance of grant of share options by each grantee.

The fair value of the share options granted during the year end 31 December 2010 determined at the date of grant using the Model was approximately RMB20,094,000 (2009: approximately RMB19,938,000). The Group recognised a share option expense of approximately RMB19,463,000 (2009: approximately RMB1,194,000) during the year ended 31 December 2010.

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33. Share Option Scheme *(continued)*

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 30 March 2010	Options granted on 18 December 2009
Grant date share price	**HK$5.60**	HK$6.23
Exercise price	**HK$5.67**	HK$6.24
Expected life	**5 years**	5 years
Expected volatility	**77%**	63%–69%
Expected dividend yield (%)	**1.07%**	1.48%
Risk-free interest rate (%)	**0.99%–1.74%**	0.72%–1.21%

The Model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

At each reporting date, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the income statement, with a corresponding adjustment to the equity-settled share option reserve.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 16,457,000 additional ordinary shares of the Company and additional share capital of approximately HK$1,646,000 (equivalent to approximately RMB1,401,000) and share premium of approximately HK$96,486,000 (equivalent to approximately RMB82,103,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 16,457,000 share options outstanding under the Scheme, which represented approximately 0.6% of the Company's shares in issue at that date.

34. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percentage of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2010, the Group appropriated approximately RMB132,848,000 (2009: approximately RMB74,559,000) to such reserve funds in accordance with the relevant laws and regulations in the PRC.

34. Reserves *(continued)*

(b) Company

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2009		5,321,931	308,006	(551,207)	–	337,009	5,415,739
Issue of shares		1,322,250	–	–	–	–	1,322,250
Share issue expenses		(25,469)	–	–	–	–	(25,469)
Share option expense		–	–	–	1,194	–	1,194
Loss for the year		–	–	–	–	(23,862)	(23,862)
Exchange realignment		–	–	(10,125)	–	–	(10,125)
Proposed final 2009 dividend	12	–	–	–	–	(144,658)	(144,658)
At 31 December 2009 and 1 January 2010		6,618,712	308,006	(561,332)	1,194	168,489	6,535,069
Cancellation of shares		**(2,988)**	**–**	**–**	**–**	**–**	**(2,988)**
Share option expense		**–**	**–**	**–**	**19,463**	**–**	**19,463**
Profit for the year		**–**	**–**	**–**	**–**	**260,269**	**260,269**
Exchange realignment		**–**	**–**	**(206,997)**	**–**	**–**	**(206,997)**
Proposed final 2010 dividend	12	**–**	**–**	**–**	**–**	**(318,247)**	**(318,247)**
At 31 December 2010		**6,615,724**	**308,006**	**(768,329)**	**20,657**	**110,511**	**6,286,569**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefor.

The equity-settled share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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35. Investments in Jointly-Controlled Operations

The Group has entered into three (2009: three) joint venture arrangements in the form of jointly-controlled operations with certain parties, to jointly undertake three (2009: three) property development projects located in Guangzhou Guangdong Province, the PRC. As at 31 December 2010, the aggregate amounts of assets and liabilities recognised in respect of these jointly-controlled operations were as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Assets	**1,090,038**	964,130
Liabilities	**(115,092)**	(139,665)

36. Notes to the Consolidated Statement of Cash Flows

(a) Acquisition of subsidiaries

During the year ended 31 December 2010, the Group acquired a 100% equity interest in Guangzhou Hengjian, a company registered in the PRC. Guangzhou Hengjian is engaged in the construction of properties. The purchase consideration for the acquisition was RMB45,556,000, which was fully paid on the acquisition date. The transaction was accounted for as a business combination.

The fair values of identifiable assets and liabilities of Guangzhou Hengjian as at the date of acquisition were as follows:

	2010
	RMB'000
Net assets acquired:	
Prepayments, deposits and other receivables	**9,433**
Cash and bank balances	**45,301**
Other payables	**(9,178)**
	45,556
Satisfied by:	
Cash	**45,556**

During the year ended 31 December 2009, the Group acquired certain properties under development in the PRC and their related assets and liabilities from the Vendor. The acquisition was made by way of acquiring the entire equity interest in Guangzhou Lihe and since then, Guangzhou Lihe became a wholly-owned subsidiary of the Group. This transaction was accounted for as purchase of assets and liabilities rather than as business combination as the subsidiary acquired is a property holding company that does not constitute a business.

36. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Acquisition of subsidiaries *(continued)*

The book values of identifiable assets and liabilities of Guangzhou Lihe as at the date of acquisition were as follows:

	2009 RMB'000
Net assets acquired:	
Property, plant and equipment	244
Properties under development	2,460,209
Prepayments, deposits and other receivables	65,818
Cash and bank balances	5,556
Other payables	(1,731,827)
	800,000
Satisfied by:	
Cash	100,000
Transfer of properties	700,000
	800,000

The consideration for the acquisition of Guangzhou Lihe was satisfied by cash of RMB100,000,000, certain apartments and the Group's entire equity interest in a new company to be established by the Group under the laws of the PRC, which will hold certain properties to be built by the Group on a portion of the land of Guangzhou Lihe, to the Vendor.

An analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2010 **RMB'000**	2009 RMB'000
Cash consideration	**45,556**	100,000
Cash and bank balances acquired	**(45,301)**	(5,556)
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**255**	94,444

(b) Acquisition of additional interests in Guangzhou Liangyu and Gain Right Limited ("Gain Right")

During the year ended 31 December 2010, the Group acquired an additional 5.5% equity interest of Guangzhou Liangyu, increasing its ownership to 100%. A cash consideration of RMB30.0 million was paid to the then shareholder. The carrying value of the non-controlling interest acquired was approximately RMB3.6 million. The difference of approximately RMB26.4 million between the consideration and the carrying value of the interest acquired was recognised in the capital reserve within equity.

During the year ended 31 December 2009, the Group acquired an additional 35% equity interest of Gain Right, increasing its ownership to 100%. A cash consideration of approximately RMB716.0 million was paid to the then shareholder. The carrying value of the additional interest acquired was approximately RMB718.2 million. The difference of approximately RMB2.2 million between the consideration and the carrying value of the interest acquired was recognised in the capital reserve within equity.

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36. Notes to the Consolidated Statement of Cash Flows *(continued)*

(c) Dissolution of a subsidiary

During the year ended 31 December 2009, Dongguan Hejing Hanyuan Real Estate Limited#, a 90% owned subsidiary of the Group, was dissolved. A cash balance of approximately RMB2.0 million was distributed to the non-controlling shareholder of the subsidiary.

(d) Major non-cash transaction

In connection with the acquisition of Guangzhou Lihe as mentioned in (a) above, the Group and the Vendor further entered into a loan assignment agreement on 17 September 2009, pursuant to which the Vendor agreed to assign a loan of approximately RMB1,695 million to the Group for a consideration of the same amount.

\# The English name of this company referred to in these financial statements represents management's best effort to translate the Chinese name of this company, as no English name has been registered.

37. Contingent Liabilities

At the end of the reporting period, contingent liabilities of the Group not provided for in the financial statements were as follows:

		Group	
		2010	2009
	Notes	**RMB'000**	RMB'000
Guarantees given to banks in connection with mortgage facilities granted to certain purchasers of the Group's properties	(a)	**6,160,559**	4,067,148
Guarantee given to a bank in connection with a bank loan granted to an associate		**160,000**	–
Guarantee given to a bank in connection with a bank loan granted to a jointly-controlled entity		**299,970**	–
Guarantee given to a third party in connection with a payable of a jointly-controlled entity		**900,000**	–
Guarantee given to a bank in connection with a bank loan granted to the Vendor	(b)	**700,000**	700,000
		8,220,529	4,767,148

37. Contingent Liabilities *(continued)*

Notes:

(a) As at 31 December 2010 and 2009, the Group provided guarantees to certain banks in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2010 and 2009 for the guarantees.

(b) Prior to the entering into the agreement in respect of the transfer of the equity interest of Guangzhou Lihe, the Vendor had obtained a bank loan in the amount of RMB700,000,000. The land use right of Guangzhou Lihe had been pledged to the bank for such a bank facility. The Group has agreed to provide a guarantee in favour of the bank to secure such bank loan so as to procure the discharge of the pledge of the land use right held by Guangzhou Lihe.

Pursuant to the aforementioned agreement, (i) the Group is not obligated to transfer the properties to the Vendor in the event that the Vendor fails to deliver the land use right certificates of Guangzhou Lihe upon the discharge of the pledge of Guangzhou Lihe's land; and (ii) the Group is entitled to deduct from the balance of the consideration of RMB700,000,000 on a dollar-to-dollar basis any loss or damage suffered by it as a result of the Vendor's failure or inability to repay the bank loan for more than three months. In such event, the shareholding of the new company to be transferred or the gross floor area of the apartments to be built on Guangzhou Lihe's land will be adjusted downward accordingly. Based on these agreed terms, the board of directors of the Company considers that the chance of the Group suffering loss is minimal and therefore no provision has been made in the financial statements for the years ended 31 December 2010 and 2009 for the guarantee.

As at 31 December 2010, the Company had contingent liabilities not provided for in the financial statements in respect of guarantees given to certain banks for loans granted to subsidiaries and an associate amounting to approximately RMB4,438,295,000 (2009: approximately RMB3,088,108,000) and RMB160,000,000 (2009: Nil) respectively.

38. Pledge of Assets

(a) At the end of the reporting period, the following assets of the Group were pledged to certain banks to secure general banking facilities granted to the Group:

		Group	
	Notes	**2010 RMB'000**	2009 RMB'000
Buildings	14	**370,673**	46,801
Assets under construction	14	**415,639**	731,832
Investment properties	15	**2,871,337**	3,046,504
Land use rights	16	**182,406**	210,323
Properties under development	20	**6,123,124**	3,953,230
Completed properties held for sale	21	**335,763**	514,362
Time deposits	25	**67,600**	3,000
		10,366,542	8,506,052

(b) At 31 December 2010 and 2009, the equity interests of certain subsidiaries and an associate of the Group were pledged to certain banks for the loans granted to the Group.

(c) At 31 December 2010, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

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39. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	**124,054**	108,282
In the second to fifth years, inclusive	**223,644**	199,049
After five years	**63,883**	62,720
	411,581	370,051

(b) As lessee

The Group and the Company lease certain of their office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**5,277**	2,153	**2,568**	749
In the second to fifth years, inclusive	**5,791**	385	**4,659**	–
	11,068	2,538	**7,227**	749

40. Commitments

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment – Assets under construction	**507,343**	451,210
Properties being developed by the Group for sale	**1,722,853**	2,276,794
	2,230,196	2,728,004
Authorised but not contracted for:		
Capital contributions payable to jointly-controlled entities	**487,659**	53,999

The Company did not have any significant capital commitment at the end of the reporting period.

41. Related Party Transactions

(a) **Outstanding balances with related parties:**

Details of the Group's balances with its associates and jointly-controlled entities are included in notes 18 and 19 to the financial statements respectively.

(b) **Other transactions with related parties**

Details of guarantees given by the Group and the Company to banks in connection with bank loans granted to an associate and a jointly-controlled entity and a payable of a jointly-controlled entity are included in note 37 to the financial statements.

(c) **Compensation of key management personnel of the Group:**

	2010 **RMB'000**	2009 RMB'000
Short term employee benefits	**26,201**	16,581
Equity-settled share option expense	**6,569**	685
Post-employment benefits	**850**	406
Total compensation paid to key management personnel	**33,620**	17,672

Further details of directors' emoluments are included in note 8 to the financial statements.

42. Financial Instruments by Category

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

Financial assets – Loans and receivables

	Group	
	2010 **RMB'000**	2009 RMB'000
Trade receivables (note 22)	**47,687**	147,413
Financial assets included in prepayments, deposits and other receivables (note 23)	**1,181,968**	212,147
Advances to associates (note 18)	**580,632**	–
Advances to jointly-controlled entities (note 19)	**1,684,129**	1,139,454
Due from a jointly-controlled entity (note 19)	**46,155**	46,999
Restricted cash (note 25)	**1,527,992**	1,069,876
Cash and cash equivalents (note 25)	**5,275,609**	2,540,698
	10,344,172	5,156,587

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42. Financial Instruments by Category *(continued)*

Financial liabilities – Financial liabilities at amortised cost

	Group	
	2010	2009
	RMB'000	RMB'000
Trade payables (note 26)	**1,670,898**	1,415,470
Financial liabilities included in other payables and accruals (note 27)	**1,905,837**	1,710,205
Due to associates (note 18)	**442,382**	129,956
Due to a jointly-controlled entity (note 19)	**73,454**	–
Interest-bearing bank and other borrowings (note 28)	**12,331,630**	8,645,480
Other non-current liabilities (note 31)	**1,589,295**	–
	18,013,496	11,901,111

Financial assets – Loans and receivables

	Company	
	2010	2009
	RMB'000	RMB'000
Due from subsidiaries (note 17)	**6,415,161**	6,738,406
Advances to associates (note 18)	**1,888**	–
Advances to jointly controlled entities (note 19)	**412,810**	–
Financial assets included in prepayments, deposits and other receivables (note 23)	**66,210**	237
Cash and cash equivalents (note 25)	**444,394**	181,433
	7,340,463	6,920,076

Financial liabilities – Financial liabilities at amortised cost

	Company	
	2010	2009
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals (note 27)	**78,960**	4,172
Due to a jointly-controlled entity (note 19)	**73,454**	–
Interest-bearing bank and other borrowings (note 28)	**1,871,341**	260,035
	2,023,755	264,207

43. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables and advances to/amounts due from associates and jointly-controlled entities. The financial liabilities of the Group mainly include trade payables, other payables and accruals, bank and other borrowings, amounts due to associates and a jointly-controlled entity.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each reporting period. Fair value estimates are made on a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Group conducts its operations in the PRC, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations in the property development industry.

Interest rate risk

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

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

		Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2010			
RMB	200	(159,108)	–
Hong Kong dollar	200	(22,756)	–
United States dollar	200	(8,009)	–
RMB	(200)	159,108	–
Hong Kong dollar	(200)	22,756	–
United States dollar	(200)	8,009	–

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43. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk *(continued)*

		Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2009			
RMB	200	(138,819)	–
Hong Kong dollar	200	(19,618)	–
RMB	(200)	138,819	–
Hong Kong dollar	(200)	19,618	–

* Excluding retained profits

Foreign currency risk

The Group's businesses are located in the PRC and all transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB except for certain bank loans and bank balances denominated in Hong Kong dollar and United States dollar and senior notes denominated in United States dollar. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

		Group	
	Increase/ (decrease) in HK$ rate %	**Increase/ (decrease) in US$ rate %**	**Increase/ (decrease) in profit before tax RMB'000**
2010			
If RMB weakens against Hong Kong dollar	**(5)**	**N/A**	**(33,257)**
If RMB strengthens against Hong Kong dollar	**5**	**N/A**	**33,257**
If RMB weakens against United States dollar	**N/A**	**(5)**	**(110,253)**
If RMB strengthens against United States dollar	**N/A**	**5**	**110,253**

43. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk *(continued)*

	Group		
	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2009			
If RMB weakens against Hong Kong dollar	(5)	N/A	(40,959)
If RMB strengthens against Hong Kong dollar	5	N/A	40,959
If RMB weakens against United States dollar	N/A	(5)	94
If RMB strengthens against United States dollar	N/A	5	(94)

Credit risk

The Group has no concentration on credit risk. The Group's cash and cash equivalents are mainly deposits with state-owned banks in the PRC and high-credit rating banks in Hong Kong.

The carrying amounts of trade and other receivables and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 37.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generating from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expected that the sales in 2011 will be higher than those of 2010 and additional bank loans will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

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43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

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

Group

	2010					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	982,454	2,035,902	9,308,369	2,753,334	15,080,059
Trade payables	1,670,898	–	–	–	–	1,670,898
Other payables and accruals	652,337	–	1,253,500	–	–	1,905,837
Due to associates	442,382	–	–	–	–	442,382
Due to a jointly-controlled entity	73,454	–	–	–	–	73,454
Other non-current liabilities	–	–	–	1,589,295	–	1,589,295
Guarantees given to banks in connection with mortgage facilities granted to certain purchasers of the Group's properties	6,160,559	–	–	–	–	6,160,559
Guarantee given to a bank in connection with a bank loan granted to an associate	160,000	–	–	–	–	160,000
Guarantee given to a bank in connection with a bank loan granted to a jointly-controlled entity	299,970	–	–	–	–	299,970
Guarantee given to a third party in connection with a payable of a jointly-controlled entity	900,000	–	–	–	–	900,000
Guarantee given to a bank in connection with a bank loan granted to the Vendor	700,000	–	–	–	–	700,000
	11,059,600	982,454	3,289,402	10,897,664	2,753,334	28,982,454

43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

Group (continued)

	2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	238,834	2,759,137	5,807,544	956,983	9,762,498
Trade payables	1,415,470	–	–	–	–	1,415,470
Other payables and accruals	860,205	–	850,000	–	–	1,710,205
Due to an associate	129,956	–	–	–	–	129,956
Guarantees given to banks in connection with mortgage facilities granted to certain purchasers of the Group's properties	4,067,148	–	–	–	–	4,067,148
Guarantees given to banks in connection with bank loans granted to the Vendor	700,000	–	–	–	–	700,000
	7,172,779	238,834	3,609,137	5,807,544	956,983	17,785,277

Company

	2010					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**–**	**54,564**	**163,842**	**1,101,185**	**1,965,333**	**3,284,924**
Other payables and accruals	**78,960**	**–**	**–**	**–**	**–**	**78,960**
Due to a jointly-controlled entity	**73,454**	**–**	**–**	**–**	**–**	**73,454**
Guarantees given to banks in connection with bank loans granted to subsidiaries	**4,438,295**	**–**	**–**	**–**	**–**	**4,438,295**
Guarantees given to a bank in connection with a bank loan and a payable granted to an associate	**1,060,000**	**–**	**–**	**–**	**–**	**1,060,000**
	5,650,709	**54,564**	**163,842**	**1,101,185**	**1,965,333**	**8,935,633**

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43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

Company (continued)

			2009			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	2,099	6,298	271,232	–	279,629
Other payables and accruals	4,172	–	–	–	–	4,172
Guarantees given to banks in connection with bank loans granted to subsidiaries	3,088,108	–	–	–	–	3,088,108
	3,092,280	2,099	6,298	271,232	–	3,371,909

Capital management

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

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

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. Capital includes share capital and reserves attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Net borrowings	**5,528,029**	5,034,906
Total equity	**11,594,272**	10,408,323
Gearing ratio	**47.7%**	48.4%

44. Event after the Reporting Period

On 20 January 2011, Shanghai R&F Real Estate Development Co., Ltd. ("Shanghai R&F"), a limited company incorporated in the PRC, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd., and Shanghai Hejing, as the purchasers, have entered into an equity transfer agreement with Shanghai Chengtou Cityland (Group) Co., Ltd. ("SCC"), a company incorporated in the PRC, as the seller, pursuant to which Shanghai R&F and Shanghai Hejing have agreed to acquire 30% of the registered capital of Shanghai Chengtou Yuecheng Real Estate Co., Ltd., a limited company incorporated in the PRC, from SCC.

Details of the above transaction are contained in the Company's announcement dated 20 January 2011.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 10 March 2011.

PROJECT AT A GLANCE

31 December 2010

Property	The Group's interest (%)	Location	Site area ('000 sq.m.)	Total GFA ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
Waterfront Mansion	100	Conghua District, Guangzhou	228	303	Town houses and residential	N/A
The City Island	100	Xiangcheng District, Suzhou	196	141	Town houses and residential	N/A
Major properties under development						
International Creative Valley	100	Luogang Development Zone, Guangzhou	150	315	Office building and serviced apartments	2011
The Sapphire	100	Xiangcheng District, Suzhou	348	788	Residential, hotel and office building	2011–2015
The Cosmos	100	South New District, Chengdu	187	873	Residential, serviced apartments, office building, hotel and shopping mall	2011–2015
The Vision of the World	100	Western High-Tech Zone, Chengdu	118	509	Residential	2011
Fragrant Seasons	100	Shunyi District, Beijing	455	490	Residential and town houses	2011–2014
The Summit	100	Zengcheng City, Guangzhou	1,971	2,540	Residential, town houses and commercial properties	2011–2019

Property	The Group's interest (%)	Use	Tenure
Major investment properties			
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office building and retail shops	Medium term lease

FIVE YEAR FINANCIAL SUMMARY

Consolidated Results

	Year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
Revenue	654,632	3,868,136	1,574,214	4,266,572	**7,465,911**
Profit before tax	279,136	4,320,598	703,278	1,269,482	**2,507,663**
Income tax expenses	(121,980)	(1,637,788)	(337,108)	(548,025)	**(1,225,889)**
Profit for the year	157,156	2,682,810	366,170	721,457	**1,281,774**
Attributable to:					
Owners of the parent	157,156	2,683,055	368,532	720,078	**1,281,772**
Non-controlling interests	–	(245)	(2,362)	1,379	**2**
	157,156	2,682,810	366,170	721,457	**1,281,774**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	RMB9 cents	RMB120 cents	RMB14 cents	RMB26 cents	**RMB44 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
ASSETS					
Non-current assets	1,415,604	5,802,493	5,827,043	8,031,152	**15,114,217**
Current assets	2,990,730	13,172,040	15,939,745	20,534,034	**24,920,115**
Total assets	4,406,334	18,974,533	21,766,788	28,565,186	**40,034,332**
LIABILITIES					
Current liabilities	2,112,422	6,618,127	7,013,620	10,753,223	**15,431,641**
Non-current liabilities	1,306,885	3,084,060	5,561,957	7,403,640	**13,008,419**
Total liabilities	3,419,307	9,702,187	12,575,577	18,156,863	**28,440,060**
EQUITY					
Equity attributable to owners of the parent	987,027	8,533,683	8,468,703	10,404,669	**11,584,266**
Non-controlling interests	–	738,663	722,508	3,654	**10,006**
Total equity	987,027	9,272,346	9,191,211	10,408,323	**11,594,272**

The consolidated results of the Group for the years ended 31 December 2010, 2009, 2008 and 2007 and the consolidated assets, liabilities and equity of the Group as at 31 December 2010, 2009, 2008 and 2007 are those set out in the published audited financial statements of the Group.

The summary of the consolidated results of the Group for the year ended 31 December 2006 and of the assets, liabilities and equity as at 31 December 2006 have been extracted from the prospectus issued on 18 June 2007 in connection with the listing of the Company's shares on 3 July 2007.