花样年
FANTASIA

Annual Report 2010 Fantasia Holdings Group Co., Limited
Stock Code:01777

FANTASIA

Make Life in Style

让生活更有风格

Make Life in Style

Corporate Information ... 2
Financial Highlights ... 3
Milestone of Business Development ... 4
Honours and Awards ... 6
Social Responsibility ... 8
Chairman's Statement ... 10
Management Discussion and Analysis ... 16
- Financial Review ... 16
- Business Review ... 22
Directors' Profile ... 34
Senior Management's Profile ... 38
Report of the Directors ... 44
Corporate Governance Report ... 51
Independent Auditor's Report ... 55
Consolidated Statement of Comprehensive Income ... 56
Consolidated Statement of Financial Position ... 57
Consolidated Statement of Changes in Equity ... 59
Consolidated Statement of Cash Flows ... 60
Notes to the Consolidated Financial Statements ... 62
Financial Summary ... 128
Major Investment Properties held by the Group ... 129

Corporate Information

DIRECTORS
Executive Directors
Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Feng Hui Ming
Mr. Chan Sze Hon

Independent Non-Executive Directors
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan

COMPANY SECRETARY
Mr. Chan Sze Hon

AUTHORIZED REPRESENTATIVES
Mr. Chan Sze Hon
Mr. Feng Hui Ming

AUDIT COMMITTEE
Mr. Ho Man (Committee Chairman)
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan

REMUNERATION COMMITTEE
Mr. Huang Ming (Committee Chairman)
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Xu Quan
Mr. Pan Jun

NOMINATION COMMITTEE
Ms. Zeng Jie, Baby (Committee Chairman)
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan
Mr. Pan Jun

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISOR
Partners Capital International Limited

PRINCIPAL BANKERS
Agricultural Bank of China
China Construction Bank Corporation
China Everbright Bank Co., Ltd
China Merchants Bank Co., Limited
Industrial and Commercial Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS
As to Hong Kong Law
Sidley Austin

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman

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

CORPORATE HEAD OFFICE IN HONG KONG
Room 1103
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA
F/27, Block A, Hailrun Complex
No. 6021 Shennan Boulevard
Shenzhen 518040
Guangdong Province
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

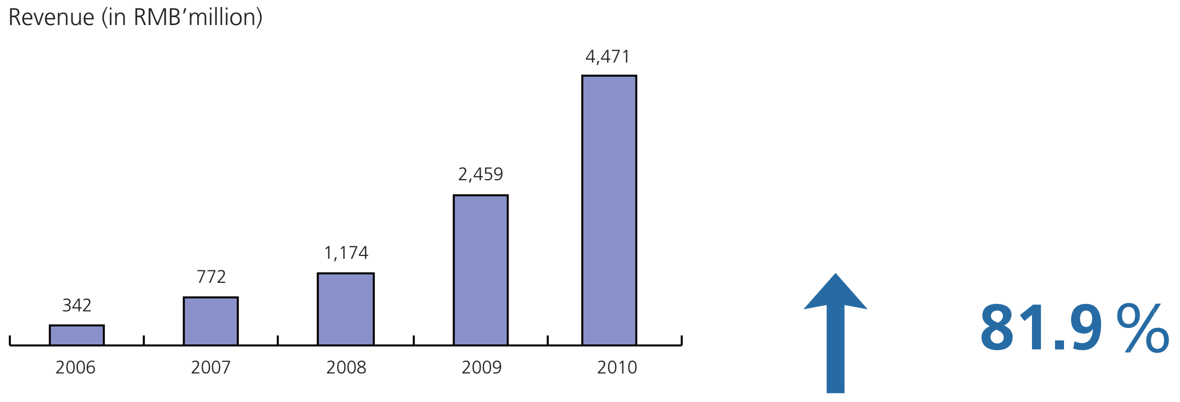
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

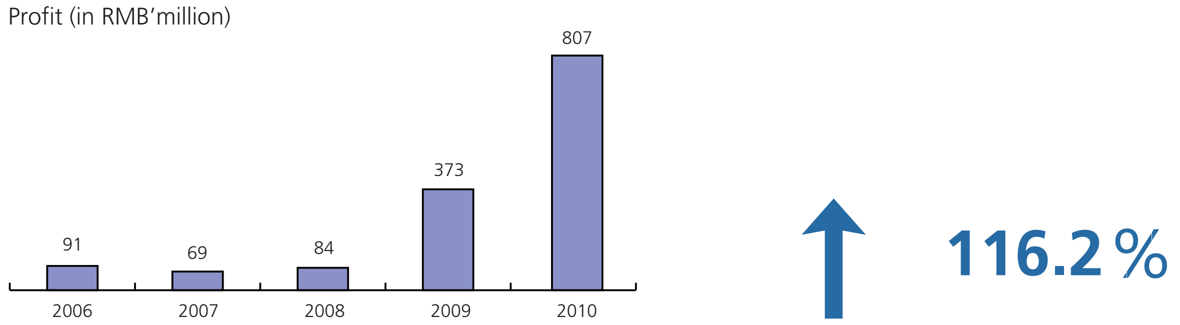
LISTING INFORMATION
Share Listing
The Company's ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 01777

Senior Notes Listing
The Company's 14%, 5 years senior notes
The Singapore Exchange Securities Trading Limited

WEBSITE
http://www.cnfantasia.com

Financial Highlights





	2006	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	342,339	772,057	1,174,211	2,458,673	4,471,234
Gross profit	154,480	222,837	469,477	1,026,861	1,924,794
Profit attributable to owners of the Company	91,094	68,797	84,259	373,469	807,281
Basic earnings per share (RMB)	277.68	0.62	0.02	0.10	0.17
Total assets	2,027,567	4,209,052	4,957,322	11,453,486	15,382,388
Total liabilities	1,407,486	2,807,249	3,510,965	7,372,125	10,415,918

Milestone of Business Development

In February 2010, we acquired a land parcel through auction in Wuxi with a gross area of approximately 123,670 square meters and an aggregate planned floor area of approximately 338,080 square meters;

In February 2010, we successfully acquired a land parcel in Dali through auction with a site area of approximately 9,213 square meters and an aggregate planned floor area of approximately 76,796 square meters;

In February 2010, we acquired 6 pieces of land parcels in Suzhou with an aggregate planned floor area of approximately 500,000 square meters, and this has strengthened our presence in the Yangtze River Delta;

In March 2010, a conference was held for our 2009 annual result. In 2009, the Company achieved profits attributable to shareholders of RMB 373 million, representing a growth of 343% as compared with last year;

In April 2010, we expanded our business coverage to Guilin by acquiring three pieces of land parcels with an aggregate planned floor area of more than 2.2 million square meters;

In May 2010, Suzhou team was established and commenced its project operation;

In May 2010, guaranteed senior notes with an aggregate principal amount of US$120 million was successfully issued;

In May 2010, we acquired a premium land parcel at a competitive price in Tianjin Chentang with a gross area of approximately 15,409 square meters and an aggregate planned floor area of approximately 55,091 square meters;

In June 2010, we acquired 100% interests in Dongguan Fantasia Real Estate Investment Company Limited and obtained a land parcel with an aggregate planned floor area of approximately 333,400 square meters;

In June 2010, the launching of Shenzhen Love Forever Phase II (花郡二期) became the first property project attracting over a thousand buyers after the new housing policy was promulgated;

In June 2010, the project in Suzhou Taihu was officially commenced;

In August 2010, the 2010 interim results was announced. In the first half of 2010, the operating income and net profit were RMB1,918 million and RMB411 million respectively, representing an increase of 42.8% and 74.5% respectively as compared with the same period of last year;

In October 2010, we acquired 100% interests of Chengdu Noah Industrial Co Ltd and obtained a land parcel with an aggregate planned floor area of approximately 180,168 square meters;

In October 2010, Yixing Geyuan Hotel commenced a trial operation;

In November 2010, we acquired 2 parcels of land through auction in Tianjin with a site area of approximately 180,632 square meters and 180,914 square meters respectively, and an aggregate planned floor area of approximately 542,319 square meters;

In November 2010, we announced that we proposed to issue the Taiwan Depository Receipts;

In December 2010, we stepped into the market of Nanjing for the first time and acquired a land parcel through auction with a site area of approximately 55,419 square meters and an aggregate planned floor area of approximately 66,497 square meters;

In December 2010, Suzhou Lago Paradise (太湖天城) were launched for sales. More than a hundred of suites were all snapped up on the date of launch;

In December 2010, we acquired one piece of land parcel in Wuxi again with an site area of approximately 12,789 square meters and an aggregate planned floor area of approximately 83,128 square meters;

Honours and Awards

On Company Level

In March 2010, Fantasia Group (China) Co., Ltd was awarded "2010 China Real Estate Top 100 Enterprises" (2010中國房地產百強企業) by China Real Estate Top10 Research Group (中國房地產Top 10研究組);

In March 2010, Fantasia Group (China) Co., Ltd was awarded "2010 Low-Carbon Model for China Real Estate Enterprises" (2010中國房地產低碳榜樣企業) by the China Real Estate Association (中國房地產協會) and the China Index Academy (中國指數研究院);

In March 2010, Shenzhen Fantasia Property Management Co., Ltd was awarded "Golden Banyan Tree Award of Reported Meritorious Unit for the Decade" (十年報導功勳單位金榕樹獎) by South Media Group (南方報業傳媒集團);

In April 2010, Shenzhen Xingyan Property Consultancy Co., Ltd was awarded "Top 100 Enterprises of China's Real Estate Planning Agency in 2010" (2010中國房地產策劃代理百強企業) by the China Real Estate Top10 Research Group (中國房地產Top 10研究組);

In June 2010, Fantasia Holdings Group Co, Ltd was honored as one of the "Outstanding Stocks in the China Property Sector" (傑出內房股) listed on the Main Board of The Stock Exchange of Hong Kong Limited in the ceremony "Outstanding Stocks in China Property Sector 2010" (傑出內房股2010) held by one of the leading financial media, "Economic Digest" (經濟一週) magazine;

In June 2010, Fantasia Holdings Group Co., Ltd was awarded "2010 Top 50 Listed Real Estate Developers in China" (2010中國房地產上市公司50強) by the China Real Estate Appraisal (中國房地產評測中心);

In August 2010, Fantasia Group (China) Co., Ltd was awarded "The Real Estate Enterprise with the Most Urban Contribution in Shenzhen" (深圳最具城市貢獻力地產企業) jointly by Shenzhen Press Group (深圳報業集團), Shenzhen Economic Daily (深圳商報) and China Daily Union (全國商報聯盟);

In September 2010, Shenzhen Xingyan Property Consultancy Co., Ltd was awarded "Top10 Brand Value of South China Real Estate Planning Agency in 2010" (2010中國華南房地產策劃代理公司品牌價值Top 10) by China Real Estate Top10 Research Group (中國房地產Top 10研究組).

In November 2010, Shenzhen Fantasia Colour Life Technology Co. Ltd was awarded "Top 100 China Property Services Enterprises in 2010" (2010中國物業服務百強企業) by China Real Estate Top10 Research Group (中國房地產Top 10研究組). The brand value: RMB169 million;

In December 2010, Dongguan Fantasia Real Estate Investment Co., Ltd was awarded "Dongguan Golden Real Estate Review in 2010 – Brand of the Year" (2010年東莞金牌地產評薦－年度品牌企業) by the "Southern Metropolis Daily" (南方都市報);

On Project Level

In January 2010, Suzhou Lago Paradise (蘇州太湖天城) was awarded "Harmonious Real Estate in 2010" (2010年度宜居樓盤) by the Sina Leju (新浪樂居);

In March 2010, Shenzhen Meinian Plaza (深圳美年廣場) was awarded "China Real Estate Index System: The Best Business Complex of Garden Style in South China in 2010" (2010 中國房地產指數系統華南最佳園林式商務綜合體) by China Real Estate Association (中國房地產協會) and China Index Research Institute (中國指數研究院);

In March 2010, Shenzhen Love Forever (深圳花郡) was awarded "Low-Carbon Model for China Real Estate Properties in 2010" (2010中國房地產低碳示範樓盤) by Soufun.com (搜房網) and the Organizing Committee of the Tenth Annual Meeting for China Real Estate Development (第十屆中國房地產發展年會組委會);

In March 2010, Shenzhen Meinian Plaza (深圳美年廣場) was awarded "Low-Carbon Model for China Real Estate Properties in 2010 (2010中國房地產低碳示範樓盤)" by Soufun.com (搜房網) and the Organizing Committee of the Tenth Annual Meeting for China Real Estate Development (第十屆中國房地產發展年會組委會);

In March 2010, Shenzhen Funian Plaza (深圳福年廣場) was awarded "Low-Carbon Model for China Real Estate Properties in 2010 (2010中國房地產低碳示範樓盤)" by Soufun.com (搜房網) and the Organizing Committee of the Tenth Annual Meeting for China Real Estate Development (第十屆中國房地產發展年會組委會);

In April 2010, Tianjin Hailrun Plaza (天津喜年廣場) was awarded "Structural HaiHe Cup" (結構海河杯) by Tianjin Construction Association (天津市建築業協會);

In April 2010, Chengdu Grand Valley (成都大溪谷) was awarded "The Real Estate Promoting a Garden City for Chengdu" (成都田園城市建設推動樓盤) by Chengdu Housing and Real Estate Association (成都住宅與房地產業協會);

In July 2010, Shenzhen Love Forever Phase II – Manhattan Apartment (深圳花郡二期曼哈頓公寓) was awarded "The Best Seller of Apartments in the Baoan District of the China Property Market (Shenzhen) for the first half of 2010" (2010上半年中國樓市(深圳)寶安中心區公寓銷售冠軍) by Sina.Com (新浪網);

In July 2010, Shenzhen Love Forever (深圳花郡) was awarded "Top Ten Properties Benefited by Integration of Shenzhen Special Economic Zone"(深圳特區一體化十大受益樓盤) by Shenzhen Real Estate Information Net (深圳房地產信息網);

In July 2010, Dongguan Mont Conquerant (東莞君山) was awarded "China Real Estate Index System : Top Ten Distinctive Villa Models in 2010 – Villa in the Air" (2010中國房地產指數系統十大特色典範別墅－空中別墅) by China Index Research Institute (中國指數研究院);

In August 2010, Shenzhen Love Forever Phase II – Manhattan Apartment (深圳花郡二期曼哈頓公寓) was awarded "The Property Most Concerned by Netizens" (最受網友關注樓盤) in the Third General Meeting for Chinese Buyers in 2010 held by Soufun.com (搜房網); it was also awarded " The Metro Propery Most Concerned by Netizens in 2010" （2010年網友最關注地鐵物業）jointly by Shenzhen Real Estate Information Net (深圳房地產信息網), Building Homes（築家） and Property Buyers Club (購房俱樂部);

In October 2010, Suzhou Lago Paradise (蘇州太湖天城) was awarded "The Seventh Top 10 Stars in Real Estate Selection in Suzhou in 2009-2010 – the Best Living Condominium Real Estate" (2009-2010年度第七屆蘇州十大明星樓盤評選－最佳人居套型樓盤) by Suzhou Press Group (蘇州報業集團);

In December 2010, Dongguan Mont Conquerant (東莞君山) was awarded "The Golden Award for the Landmark Mansion of the Best Quality in Dongguan in 2010" (2010年度東莞市標誌最佳品質豪宅金獎) by Dongguan Daily (東莞日報);

In December 2010, Dongguan Mont Conquerant (東莞君山) was awarded "Dongguan Golden Real Estate Recommendation in 2010 : Golden Mansion" (2010年東莞金牌地產評薦－金牌豪宅) by Nanfang Dushi Bao (南方都市報);

In December 2010, Huizhou Fantasia Special Town (惠州別樣城) was awarded "The Most Valuable Real Estate in Pearl River Delta in 2011" (2011珠三角最具投資價值樓盤) by the Fourth China Property Buyers Meeting (第四屆中國購房者大會);

In December 2010, Shenzhen Love Forever (深圳花郡) was awarded "Innovation of the Year" (年度創新大獎) by 2010 (Second Session) China Real Estate Annual Assembly (2010（第二屆）中國地產年會);

In January 2011, Huizhou Fantasia Special Town (惠州別樣城) was awarded "Top Ten Most Anticipated Real Estate in Huizhou in 2010-2011" (2010-2011年度惠州十大最值得期待樓盤) by Soufun.com (搜房網);

In January 2011, Chengdu Meinian International Plaza (成都美年國際廣場) was awarded "The Most Creative Commercial Property in 2010" (2010 最具創新力商業地產) by China Real Estate Mainstream Media Union, Chengdu TV station (中國房地產主流電視媒體聯盟, 成都廣播電視台);

In January 2011, Chengdu Meinian International Plaza (成都美年國際廣場) was awarded "Western China Top 50 in Sichuan in terms of Comprehensive Strength" (2010 四川房地產綜合實力排行榜華西 Top 50) by Western China City Daily (華西都市報);

In January 2011, Chengdu Future Plaza (成都香年廣場) was recognised as "Chengdu Property Market Most Investment Worthy Property" (成都地產年度最具投資價值物業) by Sichuan Daily Press Group (四川日報報業集團) and Chengdu Urban-Rural Housing Bureau (成都市城鄉房產管理局).

Social Responsibility

Whilst Fantasia is devoting itself for further development and preparing itself to go global and proceeding under the direction of putting properties with artistic ambience on the market, we do not care less about fulfilling our social responsibilities. In 2010, we donated a large sum of money to build two academic buildings for Fantasia Hope School in Ji'an County (吉安縣花樣年希望學校), sponsored the Charitable Photo Exhibition "The Most Beautiful Women in Hong Kong", held the annual large-scale charitable art activity "Fantasia: Voyage to Happiess" and determined to sponsor the Bi-city Biennale of Shenzhen/Hong Kong Urbanism\Architecture (深圳香港城市 \ 建築雙城雙年展) with significant contribution.

Donation for Education

Fantasia Hope Primary School in Ji'an County (吉安縣花樣年希望小學) is a Project Hope Primary School built in Jiangxi Revolutionary Base Area in Ji'an County (江西革命老區吉安縣) with our donation of nearly RMB5 million since 2006. In 2010, to improve the educational environment and facilities of the school, Fantasia donated more than RMB2 million to build an academic building and a kindergarten building, while continuing to run the teacher incentive fund and the "Future Pillars" (新棟樑) (fresh graduates who joined Fantasia) education support programs to upgrade the quality of school teachers. In 2011, after two new school buildings are completed with our donation, Fantasia Hope Primary School will be the Project Hope School with the best conditions for education and the biggest donation in Ji'an County.

Charitable Photo Exhibition

To support the charitable work and to pursue the beauty and happiness in life, Fantasia donated over a million dollars to sponsor a charitable photo exhibition "The Most Beautiful Women in Hong Kong", organized by Zing, an international make-up artist. The photo exhibition presents the beauty of twenty most beautiful women in Hong Kong, such as Faye Wong, Carina Lau and Sammi Cheng. It attracted the presence of stars such as Faye Wong and Carina Lau in the exhibition. All the proceeds from the photo exhibition have been donated to twelve charitable organisations chosen by the twenty most beautiful women, such as Smile Angel Foundation (嫣然天使基金) and The Elderly (老人家).

Voyage to Happiness

"Fantasia: Voyage to Happiness" (花樣年・發現幸福之旅) is a large-scale charitable event which spans across different administrative regions and art categories organized by Fantasia since 2006, aiming at seeking and diarizing happiness in the perspective of art of the general public by sponsoring an artist annually. We are determined to run this program for 10 years.

In June 2010, an art exhibition "Utopia in Powder Color" was held at the Alternative Space (別處空間) of 798 Art District in Beijing for showing the achievement of the fourth "Voyage to Happiness", and in December 2010 the exhibition was again held in Shenzhen Meinian Plaza (深圳美年廣場).

In 2010, Fantasia invited Cao Kefei (曹克非), a theater director, as a co-artists for the fifth "Fantasia: Voyage to Happiness" (花樣年・發現幸福之旅), to launch a series of art projects under the theme "Theatres with No Boundary, Living Lives with Dramas" （無界劇場　有戲人生）. In 2011, Cao Kefei will select the typical real estate communities in Shenzhen and Chengdu and visit the residents and property owners, diarize bits of happiness in the lives of the community and understand the history of the communities. Cao Kefei will write "Drama of Happiness" (幸福戲劇) on such basis to present the livelihood of people from all walks of lives;

Biennale of Urbanism \ Architecture

In 2010, Fantasia determined to contribute RMB2 million for sponsoring the Hong Kong & Shenzhen Bi-city Biennale of Urbanism/Architecture (深圳香港城市 \ 建築雙城雙年展). It has been the fourth consecutive year that Fantasia supports the activity and a total of RMB5 million has been contributed. Such an initiative aims at vigorously promoting the development of public art in Shenzhen.

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors (the "Board"), I hereby present the annual results of Fantasia Holdings Group Co., Limited for the year ended 31 December 2010.

Results and Dividends

For the financial year ended 31 December 2010, the Group recorded revenue of RMB4,471 million, which represents an increase of 81.9% over last year. Net profit attributable to equity holders of the Company during the year was RMB807 million, representing a significant increase of 116.2% as compared to last year. Excluding the revenue contributed by the movement of fair value of investment properties and net of the effect on relevant taxation and minority interests, the net profit contributed by the core business of the Group reached RMB540 million.

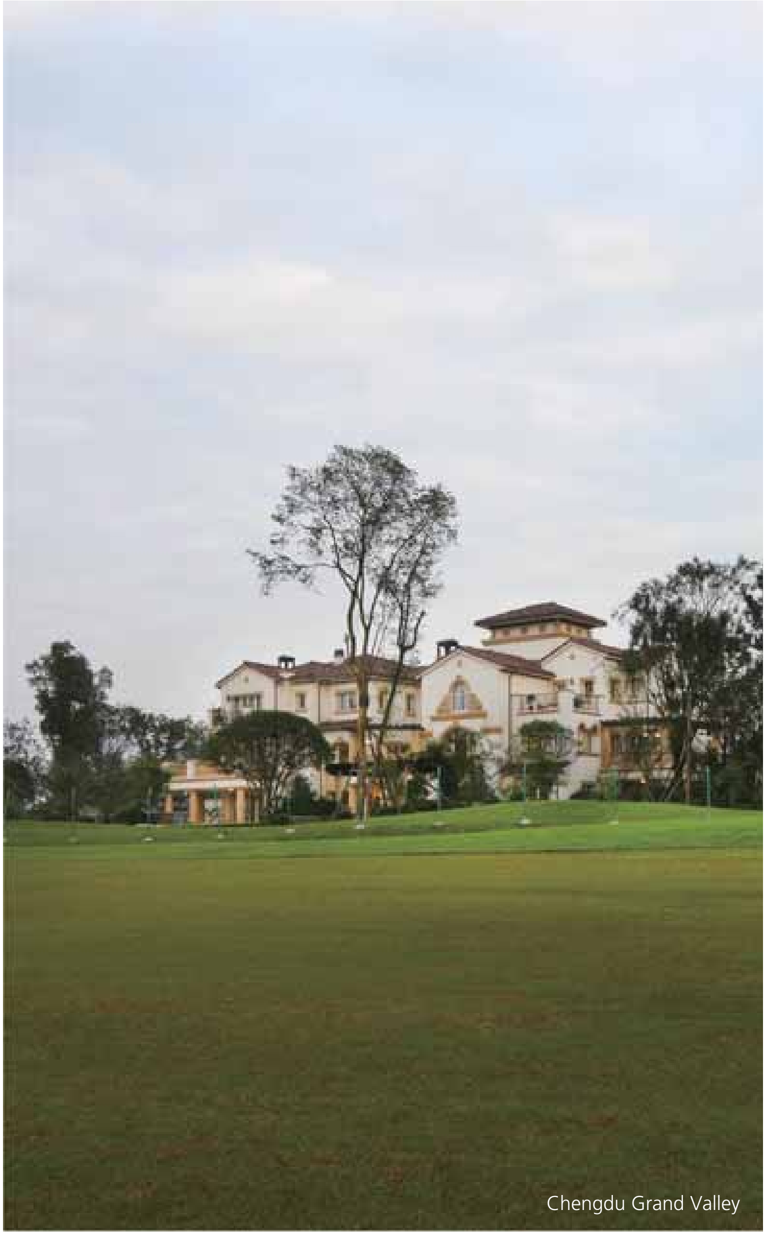
In order to reward our shareholders for the support, the Board proposed a final dividend of HK4.00 cents per share in respect of the year 2010, subject to shareholders' approval at the annual general meeting.

Market and Business Review

2010 was the first year for Fantasia to operate as a listed company. After experiencing a "V-shape" rebound in 2009, China's property market has encountered the ever strictest control during 2010.

Although Chinese government continued to put forward the macro control measures rolled out at the end of 2009 during 2010, supported by solid demands, expectations of inflation and strong liquidity, China's property market continued its upward trend amid high volatility. Area and amount sold of the commodity houses segment of the country were 1,043 million square meters and RMB5.25 trillion respectively. Contrast to rapid fall in property price during the macro control in 2008, price of land and commodity houses of China's property segment in general kept going up in 2010. As a result of implementation of the purchase restriction and tightening of mortgage loan policy, investment demand for residential properties continued to decrease; however, demand for commercial and office properties of the non-residential segment has shown structural growth.

During the reporting period, we have rethought our situation carefully from the two basic points – market and enterprise value. The market is sophisticated and ever-changing, nevertheless, we always bear in mind our corporate mission of "Make Life in Style", and this is what we have to uphold going forward in the future. The market will have ups and downs and will never just stay at the peak all the time. As an outstanding enterprise, in order to gain more development opportunities amid such significant market fluctuation, we have to better understand and pay more attention to our customers' needs so as to cope with them more accurately, to cooperate with our staff and suppliers with an attitude of pursuing for perfection, and to manage and respond to any possible cyclical market volatility in a more matured and flexible manner. During the year of 2010, Fantasia has been growing on the back of its more mature, firm and confident way of thinking.


Chengdu Grand Valley


Chengdu Grand Valley

Strategic Layout and Land Bank

We continued to focus on the four most economically prosperous and vibrant regions in China, namely the Yangtze River Delta, the Pearl River Delta, Chengdu-Chongqing Economic Zone and Beijing-Tianjin Metropolitan Area. Under the guidance of our strategy of "Blossoming China", we have entered into four core regional cities, namely Guilin, Dali, Wuxi and Nanjing, extending our footprint from 7 cities to 11 cities and making us to gain a more balanced business coverage. Planned gross floor area ("GFA") for the additional land bank in Dali, Wuxi, Tianjin, Dongguang, Guilin, Suzhou, Nanjing and Chengdu was approximately 4.45 million square meters. As of 31 December 2010, total planned GFA of the Group was 13.94 million square meters, and planned GFA of attributable land bank was 13.88 million square meters. Included in the total planned GFA of our land bank was planned GFA of the land bank that have been granted with land use right was 8.92 million square meters, representing a year-on-year growth of approximately 63%.

During the reporting period, the Group's urban complexes product has achieved outstanding sales results in major markets such as Shenzhen, Chengdu and Tianjin, and our boutique upscale residences products in Suzhou have also achieved promising sales results – sold out in just one day! Our two core product strategy of "urban complexes with boutique upscale residences" has enabled us to better satisfy our core customers' comprehensive need for residential, commercial, office and investment properties, thus strengthening our ability to resist market fluctuations. We believed that our valuable experience and ability in urban complexes developments and its ancillary high-end service and operation will help further enhance our business competitive advantages.

Brand Building and Development

As our business develops, we kept strengthening our brand building effort and as a result influence of the Company's brand name has continued to increase. We have become the second largest Urban Complexes expert in Chengdu. We have commenced to implement categorized management in respect of middle-to-high end properties and high end properties, and have designated "Colour Life" as our brand for middle-to-high end property management. Fantasia was ranked the 33rd among the nation's top property management enterprises, and Fantasia's international high end property management brand has been endeavoring to build our influence in the area of high end property service by our popularity among our customers. Fantasia's hotel management has also commenced to cooperate with internationally renowned hotel design and management institutions such as JAYA and WEST PACES.

Growth in Scale and Ability

On one hand, we have been rapidly enhancing the comprehensive business ability of new companies through systematic, standardized and structural development. On the other hand, strengthening management and control standard of our property development business in the professional areas of product design management, construction management, marketing management and cost management, rationalizing and optimizing the management and control relationship between the headquarter and the branch companies, so as to make the operation of our business smoother and more efficient, and to foster the rapid development of our business significantly. Area under construction (referring to those projects under construction and projects completed in 2010) was 1.50 million square meters for the whole year of 2010, and area of completed projects was approximately 550,000 square meters. Through our long-term new staff training program and our measures to attract talents in the industry, we continued to expand scale of our team. As of 31 December 2010, we have a total of 4,199 employees, representing a year-on-year growth of 41%. We are very proud of this strong workforce for our future business development.

Strong Operation

During the reporting period, the Group has been actively exploring capital sources. We have successfully issued a five-year term guaranteed senior note with a principal amount of US$120 million in May 2010, and have announced our plan to issue Taiwan depositary receipts in November 2010. Applications have been made to the competent authorities in Taiwan in accordance with applicable laws.

As of 31 December 2010, the Group's cash on hand was RMB2,457 million, net debt ratio was 69.0%, representing a solid financial position.

Prospect and Development Objectives

In 2011, economy of the US and Europe remains uncertain. China's economy continues to face increasing pressure of inflation. Under such circumstances, China's central government has proposed at the working meeting held at the end of 2010 that the basic objective of next year's macro economic policies should be to achieve active development in a stable, cautious and flexible manner, with focus on expediting the strategic alignment of the economic structure and stabilizing prices in general. On such basis, our view on the market for the year 2011 is that anti-inflation will be the spotlight of the nation's macro economic policies and liquidity will continue to shrink and scale of borrowings will be further squeezed. Bank loan interest will go up as a result.

The Ministry of Housing and Urban-Rural Development of the People's Republic of China has proposed to construct 10 million social housings in 2011, an increase of 4.2 million as compared to 2010. With total area of construction reaching 600 million square meters, China's property market will gradually develop into a "double system" market: the social housing market developed by the State and the commodity housing market, while middle-to-high end properties will dominate the commodity housing market. This just matches with the concept of "Boutique Upscale Residences" established by our Group. As the property market is affected by regulatory policies, we believe that there will be a comparative advantage in the non-residence property segment.

We are of the view that, as China normalizes its monetary policy, the nation's property market will back to normal state gradually, and the characteristics of high volatility of the China's property market formed since 2007 will revert to a stable development trend in 2011.

In 2011, while maintaining a sound and strong financial position, we will also continue to operate our business flexibly so as to cope with the changes in the market and to build a stronger Fantasia with more balanced growth and development in different regions.

To Expedite Development on the Basis of Rapid Sales

In 2011, our planned area for new projects will be approximately 1.40 million square meters; area under construction for the whole year will be approximately 2.40 million square meters; and area for completed projects will be approximately 650,000 square meters. Fantasia is growing rapidly towards a much larger property company.

To Implement Hierarchical Development Strategy for Branch Companies and Continue to Enhance the Group's Management and Control Capability and Efficiency

We will implement a hierarchical development strategy to procure the development of branch companies with different level of management maturity and scale of operation. Specifically, we will consolidate those matured companies, support newly established companies and strengthen those companies with growth potential; to guide and encourage attainment of different levels of strategic objectives through an incentive system that is highly linked to operation scale and revenue performance; to prioritize and allocate the Company's resources to brand building and those areas with highest capital gain; and to expand the market share of all branch companies and systematize their business development capability. Moreover, we will strengthen our cooperation with outstanding design institutions in order to upgrade Fantasia's production innovation ability; implement a more systematic mechanism to the existing core products as a way to optimize our product management system; further consolidate the construction of Fantasia core suppliers' resources base, so as to rationalize our management chain by entering into long-term strategic cooperation with more valuable suppliers, and to provide better product quality and cost management; we will also pay more attention and study on the demand of our core customers by building a more efficient customer interacting and rewarding mechanism, with an aim to maintain our competitive advantages.

To Build Strategic Layout Actively and Expand Land Bank Cautiously

We plan to grow at a pace of entering two to three regional core cities each year and to continue expand quality land bank with relatively low cost under the principle of cautious and prudent development.

To Continue to Expand Advantage of Urban Complex Development

In 2011, under the condition that the residential market will continue to be affected by the policy, we will speed up the construction and sales of Urban Complexes projects in cities such as Chengdu, Tianjin, Shenzhen and Wuxi so as to constantly expand the leading advantage of Fantasia regarding the aspect of Urban Complexes business.

To Continue to Upgrade Property Service and Business Operating Capacity

To continuously upgrade property service and business operating capacity is the long term industry development strategy of Fantasia in the future, and it will build a solid foundation for Fantasia to grow stronger in the next 10 years. In 2011, we will base on our achievement in management of the middle-to-high end properties and the middle end properties, and make reference to the experience of those outstanding consumable enterprises on diversification of branding, further enhance our effort on planning and training work on diversification of branding of different types of quality properties our "Colour Life", so as to optimize branding differentiation and to explore value of different brands under a more sophisticated branding categorization. As to high end property service segment, we aim to provide customers with services that are more personalized and can give them sense of superior, in order to enhance their level of satisfaction. We will continue to attract talents in the field of high end commercial and hotel operation, expedite the construction of a high end commercial operation and hotel management system, enhance the mutual beneficial relationship among property development, commercial operation and hotel management, so as to strengthen long-term competitive advantages that are unique to Fantasia.

Acknowledgement

Through 15 years of development since its founding, Fantasia has gone through many ups and downs and come under questions about developing in this industry. Although we are experiencing huge pressure and a severe winter, we will not stop pursuing for a bright and prosperous spring. I would like to extend my heartfelt gratitude to all our staff, shareholders, investors and partners who are always on our side. Your insistence and understanding have paved the way for Fantasia to grow continuously.

Pan Jun
Chairman

14 March 2011

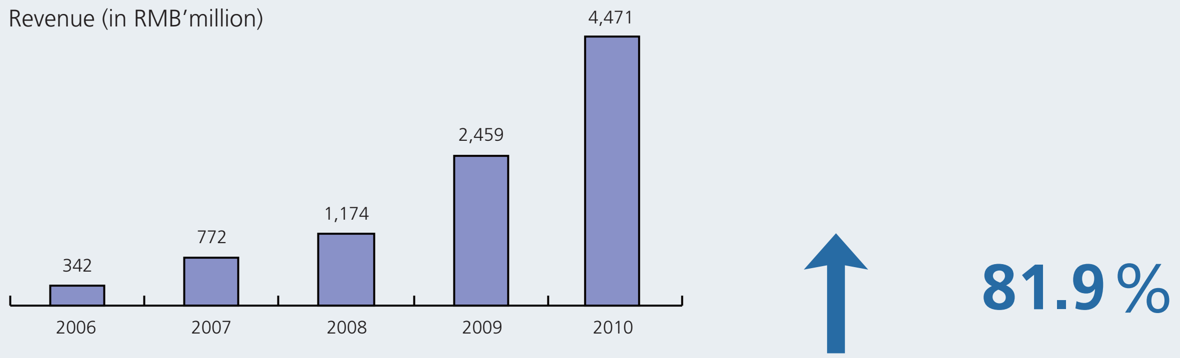
Yixing Town on the Water

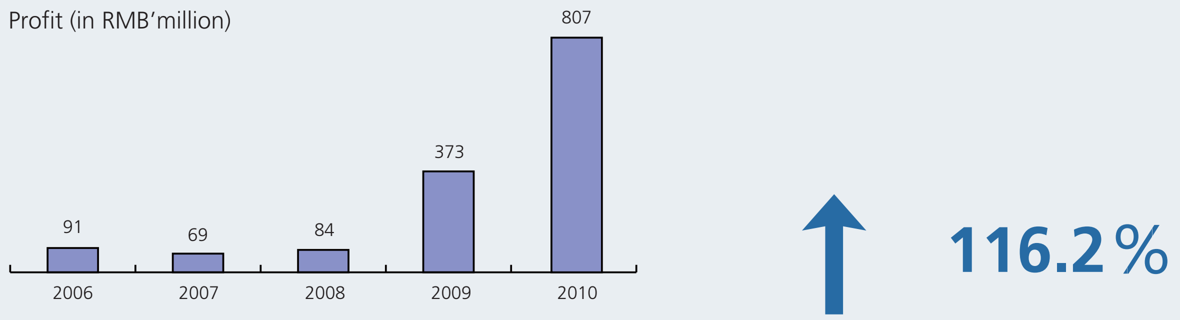
Management Discussion and Analysis

Financial Review

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the year ended 31 December 2010, turnover of the Group amounted to approximately RMB4,471 million, representing an increase of 81.9% from approximately RMB2,459 million in 2009. Profit and total comprehensive income for the year attributable to the equity holders of the Company was approximately RMB807 million, representing an increase of 116.2% from approximately RMB373 million in 2009.





Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 86.1% to approximately RMB4,320 million in 2010 from approximately RMB2,322 million in 2009. This increase was due primarily to an increase in total gross floor area ("GFA") and an increase in the average selling price of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in 2010 and 2009.

	2010			2009		
	Total Revenue	GFA sold	Average Selling Price	Total Revenue	GFA sold	Average Selling Price
	RMB'000	Sq. m.	RMB	RMB'000	Sq. m.	RMB
Chengdu Hailrun Plaza (成都喜年廣場)	1,165,767	89,423	13,037	–	–	–
Chengdu Meinian International Plaza (成都美年國際廣場)	1,030,385	137,541	7,491	–	–	–
Shenzhen Love Forever (深圳花郡)	609,748	46,448	13,127	–	–	–
Tianjin Hailrun Plaza (天津喜年廣場)	278,430	26,678	10,437	–	–	–
Yixing Town on the Water (宜興雲海間)	254,039	21,117	12,030	–	–	–
Shenzhen Future Plaza (深圳香年廣場)	218,946	7,338	29,836	571,340	29,122	19,619
Dongguan Mont Conquerant (東莞君山)	210,065	18,853	11,142	–	–	–
Chengdu Grand Valley (成都大溪谷)	156,513	21,251	7,365	298,837	67,987	4,396
Chengdu Mont Conquerant (成都君山)	143,808	20,737	6,935	–	–	–
Shenzhen Flower Harbor (深圳花港家園)	35,256	1,370	25,744	135,792	12,540	10,829
Chengdu Love Forever (成都花郡)	–	–	–	1,054,296	161,879	6,513
Chengdu Fantasia Town (成都花樣城)	–	–	–	261,772	81,468	3,213
Sub–total	4,102,957	390,756	10,500	2,322,037	352,996	6,578
Other (including sales of carparks and construction of relocation housing)	217,456	–	–	–	–	–
Total	4,320,413	–	–	2,322,037	–	–

Property Investment

Revenue generated from property investment increased by 64.0% to approximately RMB18 million in 2010 from approximately RMB11 million in 2009. The increase was due primarily to the continuing growth of the investment properties.

Property Agency Services

Revenue derived from property agency services decreased by 36.2% to approximately RMB37 million in 2010 from approximately RMB58 million in 2009. The decrease was due primarily to a decrease in the aggregate sale price of the properties that our property agency services business sold in 2010 as a result of cautious real estate activities in 2010 as compared to that in 2009.

Property Operation Services

Revenue derived from property operation services increased by 39.6% to approximately RMB89 million in 2010 from approximately RMB64 million in 2009. This increase was due primarily to an increase in the GFA of properties that we managed during 2010.

Hotel Services

Revenue derived from hotel services increased by 69.0% to approximately RMB7 million in 2010 from approximately RMB4 million in 2009. This increase was due primarily to an increase in occupancy rate of the hotel during 2010.

Gross Profit and Margin

Gross profit increased by 87.4% to approximately RMB1,925 million in 2010 from approximately RMB1,027 million in 2009, while our gross profit margin increased to 43.0% in 2010 from 41.8% in 2009. This increase was in line with the increase in the total revenue in 2010 and our change in proportion in product mix.

Other Income, Gain and Losses

Other income, gain and losses increased by 21.3% to approximately RMB32 million in 2010 from approximately RMB27 million in 2009. The increase was due primarily to the increase in interest income, as the initial public offering of the Company at the end of 2009 and issuance of senior notes in mid-2010 resulted in an increase in the average bank balances.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 63.1% to approximately RMB131 million in 2010 from approximately RMB80 million in 2009. This increase was due primarily to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2010 as compared to that in 2009.

Administrative Expenses

Our administrative expenses increased by 34.7% to approximately RMB239 million in 2010 from approximately RMB177 million in 2009. This increase was due primarily to the increase in number of offices and staff cost in new locations due to our expansion.

Finance Costs

Our finance costs increased by 247.7% to approximately RMB180 million in 2010 from approximately RMB52 million in 2009. This increase was due primarily to an increase in bank loans and senior notes to finance the business operation and development, which in turn increased the interest expenses.

Income Tax Expenses

Our income tax expenses increased by 103.6% to approximately RMB829 million in 2010 from approximately RMB407 million in 2009. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold and recognized in 2010 as compared to that in 2009.

Chengdu Grand Valley

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 116.2% to approximately RMB807 million in 2010 from approximately RMB373 million in 2009. This increase was due primarily to an increase in properties recognised in 2010 as compared to that in 2009. Our net profit margin maintained at a satisfactory level of 18.1% in 2010 as compared to 15.2% in 2009.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2010, the Group's bank balances and cash was approximately RMB2,457 million (2009: approximately RMB3,886 million), representing a decrease of 36.8% as compared to that as at 31 December 2009. The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by the end of 2009 and thus a large amount of proceeds were maintained as at 31 December 2009. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2010, the Group's restricted cash was approximately RMB85 million (2009: approximately RMB190 million), representing a decrease of 55.1% as compared to that as at 31 December 2009.

Current Ratio and Gearing Ratio

As at 31 December 2010, the Group has current ratio (being current assets over current liabilities) of approximately 1.73 compared to that of 1.87 as at 31 December 2009. The gearing ratio was 69.0% as at 31 December 2010 while the Group was in a net cash positions as at 31 December 2009 after the successful listing during November 2009. The gearing ratio was measured by net debt (aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over the equity attributable to owners of the Company. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 36.2% (2009: 30.0%) as of 31 December 2010.

Chengdu Grand Valley

Chengdu Future Plaza

Borrowings and Charges on the Group's Assets

As at 31 December 2010, the Group had an aggregate bank borrowings and senior notes of approximately RMB4,775 million and approximately RMB787 million, respectively. Amongst the bank borrowings, approximately RMB2,132 million will be repayable within 1 year, approximately RMB2,537 million will be repayable between 2 to 5 years and approximately RMB106 million will be repayable after 5 years. The senior notes were repayable between 2 to 5 years.

As at 31 December 2010, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares.

Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During 2010, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company (the "Directors") expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Commitments

As at 31 December 2010, the Group had committed payment for the land premium on land acquisitions and construction amounting to approximately RMB140 million (2009:nil) and approximately RMB1,765 million (2009: RMB1,060 million), respectively.

Contingent Liabilities

As at 31 December 2010, the Group had provided guarantees amounting to approximately RMB1,690 million (2009: approximately RMB1,626 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2010 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2010, the Group had approximately 4,199 employees, of which 607 employees involved in the property development sector, 417 in the property agency services sector, 2,794 in the property operation services sector and 381 in the hotel services sector. Total staff costs, including directors' emoluments, for the year ended 31 December 2010 amounted to approximately RMB206 million (2009: approximately RMB118 million). Remuneration is determined by reference to their performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

As at 31 December 2010, no options had been granted, exercised or cancelled under the share option scheme adopted on 27 October 2009.

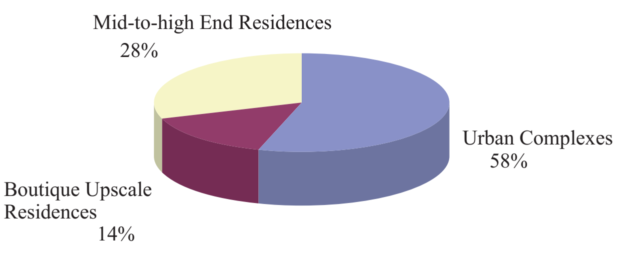
Business Review

In 2010, under the highly volatile market condition, the Group continued to adhere to its strategy that focuses on both "urban complexes and boutique upscale residences". Given that the impact of the policy changes on non-residential properties was relatively small, the Group managed to take a further lead in urban complexes segment. With an aim to identify investment opportunities with high quality and low cost, we continued to focus on the four most prosperous economic regions in China to expand the strategic penetration and coverage of our property business. We continued to enhance our capability in centralized management of the property business and to strengthen the overall capability of the team and the reputation of Fantasia in the regions we have newly entered. Such effort made us more mature, stronger and confident for achieving steady growth of the Company.

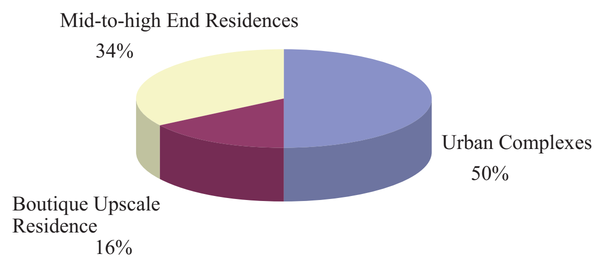
Contract Sales and Project Development

During the reporting period, our Group recorded contract sales of RMB3,892 million and contract sales area of 382,154 square meters, of which, RMB2,244 million and 191,026 square meters, respectively, were derived from urban complexes projects.

The breakdown of the contract sales in different products



The breakdown of the contract sale area in different products



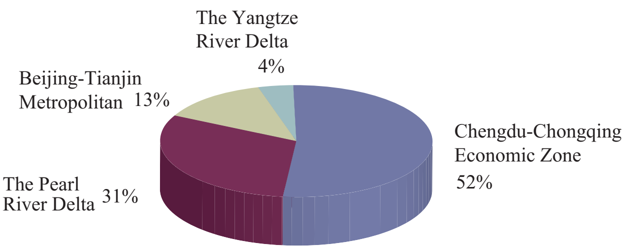
During the reporting period, the contributions from property contract sales of our Group came from 15 projects in 7 cities, two additional cities as compared to 2009, namely Suzhou and Huizhou. Accordingly, the profitability of the multi-region business of the Company was further improved.

In 2010, the sales results of our Group mainly attributed to the projects, including Shenzhen Love Forever, Chengdu Meinian International Plaza, Chengdu Hailrun Plaza and Tianjin Hailrun Plaza, etc.

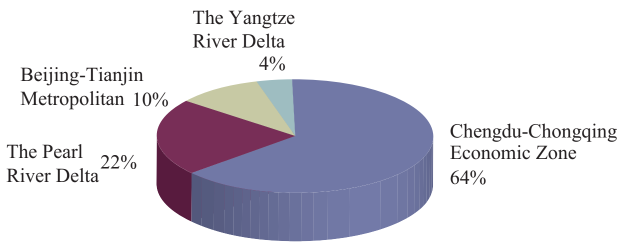
The breakdown of the Company's contract sales in the four major regions in 2010:

Region	Contract Sales		Contract Sales Area	
	RMB' million	Percentage	Sq. meters	Percentage
Chengdu-Chongqing Economic Zone	2,019	52%	244,103	64%
The Pearl River Delta	1,210	31%	85,433	22%
Beijing-Tianjin Metropolitan Area	506	13%	38,186	10%
The Yangtze River Delta	157	4%	14,432	4%
Total	3,892	100%	382,154	100%

The breakdown of the contract sales in the four major regions in 2010



The breakdown of the contract sale area in the four major regions in 2010



Chengdu-Chongqing Economic Zone

Chengdu-Chongqing Economic Zone is one of the economic zones with the most development potential in China. The Western Development in China and industrial migration brought the opportunity of development to this zone. The positioning to be developed as a world-class internationalized city and garden city will enhance the attractiveness of Chengdu, so as to make the property market in such zone prosper.

Our Group entered Chengdu in 2001. With expertise and brand reputation we gained for the past 10 years, our Group has been one of the strongest property developers in the Chengdu area. In 2010, the market share of our Group in commercial property (office building and retail shops) market in Chengdu was approximately 5%, and we ranked the second in terms of sales area for the year, which further enhanced our edges on the development of urban complexes in the property market in Chengdu.

During the reporting period, our Group recorded contract sales area of approximately 244,103 sq. meters in Chengdu-Chongqing zone; and recorded contract sales of approximately RMB2,019 million, attributing the property contract sales total area and total contract sales of our group 64% and 52%, respectively.

As at 31 December 2010, our Group had 4 projects or phases of projects under construction in Chengdu-Chongqing zone, with a total planned gross floor area of approximately 568,311 sq. meters. The saleable area was approximately 489,646 sq. meters, of which approximately 325,000 sq. meters had been obtained a pre-sale permit, and approximately 111,407 sq. meters were sold in advance. Other than the projects under construction, our Group still had 6 projects or phases of projects to be developed in Chengdu-Chongqing Economic Zone, with a total planned gross floor area of approximately 2.92 million square meters. Our Group also entered into framework agreements in respect of 2 projects, and the total planned gross floor area is expected to be approximately 4.91 million square meters.

Pearl River Delta

Pearl River Delta is one of the most important areas for economic growth in China. Since the establishment of our group, we have been stabilizing our business development in Greater Shenzhen zone (Shenzhen, Dongguan, Huizhou). During the reporting period, our Group acquired the land of Dongguan Wonderland. With the speeding up of Shenzhen, Dongguan and Huizhou unity, the development prospects of this project will be fruitful.

In addition, our Group entered Guilin during the year to further expand its strategic penetration and coverage around the Pearl River Delta.

During the reporting period, our Group recorded contract sales area of approximately 85,433 sq. meters in Pearl River Delta; and recorded contract sales of approximately RMB1,210 million, attributing the property contract sales total area and total contract sales of our group 22% and 31%, respectively.

As at 31 December 2010, our Group had 4 projects or phases of projects under construction, with a total planned gross floor area of approximately 320,490 square meters and saleable area of approximately 257,141 square meters. Our Group also had 4 projects or phases of projects to be developed, with a total planned gross floor area of approximately 3.25 million square meters.

Beijing-Tianjin Metropolitan Area

Beijing-Tianjin zone is the area where headquarters of many international companies are located and commercial activities are frequent. The zone will gradually become an influential and significant zone for the whole country, or even for the Asia Pacific region. Following the inclusion of the development of Tianjin Binhai New Area into the national development strategy, the country firstly confirmed Tianjin to be developed as the core northern economic center.

During the reporting period, our Group obtained two plots of land in Tianjin, namely Future Plaza and Wuqing project, which will further expand the development scale of the Company in Beijing-Tianjin Metropolitan Area.

During the reporting period, our Group reported contract sales area of approximately 38,186 sq. meters and contract sales of RMB506 million in Beijing-Tianjin Metropolitan Area, representing 10% and 13% of the property total contract sales area and total contract sales of our Group, respectively.

As at 31 December 2010, our Group had 4 projects or phases of projects under construction and to be developed in Beijing-Tianjin Metropolitan Area, with an aggregate planned gross floor area of approximately 849,038 sq. meters, and estimated saleable area of approximately 800,000 sq. meters.

Yangtze River Delta

Yangtze River Delta zone is the leader of China's economic development. Due to the development of the industry group, its aggregate economic output developed rapidly and was anticipated to be comparable to world-class city zone. Accordingly, every city in the region became a major growing point of China property industry. Our Group was constantly aware of such region, and obtained 4 pieces of land consecutively in reporting period, namely Wuxi Love Forever project, Wuxi Hailrun Complex project, Nanjing Banqiao Metro (南京板橋新城) project and Suzhou Lago Paradise Project (the Group formally acquired Suzhou Lago Paradise Project by listing in February 2010), which further expanded the strategic layout in the Yangtze River Delta after our entry into Yixing.

Wuxi Love Forever project is located in the new district area, with a floor area of 123,670 square meters. This area is one of the four residential areas in the new district, and it is also one of the development focuses in the future which enjoys excellent development potential. Wuxi Hailrun Complex project is located in Binhu Liyuan Development Zone (濱湖蠡園開發區), with a total gross floor area of approximately 83,000 square meters. The entire district is positioned as a Research Business District high-end commercial development district, and as the demonstration zone for creative industry in Jiangsu Province. With well-developed capability in the development of urban complex and our strong brand name, we are confident to develop the project as a boutique and popular project.

Nanjing project is located at Banqiao Metro (板橋新城) in Yuhuatai district, the significant developing area in Nanjing, with the gross floor area of approximately 66,497 sq. meters. Having this project, our Group entered Nanjing for the first time. Nanjing is one of the most important cultural education centers in China and a critical transportation hub of Eastern China. As an important history city in Yangtze River Delta, we saw a strong growth momentum in the economy of Nanjing. Our Group has great confidence in Nanjing's long-term development prospect. After strategically entering Nanjing, we will further expand our business development there.

During the reporting period, our Group recorded contract sales area of approximately 14,432 sq. meters, and contract sales of approximately RMB157 million in the Yangtze River Delta, representing 4% property total contract sales area and 4% total contract sales of our group. Suzhou Lago Paradise (apartment), as the first project after Fantasia entered Suzhou, was all sold out on the first day when launched to the market. This demonstrated the leading edges of the Group on the products and the extending influence of our brand.

As at 31 December 2010, our group had 5 projects or phases of projects under construction and to be developed in Yangtze River Delta, with the aggregate planned gross floor area of approximately 1,020,826 sq. meters, and estimated saleable area of approximately 1 million sq. meters.

During the reporting period, the area of newly developed and completed projects were approximately 221,309 square meters and 554,242 square meters respectively, and the total gross floor area of projects under construction (including projects under construction and projects completed in 2010) was approximately 1,538,180 square meters, and the total saleable area was approximately 1.25 million square meters.

Newly Developed Projects

During the reporting period, our group had 5 projects or phases of projects which were newly developed, with total gross floor area of approximately 221,309 square meters.

The breakdown of newly developed projects in 2010

Serial number	Project name	Project location	Nature of land	Estimated completion date	Company's interest	Aggregate gross floor area
						sq. meters
Pearl River Delta						
1	Shenzhen Funian Plaza	Futian District	Warehouse	2012	100%	61,219
2	Phase 1 of Huizhou Fantasia Special Town	Adjacent to the bus terminal in Huinan Road	Residential, commercial and car park spaces	2011	100%	72,418
Chengdu-Chongqing Economic Zone						
1	Section 1 of Phase 2 of Xinjin Mont Conquerant	Laojun Mountain, Xin Jin County	Residential, commercial and ancillary	2011	100%	12,699
2	Phase 2.1.2 of Grand Valley	Pujiang County	Residential, commercial and ancillary	Completed in December 2010	100%	63,125
Yangtze River Delta						
1	Phase 1 of Suzhou Lago Paradise (Building 7, 8)	Suzhou Taihu National Tourism Vacation Zone	Accommodation and dining, residential	2011	100%	11,848
Total						**221,309**

Completed Projects

During the reporting period, the Group had 8 completed projects or phases of projects in Dongguan, Yixing, Shenzhen, Guilin, Chengdu and Tianjin, with a total gross floor area of approximately 554,242 square meters and provided approximately 479,537 square meters of saleable area. As at 31 December 2010, the Group has achieved accumulated contract sales area of approximately 298,794 square meters with respect to the above projects, and contract sales area sold during the year of 2010 was approximately 110,832 square meters. Approximately 16,028 square meters would be held by the Group for investment purpose, while the remaining approximately 164,715 square meters were held for sales.

The breakdown of projects completed in 2010

Serial number	Project name	Gross floor area	Gross saleable area	Area held for sale		Area held for investment or hotel development	Contract sales area during 2010
				Area for sale	Contract sales area		
		sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*
Dongguan							
1	Phase 1 of Mont Conquerant	19,945	19,885	1,032	18,853	0	758
Shenzhen							
1	Phase 1 of Love Forever	67,891	51,106	4,816	46,290	0	1,328
Guilin							
1	Zhongding Project	11,483	8,933	0	0	8,933	0
Yixing							
1	Town on the Water	40,798	40,240	12,028	21,117	7,095	5,788
Tianjin							
1	Phase 1 of Hailrun Plaza	48,052	26,945	267	26,678	0	1,834
Chengdu							
1	Phase 2.1 of Grand Valley	88,637	87,761	75,299	12,462	0	11,634
2	Phase 1 of Mont Conquerant	51,135	51,135	30,373	20,762	0	11,205
3	Meinian International Plaza (phase 1.1-1.2)	226,301	193,532	40,900	152,632	0	78,285
Total		**554,242**	**479,537**	**164,715**	**298,794**	**16,028**	**110,832**

Note 1: Completed projects refer to projects or phases of projects completed during 2010;

Note 2: Contract sales area refers to the accumulated area subject to signed sales contracts as at 31 December 2010.

Projects under Construction

As at 31 December 2010, the Group had 10 projects or phases of projects under construction, with a total planned gross floor area of approximately 983,938 square meters and planned gross saleable area was approximately 808,787 square meters. As at 31 December 2010, the Group has achieved accumulated contract sales of approximately 231,089 square meters with respect to the above projects, and contract sales area sold during 2010 was approximately 226,580 square meters. Approximately 577,698 square meters were held by the Group for sale purpose, which provided guarantee for the sales of the Group for the next 1 to 2 years.

Urban complexes and boutique upscale residences are the core product series of the Group. At present, our Group has 4 urban complexes projects under construction, namely Shenzhen Funian Plaza, phase 1.3 of Chengdu Meinian International Plaza, Chengdu Future Plaza and phase 2 of Tianjin Hailrun Plaza, with a total planned gross floor area of approximately 590,000 square meters, representing 60% of the total gross floor area of projects under construction. The Group also owned 3 boutique upscale residences projects, namely Stage 1 of Phase 2 of Chengdu Mont Conquerant, Phase 2 of Dongguan Mont Conquerant and Phase 1 of Suzhou Lago Paradise with a total gross floor area of approximately 150,000 square meters, representing 15% of the total gross floor area of projects under construction.

The breakdown of projects under construction during 2010

Serial number	Project name	Project location	Nature of land	Company's interest	Estimated completion date	Gross floor area	Gross saleable area	Area held for sale: Area for sale	Area held for sale: Contract sales area	Area held for investment or hotel development	Contract sales area during 2010	Product category
						sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
Shenzhen												
1	Phase 2 of Love Forever	Xincheng Avenue Baoan Central District	Residential	52%	2011	63,870	49,127	15,265	33,862	0	33,048	Mid-to-high end residence
2	Funian Plaza	Futian District	Warehouse	100%	2012	61,219	46,795	46,795	0	0	0	Urban complex
Huizhou												
1	Phase 1 of Fantasia Special Town	Adjacent to the bus terminal in Huinan Road	Residential, commercial and car parking spaces	100%	2011	72,418	70,582	44,402	26,180	0	26,180	Mid-to-high end residence
Dongguan												
1	Phase 2 of Mont Conquerant	Huangkeng Village, Liaobu Town, Dongguan City	Residential and commercial	100%	2011	122,983	90,637	75,992	14,645	0	14,645	Boutique upscale residence
Chengdu												
1	Future Plaza	Jianshe Road, Shuangtu and Minle Villages High-technology Zone	Commercial and service	100%	2012	243,839	235,246	225,758	9,488	0	9,488	Urban complex
2	Section 1 of phase 2 of Mont Conquerant	Laojunshan, Xinjin County	Residential, commercial and ancillary	100%	2011	12,699	12,699	12,699	0	0	0	Boutique upscale residence
3	Phase 1.2 and 2 of Fantasia Town	Guangming Community, Jinma Town, Wenjiang District	Residential and associated commercial	100%	2011	113,613	110,368	46,737	63,631	0	59,936	Mid-to-high end residence
4	Phase 1.3 of Meinian International Plaza	Adjacent to Fu River in Hi-technology District	Residential, commercial	100%	2011	198,160	131,333	93,045	38,288	0	38,288	Urban complex
Tianjin												
1	Phase 2 of Hailrun Plaza	Jiefang South Road, Jinnan District	Construction purpose (including office and commercial purposes)	60%	2011	83,289	52,098	15,747	36,351	0	36,351	Urban complex
Suzhou												
1	Phase 1 of Lago Paradise (Building 7, 8)	Taihu National Tourism Vacation Zone	Accommodation and dining, and residential	100%	2011	11,848	9,902	1,258	8,644	0	8,644	Boutique upscale residence
Total						**983,938**	**808,787**	**577,698**	**231,089**	**0**	**226,580**	

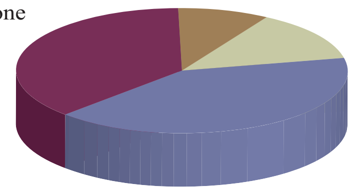
Note: Contract sales area refers to the accumulated area subject to signed sales contracts as at 31 December 2010.


Suzhou Lago Paradise

Projects to be Developed

As at 31 December 2010, the Group had 17 projects or phases of projects to be developed, with a planned gross floor area of approximately 7,939,619 square meters, of which, the total planned gross floor area of 6 projects in Chengdu-Chongqing Economic Zone was approximately 2,917,629 square meters, with a proportion of approximately 37%; and the total planned gross floor area of 4 projects in the Pearl River Delta was approximately 3,247,263 square meters, with a proportion of approximately 41%; and the 4 projects in Yangtze River Delta had a total planned gross floor area of approximately 1,008,978 square meters, with a proportion of approximately 13% and the 3 projects in Beijing-Tianjin Metropolitan Area had a total planned gross floor area of approximately 765,749 square meters, with a proportion of approximately 9%.

Chart showing the distribution of projects to be developed



The breakdown of projects to be developed

Serial number	Project name	Project location	Nature of land	Company's interest	Total GFA	Average cost of floor area
					sq.m.	*RMB/sq. meter*
Chengdu						
1	Meinian International Plaza (all phases except phase 1.1 to 1.3)	Chengdu High-technology District	Office building, commercial, hotel and car parking spaces	100%	449,845	669
2	Fantasia Town (all phases except phase 1.2 and 2)	Wenjiang District	Residential and its associated commercial	100%	370,149	81
3	Mont Conquerant (all phases except phase 1 and section 1 of phase 2)	Laojun Mountain, Xinjin County	Residential, commercial and ancillary	100%	283,685	823
4	Grand Valley (all phases except phase 1.1, 1.2 and 2.1)	Pujiang County	Residential, commercial and ancillary	100%	1,556,986	281
5	Chengdu Funian Plaza	Chengdu High-technology District	Commercial and financial uses land	100%	180,168	555
Subtotal					2,840,833	

Serial number	Project name	Project location	Nature of land	Company's interest	Total GFA	Average cost of floor area
					sq.m.	*RMB/sq. meter*
Dali						
1	Human Art Wisdom	Xiaguan Town, Dali City	City and town residential land use (with commercial service)	100%	76,796	678
Subtotal					76,796	
Huizhou						
1	Endless Blue	Huangyuyong, Daya Bay	Residential, commercial and car parking spaces	100%	168,545	312
2	Phase 2 to 4 of Fantasia Special Town	Adjacent to the bus terminal in Huinan Road	Residential, commercial and car parking spaces	100%	513,582	423
Subtotal					682,127	
Dongguan						
1	Dongguan Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	100%	333,400	923
Subtotal					333,400	
Guilin						
1	Guohua Project (Dihao, Wanhao and Juhao projects)	Xicheng Boulevard, Lingui New District, Guilin City	Residential and commercial	100%	2,231,736	393
Subtotal					2,231,736	
Tianjin						
1	Yingcheng Lake Project	The south of Yingcheng Reservoir in Hangu District	Residential, commercial, tourism	100%	168,339	766
2	Future Plaza	Southern side of Dongjiang Road in Hexi District	R&D design	100%	55,091	2,180
3	Wuqing Project	Eastern side of Jinji Railroad, Xiazhuzhuang Street in Wuqing District	Residential land use	100%	542,319	1,183
Subtotal					765,749	
Nanjing						
1	Nanjing Banqiao Metro Project	Northeastern side of Shizha Lake in Banqiao Metro	Commercial land use	100%	66,497	4,337
Subtotal					66,497	
Suzhou						
1	Remaining phases of Lago Paradise	Taihu National Tourism Vacation Zone	Accommodation, dining, residential	100%	521,273	1,522
Subtotal					521,273	
Wuxi						
1	Love Forever	Intersection at Jincheng Road and Chunyang Road	Residential, commercial and ancillary	100%	338,080	1,523
2	Hailrun Complex	Binhu District, Wuxi	R&D design, business office and commercial	100%	83,128	842
Subtotal					421,208	
Total					7,939,619	

Note: Tianjin Future Plaza and Wuxi Hailrun Complex are proposed names for the projects.


Dongguan Mont Conquerant

Our Land Bank

During the reporting period, the Group continued to focus on the four most prosperous economic regions in China (Chengdu-Chongqing Economic Zone, Pearl River Delta, Yangtze River Delta and Beijing-Tianjin Metropolitan Area) and adhere to its strategy centering on "urban complexes and boutique upscale residences". Leveraging on its edges on sufficient fund, the Group actively captured the land investment opportunities of high quality and low cost, and entered four cities of high strategic importance in Dali, Wuxi, Guilin and Nanjing with an aim to further improve the strategic penetration and extend the coverage of the property business of Fantasia.

In 2010, our Company obtained 10 pieces of land in Suzhou, Dali, Wuxi, Tianjin, Dongguan, Guilin, Nanjing and Chengdu etc, with an aggregate planned gross floor area of approximately 4.45 million sq. meters.

As at 31 December 2010, the total planned gross floor area of the Group's land bank amounted to approximately 13.94 million square meters, and planned gross floor area of attributable land bank amounted to approximately 13.88 million square meters. Included in the above were properties with a planned gross floor area of approximately 8.92 million square meters with land use right and framework agreements in respect of properties with a planned gross floor area of approximately 5.02 million square meters.

The breakdown of our land bank by regions as at 31 December 2010

Region	Projects under construction	Projects to be developed	Projects under frame work agreements	Aggregate gross floor area of land bank	Proportion
	square meters	*square meters*	*square meters*	*square meters*	
Chengdu-Chongqing Economic Zone				**8,399,803**	60%
Chengdu	568,311	2,840,833	3,917,332	7,326,476	
Dali		76,796	996,531	1,073,327	
Pearl River Delta				**3,567,753**	26%
Shenzhen	125,089			125,089	
Dongguan	122,983	333,400		456,383	
Huizhou	72,418	682,127		754,545	
Guilin		2,231,736		2,231,736	
Beijing-Tianjin Metropolitan Region				**904,038**	6%
Tianjin	83,289	765,749		849,038	
Beijing			55,000	55,000	
Yangtze River Delta				**1,070,072**	8%
Suzhou	11,848	521,273	49,246	582,367	
Wuxi		421,208		421,208	
Nanjing		66,497		66,497	
Total	**983,938**	**7,939,619**	**5,018,109**	**13,941,666**	**100%**

Note: Aggregate gross floor area of land bank refers to the aggregate planned gross floor area of projects under construction, projects to be developed and framework agreement projects.

Property Management Business

The property operation business of the Group experienced continuous rapid growth during the reporting period. Color Life Property, a subsidiary of the Group, acquired a number of property management companies, and established branch companies in Shanghai, Xi'an, Guilin and Dali. As of 31 December 2010, the Group managed a total of 229 projects in various cities, including Shenzhen, Chengdu, Huizhou, Dongguan, Xi'an, Zhuhai and Yangjiang, with the area contracted for management and under management totaling 18.10 million square meters, representing a year-on-year increase of 31%. With the continuous expansion of Color Life Property throughout the country, we also constantly optimize the management and control mode of our regional operation, and are gradually establishing a leading information management platform suitable for the future development of our business. In 2010, to further improve our capacity of providing better services to our Group in respect of the two core high-end products, the Group has started the preparation of establishing a high-end service brand — Fantasia Property Management International to provide the high-end customers of the Group with high-end property services of higher quality.

Color Life Property, a subsidiary of the Group, was honored to be "2010 China Property Services Enterprise of Brand Excellence" and ranked 33rd in "Top 100 of China Property Management Enterprises"; meanwhile, it was elected as one of the "Top 10 of the Most Potential Property Management Enterprises in Shenzhen".

Property Agency Business

During the reporting period, the Group has acted as the property agent for a total of 37 projects in Chengdu, Shenzhen, Dongguan and several cities in Anhui Province. The sales area under our agency services was approximately 2.93 million square meters.

Hotel Management Business

2010 was the second year after the Group's entry into the hotel industry, and the Group has had its own preliminary hotel brand plans and a variety of management systems and operating plans in respect of hotel brands. We constantly recruit excellent talents in hotel construction and management, and the construction and management team of the Company has been expanding. During the reporting period, Geyuan Hotel in Yixing was opened and commenced commercial operation. For the coming 3 to 5 years, the Group plans to build and operate more than 10 hotels in Shenzhen, Tianjin, Chengdu, Suzhou and Guilin.

During the reporting period, we continued to expand our cooperation with excellent professional institutions in the hotel industry, and we established solid business cooperation relationships with certain globally well-known brands in hotel brand planning design, hotel interior design and hotel management, including YANG RUTHERFORD, JAYA, NTA, PAL, WEST PACES, RHOMBUS, which will further drive our development in hotel business. The hotel projects that the Group operates and plans to commence operation within the next three to five years are as follows:

Serial number	Hotel name	City	Positioning	Estimated hotel floor area	Estimated number of rooms	Type of premises	Management company	Operating progress
				square meters				
1	Cai Yue Hotel	Shenzhen	Economic	13,305	257	Rental	Shenzhen Caiyue Hotel Management Company Limited	Operated
2	Yixing Town on the Water Geyuan Hotel	Yixing	Boutique	7,000	200	Self-owned Premise/ Rental	Yixing Town on the Water Hotel Management Company Limited	Operated
3	Chengdu Quyuan Hotel	Chengdu	Boutique	20,000	185	Self-owned Premise	Rhombus (HK) Management Limited	In the pipeline
4	Chengdu U Hotel	Chengdu	Boutique	10,000	100	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	In the pipeline
5	Chengdu Meinian Hotel	Chengdu	Boutique	31,000	300	Self-owned Premise	Under negotiation	In the pipeline
6	Chengdu Pujiang Grand Valley Hotel	Chengdu	Boutique	8,000	144	Rental	Pujiang Grand Valley Hotel Management Company Limited	In the pipeline
7	Chengdu Mont Conquerant Geyuan Hotel	Chengdu	Boutique	10,000	100	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	In the pipeline
8	Shenzhen U Hotel	Shenzhen	Boutique	8,000	107	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited, Nanshan Branch	In the pipeline
9	Tianjin U Hotel	Tianjin	Boutique	10,000	120	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	In the pipeline
10	Suzhou Solis Hotel	Suzhou	Five-Star Standard	30,000	250	Self-owned Premise	The West Paces Hotel Group	In the pipeline
11	Guilin Lingui Hotel	Guilin	Five-Star Standard	25,000	250	Self-owned Premise	Under negotiation	In the pipeline
Total				172,305	2,013			

Note: All the hotel names above are proposed hotel names, except Cai Yue Hotel and Chengdu Quyuan Hotel.

Dongguan Mont Conquerant

Directors' Profile

Executive Directors

Mr. PAN Jun (潘軍)

Aged 40, is the chairman of our Board, an executive Director, the chief executive officer, and a member of each of our Company's remuneration committee and nomination committee, respectively. He joined our Group in 1999 and is responsible for the overall operation of our Group's projects, the formulation of our development strategies, as well as supervising the project planning, business and operation management of our Group. He is also currently the president of Fantasia Group (China) Co., Ltd. ("Fantasia Group (China)"), the chairman of Shenzhen Xingyan Property Consultancy Co., Ltd ("Xingyan Property Consultancy"), the general manager of Shenzhen Fantasia Investment Development Co., Ltd ("Shenzhen Fantasia Investment") and the director of a number of the Group's subsidiaries. Mr. Pan has over 15 years of experience in the real estate development industry in China and prior to joining our Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Ms. ZENG Jie, Baby (曾寶寶)

Aged 40, is an executive Director. She is also the Chairlady of our Company's nomination committee. From 1994 to 1996, Ms. Zeng was the general manager of Shenzhen Kingkey Property Development Company Limited (深圳京基房地產開發有限公司). In 1996, Ms. Zeng established Fantasia Group (China), Since 2006, Ms. Zeng has been the chairlady of Fantasia Group (China) and Shenzhen Fantasia Investment. She is also the director of a number of the Group's subsidiaries. She is one of the Controlling Shareholders and the largest Shareholder of the Company. Ms. Zeng has graduated from an EMBA degree with Cheung Kong Graduate School of Management (長江商學院).

Mr. FENG Hui Ming (馮輝明)

Aged 40, is an executive Director. He is also the vice president of Fantasia Group (China) and the director of a number of the Group's subsidiaries. Mr. Feng joined our Group in 2005 as a deputy general manager of Shenzhen Fantasia Investment and is primarily responsible for the investment management of our Group. Prior to joining our Group, he was the manager of the investment department and later the chief financial officer of Jia Zhao Ye Properties (Shenzhen) Co., Ltd. (佳兆業地產(深圳)有限公司) from 2003 to 2004 and the general manager of Suzhou Fuyin Investment Development Co., Ltd. (蘇州市富銀投資發展有限公司) from 2004 to 2005. Mr. Feng received a Bachelor's degree in forestry economics and management from Northeast Forestry University (東北林業大學) in 1993 and a Master's degree in economics from Zhongnan University of Economics and Law (中南財經大學) in 1996.

Mr. CHAN Sze Hon (陳思翰)

Aged 37, is an executive Director and the chief financial officer of our Group. Mr. Chan joined our Group in March 2008 and is responsible for supervising the financial reporting, corporate finance, treasury, tax and other finance related matters of our Group. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. He has over 15 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years. He is currently a non-executive director of Greater China Holdings Limited (中華實業控股有限公司) ("Greater China"), a company listed on the Main Board of the Stock Exchange. During the period from 18 July 2005 to 12 October 2008, Mr. Chan was an executive director of Greater China. Mr. Chan is also an independent non-executive director of China Mining Resources Group Limited (中國礦業資源集團有限公司), a company listed on the Main Board of the Stock Exchange, and an independent non-executive director of each of China AU Group Holdings Limited (中國金豐集團控股有限公司) and ERA Holdings Global Limited (年代國際控股有限公司) respectively, both of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. HO Man (何敏)

Aged 41, is an independent non-executive Director. He is also the chairman of our Company's audit committee and a member of each of our Company's remuneration committee and nomination committee, respectively. Mr. Ho holds an EMBA degree from Tsinghua University, a Master of Science degree in Finance from the London Business School and is a Chartered Financial Analyst and Certified Public Accountant. Mr. Ho has over 14 years of experience in private equity and financial industry. He joined Chepstow Capital Advisers Limited, a HK based midmarket private equity house, as Managing Director in January 2010 and is responsible for deal sourcing, evaluation and structuring, negotiation, post investment monitoring and realization, with particular emphasis on Hong Kong and the PRC. Prior to this, Mr. Ho joined CLSA Capital Partners (HK) Limited ("CLSA") in August 1997 and until October 2009 was the Managing Director, Head of China Growth and Expansion Capital of CLSA. Mr. Ho was a non-executive director and a member of the audit committee of SCUD Group Limited (飛毛腿集團有限公司), a company listed on the Main Board of the Stock Exchange, and a non-executive director and an audit committee member of Shanghai Tonva Petrochemical Co., Ltd. (上海棟華石油化工股份有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange, until October 2009.

Mr. LIAO Martin Cheung Kong, JP (廖長江)

Aged 53, is an independent non-executive Director. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Mr. Liao was appointed a Justice of the Peace in 2004. He is elected Deputy (Hong Kong SAR) to the 11th National People's Congress of the People's Republic of China and a Member of the 11th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference. In Hong Kong, Mr. Liao serves as Vice Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a Council member and a Court member of the University of Hong Kong, a director of the Hong Kong Sports Institute Limited and a member of the Capital Adequacy Appeal Tribunal. He also sits on a number of other statutory and advisory bodies set up by the Hong Kong SAR Government and is active in community service. Mr. Liao graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr. Liao was Called to the Bar in England and Wales in 1984 and was Called to the Bar in Hong Kong in 1985 and has been a practising barrister in Hong Kong since 1985. Mr. Liao is also an advocate and solicitor admitted in Singapore since 1992.

Mr. HUANG Ming (黃明)

Aged 46, is an independent non-executive Director. He is also the chairman of the Company's remuneration committee and a member of each of our Company's audit committee and nomination committee, respectively. He has been a Professor of Finance at the Johnson Graduate School of Management at Cornell University since July 2005 and the Head of School of Finance of Shanghai University of Finance & Economics from 2006 to April 2009. Mr. Huang was an Assistant Professor of Finance at Stanford University, Graduate School of Business from 1998 to 2002. Mr. Huang was also the Associate Dean and visiting Professor of Finance and the Professor of Finance at the Cheung Kong Graduate School of Business (長江商學院) from 2004 to 2005 and from 2008 to 2010 respectively. Since July 2010, Mr. Huang has been a Professor of Finance at the China Europe International Business School (中歐國際工商學院). Mr. Huang graduated from Peking University in 1985 majoring in Physics. Mr. Huang then obtained a Ph.D in Physics and a Ph.D in Business from Cornell University and Stanford University respectively. Mr. Huang is a non-executive director of the Annuity Fund Management Board of China National Petroleum Corporation (中國石油天然氣集團年金理事會), Yingli Green Energy Holdings Co Ltd (英利綠色能源控股有限公司) and Aegon-Industrial Fund Management Co., Ltd. (興業全球人壽基金管理有限公司) since 2007 and 2008 respectively. Mr. Huang is currently on the editorial board of the American Economics Review (美國經濟評論).

Mr. XU Quan (許權)

Aged 68, is an independent non-executive Director. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Mr. Xu is a qualified real estate senior engineer and real estate valuer. Mr. Xu had later obtained a Postgraduate Programme Diploma in Shenzhen Real Property at Jinan University (暨南大學) in 1992. In 1993, Mr. Xu qualified as a real estate senior engineer (房地產高級工程師) and later in 1995, obtained his qualification as an individual member (個人會員) in the Guangdong Real Property Valuer Association (廣東省房地產估價師學會). Since 2003, Mr. Xu has been the Chairman of Shenzhen Real Estate Association (深圳市房地產業協會).

Senior Managements' Profile

Senior Management

Mr. WANG Liang (王亮)

Aged 41, is the chief financial officer of Fantasia Group (China) Co., Ltd. He is also the director and supervisor of a number of the Group's subsidiaries. Mr. Wang joined our Group in 2006 and is primarily responsible for the financial reporting, corporate finance management, tax and other finance related matters of our Group outside Hong Kong. Prior to joining our Group, he was the director of the financial management department of Huafu HK Co. Limited (香港華孚集團) and the general manager of the financial management department of one of its subsidiaries from 2005 to 2006, the assistant to general manager of the financial management department of Shenzhen Feishang Industry Group Co., Ltd. (深圳市飛尚實業發展(集團)有限公司) in 2005 and the deputy manager of the finance department of Shenzhen Southern Zhongji Containers Manufacture Co. Ltd. (深圳南方中集集裝箱製造有限公司) from 1994 to 2001. Mr. Wang received a bachelor degree in business economics (商業經濟學) from Yangzhou Normal University (揚州師範學院) in 1992.

Mr. WANG Shaojun (王少軍)

Aged 45, is the executive vice president of Fantasia Property Group and is responsible for the management and operation of the Group's real estate development business. Mr. Wang joined our Group in 2003 as the investment vice president of Shenzhen Fantasia and the general manager of Chengdu Tonghe. He was the general manager of Hong Kong Gangji Property Development Co., Ltd (香港港基置業發展有限公司) from 2007 to 2009,and the general manager of Dalian Wanda Guangzhou Company (大連萬達廣州公司) from 2009 to 2010. Mr. Wang joined our Group again in April 2010, and was appointed as the executive vice president of Fantasia Property Group. He received a bachelor degree in industrial and civil architectures in 1986 and a master degree in structural engineering from Harbin University of Civil Engineering and Architecture (哈爾濱建築工程學院) in 1989.

Mr. LAW Sai Kuen (羅世權)

Aged 48, is the general manager in hotel construction center of Fantasia Property Group. Mr. Law joined our Group in November 2010 and is responsible for the operation of the Group's hotel construction center. Prior to joining our Group, he was the project manager of Shangri-la hotel management Co., Ltd (香格里拉酒店管理有限公司) from 2003 to 2010 and the senior project manager of Decca Holdings Limited (達藝控股有限公司) from 1996 to 2003. Mr. Law received a master degree in project management (工程管理) from Sydney Institute of Technology (悉尼技術學院) in 2004.

Mr. GUO Lin (郭琳)

Aged 42, is the general manager of Fantasia Property Management (International) Co., Ltd. Mr. Guo joined our Group in April 2010 and is responsible for the operation of Fantasia Property Management (International) Company Limited. Prior to joining our Group, he was the assistant to the president of the Beijing Dangdai Group (北京當代集團) from 2008 to 2010 and the deputy general manager of the Strategic development department of Yuanyang Real Estate Holding co., Ltd (遠洋地產股份有限公司) from 2007 to 2008, the general manager of Shenzhen Gemdale Property Management Company (深圳金地物業管理公司) from 2004 to 2007 and the general manager of the branch office of Beijing Scitech International Property Management Co., Ltd. (北京賽特國際物業公司分公司) from 2003 to 2004. Mr. Guo received a bachelor degree in tourism economics from Tianjin Nankai University (天津南開大學) in 1991, and had finished the study in enterprise management from School of Business in Renmin University of China in 2003.

Mr. DING Lei (丁雷)

Aged 39, is the executive deputy general manager of Shenzhen Fantasia Property Management Co., Ltd. ("Shenzhen Fantasia Management"). Mr. Ding joined our Group in December 2010. He was the marketing director of the business management department of SCP Co,. Ltd. (深國投商業置業有限公司) from 2008 to 2010, the director of the leasing department of Capitaland SZITIC Management & Consulting (Shenzhen) Co., Ltd (深圳嘉德深國投商業諮詢管理有限公司) from 2005 to 2008 and the director of the development department of Shenzhen Haifuhui Commercial-Management and Consultant Co.,Ltd (深圳海富匯商業經營顧問有限公司) from 2000 to 2005. Mr. Ding received a bachelor degree in business administration from Gansu University of Technology (甘肅工業大學) in 1991.

Mr. TANG Xue Bin (唐學斌)

Aged 42, is the general manager of Shenzhen Fantasia Property Management Co., Ltd ("Shenzhen Fantasia Management"), and is also the director of a number of the Group's subsidiaries. Mr. Tang joined our Group in 2002 and is responsible for the operation of Shenzhen Fantasia Property Management Co., Ltd . Prior to joining our Group, he was the deputy general manager of China Overseas Property Management Ltd. (中海物業管理有限公司) from 1997 to 2001. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in 1993. and an EMBA degree in China Europe International Business School (中歐國際工商學院) in 2010.

Ms. LU Ying (路瑩)

Aged 55, is the general manager and director of Shenzhen Xingyan Property Consultancy Company Limited and Shenzhen Xingyanhang Property Company Limited. Ms. Lu joined our Group in 2002 and is responsible for the operation of Xingyan Property Consultancy. Prior to joining our Group, she was the operation director of Shenzhen Centaline Property Consultancy Limited (深圳中原物業顧問有限公司) from 1997 to 2002. Ms. Lu received a Bachelor's degree in computer science from Jilin University (吉林大學) in 1980. Ms. Lu is currently studying for an EMBA degree with China Europe International Business School (中歐國際工商學院).

Mr. JIN Jianglin (金江林)

Aged 46, is the general manager of Dongguan Fantasia Real Estate Investment Co., Ltd as well as the director of many subsidiaries of the Group. Mr. Jin joined our Group in 2001 and is currently responsible for the operation of Dongguan Fantasia Real Estate Investment Co., Ltd. From 2001 to 2006, he was the manager of the engineering division, manager of the business division and an assistant to the general manager of Shenzhen Fantasia Investment. Prior to joining our Group, he was a chief supervisor of Shenzhen Huaxi Construction Supervision Co., Ltd. (深圳市華西建設監理有限公司) from 1993 to 2001. Mr. Jin received his Bachelor's degree in conservancy and hydropower engineering from Jiangxi Industrial University (江西工業大學) in 1987.

Mr. XU Guodong (許國棟)

Aged 32, is the executive deputy general manager of Wuxi Fantasia Real Estate Development Co., Ltd. Mr. Xu joined our Group in 2003, and has served as the civil engineer, and project manager of Shenzhen Fantasia Real Estate Investment and Development Co., Ltd (深圳花樣年投資發展有限公司) and the Director of Project Commerce of Yixing Jiang Nan Shui Xiang Tourism Resort Company Limited (宜興市江南水鄉度假村有限公司), and was appointed the Vice-general manager of Wuxi Fantasia Real Estate Development Co., Ltd., (無錫花樣年房地產開發有限公司) in 2010 and now he is responsible for the operation of Wuxi Fantasia. He is also the director of Yixing Town on the Water Hotel Management Co,. Ltd. (宜興市雲海間酒店管理有限公司), a subsidiary of the Group. Mr. Xu received his bachelor degree in architectural engineering from Central South University (中南大學) in 2000.

Mr. LIU Zongbao (劉宗保)

Aged 42, is the general manager of Chengdu Tonghe Real Estate Development Co., Ltd ("Chengdu Tonghe") as well as the director of many of the subsidiaries of the Group. Mr. Liu joined our Group in 2005 and is responsible for the operation of Chengdu Tonghe. Prior to joining our Group, he was the deputy general manager of Shenzhen Zhonglian Real Estate Development Co., Ltd. (深圳市中聯房地產企業發展有限公司) from 2004 to 2005 and the manager of the marketing and sales department of Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發公司) from 2001 to 2003. Mr. Liu received his Bachelor's degree in construction management engineering from Southeast University (東南大學) in 1991.

Mr. FENG Zhe (馮哲)

Aged 40, joined our Group in 2008 as the vice president of Fantasia Group (China) and the deputy executive general manager of Shenzhen Fantasia Investment and was redesignated as the general manager of Tianjin Songjiang-Fantasia Real Estate Co., Ltd in March 2009, and now he is also the director of many subsidiaries of the Group. Prior to joining our Group, he was a partner of Adfaith Management Consulting Inc. (北京正略鈞策管理諮詢有限公司) from 2002 to 2007, a vice president of Beijing Landsky Engineering Co., Ltd. (北京良業照明工程有限公司) from 2001 to 2002, and an engineer of China Architecture Design & Research Group (中國建築設計研究院) from 1993 to 2001. Mr. Feng received a Bachelor's degree in industrial electrical automation from Tongji University (同濟大學) in 1993 and an MBA degree from the School of Business of Renmin University of China (中國人民大學商學院) in 2002.

Mr. NAN Hongzhe (南洪哲)

Aged 41, is the general manager of Huizhou Daya Bay Huawanli Industry Company Limited (惠州大亞灣花萬裏實業有限公司). Mr Nan joined our Group in March 2010 and is responsible for the operation of Huizhou Daya Bay Huawanli Company (惠州大亞灣花萬里公司). Prior to joining our Group, he was the vice-general manager of the development department of the Wanda Group (萬達集團) in 2009, the general manager of Dongguan Futai Real Estate Development Co,. Ltd. (東莞孚泰房地產開發有限公司) from 2006 to 2008 and the general manager of the Guangzhou Evergrande Group Investment and Development Center (廣州恒大集團投資發展中心) from 2002 to 2006. Mr. Nan received his bachelor's degree in Industrial Management and Engineering from the Wuhan Institute of Technology (武漢工學院) (now Wuhan University of Technology (武漢理工大學)) in 1991, and received his master degree in executive MBA from the Perking University (北京大學) in 2010.

Mr. ZHANG Zhong (章忠)

Aged 42, is the general manager of the Suzhou Huawanli Real Estate Development Co,. Ltd (蘇州市花萬里房地產開發有限公司). Mr Zhang joined our Group in May 2010 and is responsible for the operation of the Suzhou Huawanli. He was a general manager of a regional branch of Lenovo Holding Roycom Real Estate Company (聯想控股融科智地房產公司) from 2006 to 2010, the vice-general manager of Beijing Jiayuan Property Co,. Ltd. (北京嘉源置業有限公司) from 2004 to 2006, and the general manager of the Business Development Department of Lenovo Holding Roycom Real Estate Company (聯想控股融科智地房產公司) from 1999 to 2004. Mr. Zhang received his Bachelor degree in Civil Engineering and Master degree in Structural Engineering from Wuhan University of Hydraulic and Electric Engineering (武漢水利電力大學) in 1990 and 1993 respectively.

Mr. GUO Xiaobin (郭曉斌)

Aged 43, is the general manager of Guilin Dihao Property Development Limited (桂林帝豪房地產開發有限公司). Mr. Guo joined our Group in June 2010 and is responsible for the operation of Guilin Dihao. Prior to joining our Group, Mr. Guo was the vice-general manager of CITIC Investment Co., Ltd. (Fujian) (中信(福建)投資有限公司) from 2007 to 2010, a vice-general manager of Shenzhen Huadi Investment Co., Ltd. (深圳華地投資有限公司) from 2003 to 2007 and the general manager of the project department and the vice-general manager of the Property Department of the Nanyou Group (南油集團) from 1999 to 2003. Mr. Guo received his Bachelor degree in Structural Engineering from Tongji University (同濟大學) in 1990.

Mr. LI Xiaobo (李小波)

Aged 36, is the general manager of Fantasia (Chengdu) Ecological Tourism Development Company Limited (花樣年（成都）生態旅遊開發有限公司). He joined our Group in July 2010 and is responsible for the operation of Ecological Tourism Company (生態旅遊公司). Mr. Li was the director of the research and design institute of Dangdai Energy-saving and Property Co. , Ltd. (當代節能置業股份有限公司) and the general manager of Dangdai Real Estate Company (當代房產公司) from 2008 to 2010,the assistant to president of Beijing Qiangyou Real Estate Development Group (北京強佑房地產開發集團) and the general manager of project management center from 2003 to 2008, and the partner and the manager of marketing department of Zhongheng Management and Consultant Corporation of Perking University (北大縱橫管理諮詢公司) from 2002 to 2003. Mr. Li received a bachelor degree in politics and public administration from Peking University (北京大學) in 1997.

Mr. ZHOU Yibo (周宜波)

Aged 47, is the general manager of Shenzhen Fantasia Investment Development Co., Ltd (深圳花樣年投資發展有限公司). Mr. Zhou joined our Group in December 2010 and is responsible for the operation of Shenzheng Fantasia (深圳花樣年). Prior to joining our Group, he was the general manager of Shenzhen Zhu Jiang Real Estates Development Company Limited (深圳市珠江房地產開發有限公司) from 2006 to 2010, the general manager of the brokerage department of Dapeng Securities Limited (大鵬證券) from 1998 to 2004, and the manager of Vanke Enterprise Company Limited Wuhan Branch (萬科企業股份有限公司武漢分公司) from 1992 to 1998. Mr. Zhou received a bachelor degree in economics in 1986 and a master degree in finance from Wuhan University (武漢大學) in 1989 , respectively and received a doctoral degree in management from Xi'an Jiaotong University (西安交通大學) in 2009.

Yixing Town on the Water

Report of the Directors

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

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 56.

Dividends Distribution

The Directors recommend the declaration of a final dividend at the rate of HK4.00 cents per share payable to all persons registered as holders of shares on 13 May 2011. The aggregate amount shall be paid out of the Company's share premium account. The Register of Members will be closed from Friday, 6 May 2011 to Friday, 13 May 2011, both days inclusive. In order to be qualified for the dividend and attending the Annual General Meeting to be held on Friday, 13 May 2011 (the "AGM"), shareholders should submit share certificates together with transfer documents to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to be registered on the Register of Members on or before 4:30 pm on Thursday, 5 May 2011.

Share Capital

Details of change during the year in the share capital of the Company are set out in note 37 to the consolidated financial statements.

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

Property, Plant and Equipment

Details of movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

Distributable Reserves of the Company

Distributable reserves of the Company as at 31 December 2010, calculated under the Cayman Islands Companies Law, amounted to RMB2,247,191,000 (2009: RMB2,389,056,000) representing share premium of RMB2,481,236,000, setting off by accumulated losses of RMB234,045,000.

Directors and Directors' Service Contracts

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

Executive directors:

Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Feng Hui Ming
Mr. Chan Sze Hon

Independent non-executive directors:

Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan

In accordance with the provisions of the Company's articles of association, Mr. Feng Hui Ming, Mr. Ho Man and Mr. Liao Martin Cheung Kong, JP will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual meeting of the Company. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates and the notice of annual general meeting will be sent to Shareholders of the Company.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 25 November 2009. The service contract may not be terminated in accordance with the provisions of such service contract or by either party giving to the other not less than three months prior notice in writing after the first year of the Listing.

Each of the independent non-executive Directors is appointed for initial term of three years commencing from 25 November 2009.

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

Directors' and Chief Executives' Interests and Short Position Shares

As of 31 December 2010, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will 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 he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained 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 for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Director	Long/short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of shareholding
Ms. Zeng Jie, Baby	Long position	Interest of controlled corporation	3,174,795,000	65.14%
	Short position	Interest of controlled corporation	450,000,000	9.23%

Note: Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO.


Chengdu Mont Conquerant

Long Positions in Association Corporation

Name of Director	Nature of interest	Name of associated corporation	No. of shares or debentures	Description of shares or debentures	Percentage of that associated corporation's issued share capital
Ms. Zeng Jie, Baby	Corporate Interest[(1)]	Fantasy Pearl	80 shares	No par value	80%
Mr. Pan Jun	Corporate Interest[(2)]	Fantasy Pearl	20 shares	No par value	20%

Notes:

(1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.

(2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.


Shenzhen Love Forever

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Share Option Scheme

The Company adopted a share option scheme (the "**Scheme**") which became effective on 27 October 2009 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share.

As at the date of this report, the total number of Shares available for issue under the Scheme is 486,000,000 Shares, representing 10% of the total number of Shares in issue immediately following completion of the Global Offering and 9.97% as at the date of this report. For the year ended 31 December 2010, no share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme.

Purchase, Sale or Redemption of the Company's Shares

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2010.

Director's Interests in Significant Contracts

No significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contract

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

Substantial Shareholders

As of 31 December 2010, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any 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, Cap 571 of the Laws of Hong Kong, or who is directly and/ or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of Interest	Number of shares	Approximate Percentage of interest in our Company as at 31 December 2010
Fantasy Pearl	Beneficial interest[1]	3,174,795,000	65.14%
	Short position	450,000,000	9.23%
Ice Apex	Interest of controlled corporation[2]	3,174,795,000	65.14%
	Short position	450,000,000	9.23%
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,174,795,000	65.14%
	Short position	450,000,000	9.23%

Notes:

(1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO. Graceful Star is entitled to a pre-emptive right over shares in the capital of Fantasy Pearl pursuant to an agreement made between, among others, Ms. Zeng Jie, Baby, Mr. Pan Jun, Ice Apex and Graceful Star.

(2) Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng Jie, Baby is deemed to be interested in the shares held by Ice Apex for the purpose of Part XV of the SFO.

Save as disclosed above, as of 31 December 2010, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Appointment of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

Major Customers and Suppliers

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers amounted to approximately 15% and 36% of the Group's total purchases, respectively.

None of the Directors, their associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers.

Connected Transactions

Certain related party transactions as disclosed in note 43 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. During the year ended 31 December 2010, the Group carried out certain business transaction with the following connected persons:

(a) The Group provides management services to Huidong Dayawan San Jiao Zhou Recreation Company Limited ("San Jiao Zhou"). During the year ended 31 December 2010, provision of such management services by Shenzhen Colour Life Network Services Company Limited to San Jiao Zhou amounted to approximately RMB500,000 (2009: approximately RMB500,000).

(b) During the year ended 31 December 2010, the Group received properties rental income from Shenzhen Xi Fu Hui Club Management Company Limited of approximately RMB301,000 (2009: RMB301,000).

Since each of the percentage ratios (other than the profits ratio) for the annual amount of the above transactions were less than 0.1%, the transactions are defined by the Listing Rules as "continuing connected transactions" and are exempt from the reporting, announcement and independent shareholders' approval requirements.

Interests in Competitors

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

Emolument Policy

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated 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. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2010.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

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.

Corporate Governance

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within knowledge of its directors at the latest practicable date (i.e. 17 March 2011) prior to the issue of the Annual Report, the Company has maintained a sufficient public float throughout the year ended 31 December 2010.

Events after the End of the Reporting Period

Details of significant events occurring after the end of the reporting period are set out in note 45 to the consolidated financial statements.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Pan Jun
Chairman

Hong Kong, 14 March 2011

Corporate Governance Report

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the following deviation:

– Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Pan Jun is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.


Chengdu Mont Conquerant

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2010 and all Directors confirmed that they have complied with the Model Code.

THE BOARD

The Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the shareholders with a long-term return with stable and continuous growth.

The Board comprises four executive Directors, being Mr. Pan Jun (Chairman), Ms. Zeng Jie, Baby, Mr. Feng Hui Ming and Mr. Chan Sze Hon, and four independent non-executive Directors, being Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan. Biographical details of each Directors are set out on pages 34 to 37.

All executive Directors have entered into service contracts with the Company for a specific term of three years while all independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years. 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.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the Code on Corporate Governance for the Board to have at least one-third in number of its members comprising independent non-executive Directors.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

BOARD MEETING

The Board meets on a regular basis and 10 meetings were held during the year. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Executive Directors:	
Mr. Pan Jun	10/10
Ms. Zeng Jie, Baby	10/10
Mr. Feng Hui Ming	10/10
Mr. Chan Sze Hon	10/10
Independent non-executive Directors:	
Mr. Ho Man	8/10
Mr. Liao Martin Cheung Kong, *JP*	5/10
Mr. Huang Ming	8/10
Mr. Xu Quan	8/10

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of our Company is Mr. Pan Jun. Please see reasons set out above explaining why the two roles are being performed by the same individual.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the audit committee. During the year, the audit committee held 2 meetings, The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Ho Man	2/2
Mr. Liao Martin Cheung Kong, *JP*	1/2
Mr. Huang Ming	2/2
Mr. Xu Quan	2/2

The audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive Director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the committee. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Huang Ming	1/1
Mr. Ho Man	1/1
Mr. Liao Martin Cheung Kong, *JP*	1/1
Mr. Xu Quan	1/1
Mr. Pan Jun	1/1

The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

Chengdu Fantasia Town

NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises two executive Directors, Ms. Zeng Jie, Baby and Mr. Pan Jun, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Ms. Zeng Jie, Baby is the chairman of the committee.

The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

During the year ended 31 December 2010, no meeting was held by the nomination committee but 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.

AUDITORS' REMUNERATION

During the year, the total remuneration in respect of statutory audit services paid to the Company's auditors, Messrs Deloitte Touche Tohmatsu ("Deloitte") and PRC local auditors, amounted to approximately RMB2,621,000 and RMB600,000, respectively. Total service charges are as follows:

	RMB'000
Paid to Deloitte for statutory audit services	2,621
Paid to PRC auditors for statutory audit services	600
Total	3,221

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group. During the year ended 31 December 2010, 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. Besides, the audit committee of the Company and the Board also will perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on page 55 of the "Independent Auditor's Report" in this annual report.

EFFECTIVE COMMUNICATION WITH INVESTORS

The Company established the department of Investor Relations in April 2010, which engages in providing effective ways for shareholders and investors to obtain company information. In order to help the shareholders and investors understand the company development, the team of Investor Relations not only assists to issue annual financial report, interim financial report and monthly newsletters of the company in time, but also actively communicates with investors through emails and phone calls. It held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

Led by our chief executive officer, the Company commenced results road shows in April and September 2010 respectively, visiting the investors in Hong Kong, Singapore, New York and Boston. In 2010, we participated in eight global investment summits held in Hong Kong, Singapore, Shanghai, Beijing, Guangzhou and Guilin, and met with investors from over a hundred institutions, so as to increase popularity among investment institutions, and to disclose company information to investors and get the feedback from the capital market.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 127, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	7	4,471,234	2,458,673
Cost of sales		(2,546,440)	(1,431,812)
Gross profit		1,924,794	1,026,861
Other income, gains and losses	8	32,199	26,566
Change in fair value of investment properties	16	320,461	34,476
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	28	67,326	–
Selling and distribution expenses		(131,278)	(80,480)
Administrative expenses		(238,724)	(177,229)
Finance costs	9	(180,131)	(51,800)
Impairment loss recognised in respect of goodwill	26	(5,375)	–
Share of results of associates		406	(1,899)
Profit before taxation	10	1,789,678	776,495
Income tax expense	11	(828,708)	(407,050)
Profit and total comprehensive income for the year		960,970	369,445
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		807,281	373,469
Non-controlling interests		153,689	(4,024)
		960,970	369,445
Earnings per share – Basic (RMB)	14	0.17	0.10

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	374,434	163,530
Investment properties	16	1,697,677	581,368
Interests in associates	17	17,795	12,941
Advance to an associate	18	72,041	72,396
Prepaid lease payments	19	346,045	164,457
Premium on prepaid lease payments	20	359,203	45,794
Prepayment	7	43,370	70,586
Land development expenditure	21	393,849	–
Deposits paid for acquisition of subsidiaries	23	–	423,000
Deposits paid for acquisition of a property project	24	37,000	352,056
Deferred tax assets	27	157,504	88,818
		3,498,918	1,974,946
CURRENT ASSETS			
Properties for sale	28	7,644,582	4,576,936
Prepaid lease payments	19	6,881	4,704
Premium on prepaid lease payments	20	6,101	1,428
Deposits paid for acquisition of land use rights	22	763,095	–
Trade and other receivables	29	977,179	987,961
Prepayment to a related party for construction work	30	7,500	–
Amounts due from customers for contract works	31	15,939	3,808
Tax recoverable		5,580	17,503
Restricted bank deposits	32	85,161	189,712
Bank balances and cash	32	2,371,452	3,696,488
		11,883,470	9,478,540
CURRENT LIABILITIES			
Trade and other payables	33	1,686,718	873,797
Deposits received for sale of properties		1,834,067	2,380,242
Amount due to a related party	34	100,549	1,519
Tax payable		1,104,147	544,877
Borrowings – due within one year	35	2,132,381	1,266,320
		6,857,862	5,066,755
NET CURRENT ASSETS		5,025,608	4,411,785
TOTAL ASSETS LESS CURRENT LIABILITIES		8,524,526	6,386,731

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	128,121	32,280
Amount due to a related party	34	–	99,340
Borrowings – due after one year	35	2,642,605	2,173,750
Senior notes	36	787,330	–
		3,558,056	2,305,370
		4,966,470	4,081,361
CAPITAL AND RESERVES			
Share capital	37	429,389	429,389
Reserves		4,072,745	3,340,870
Equity attributable to owners of the Company		4,502,134	3,770,259
Non-controlling interests		464,336	311,102
		4,966,470	4,081,361

The consolidated financial statements on pages 56 to 127 were approved and authorised for issue by the Board of Directors on 14 March 2011 and are signed on its behalf by:

Pan Jun
DIRECTOR

Chan Sze Hon
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Contribution reserve RMB'000 (note iii)	Statutory reserves RMB'000 (note iv)	Discretionary reserves RMB'000 (note iv)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	9	734,890	(595)	40,600	29,008	1,477	340,575	1,145,964	300,393	1,446,357
Profit and total comprehensive income (expense) for the year	–	–	–	–	–	–	373,469	373,469	(4,024)	369,445
Capitalisation issue of shares	321,115	(321,115)	–	–	–	–	–	–	–	–
Issue of shares	108,265	2,251,911	–	–	–	–	–	2,360,176	–	2,360,176
Share issue expenses	–	(109,350)	–	–	–	–	–	(109,350)	–	(109,350)
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	16,000	16,000
Transfer	–	–	–	–	2,112	–	(2,112)	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(1,267)	(1,267)
At 31 December 2009 and 1 January 2010	429,389	2,556,336	(595)	40,600	31,120	1,477	711,932	3,770,259	311,102	4,081,361
Profit and total comprehensive income for the year	–	–	–	–	–	–	807,281	807,281	153,689	960,970
Acquisition of additional interest in a subsidiary	–	–	(306)	–	–	–	–	(306)	–	(306)
Acquisition of subsidiaries (note 38(b))	–	–	–	–	–	–	–	–	42	42
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	2,800	2,800
Transfer	–	–	–	–	2,985	–	(2,985)	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,297)	(3,297)
Dividend paid to shareholders of the Company	–	(75,100)	–	–	–	–	–	(75,100)	–	(75,100)
At 31 December 2010	429,389	2,481,236	(901)	40,600	34,105	1,477	1,516,228	4,502,134	464,336	4,966,470

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out final dividend from share premium account.

(ii) Prior to 1 January 2010, special reserve arising from the acquisition of additional equity interests represents the difference between the consideration paid and the fair values of the underlying assets and liabilities attributable to the additional interests acquired. During the year ended 31 December 2010, the amount represents the difference between the consideration received and the adjustment to the non-controlling interests.

(iii) Contribution reserve represents (1) the contribution/distribution to shareholders during the group reorganisation, as more fully explained in the paragraph headed "The Reorganisation" in Appendix VIII to the prospectus of the Company dated 12 November 2009 (the "Group Reorganisation"), (2) the difference between the consideration paid and the fair value of net assets acquired from related parties, (3) the difference between the consideration received and the carrying amount of net assets disposed of to related parties during the Group Reorganisation and (4) the capitalisation of shareholder loans.

(iv) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	1,789,678	776,495
Adjustments for:		
Change in fair value of investment properties	(320,461)	(34,476)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(67,326)	–
Release of prepaid lease payments	8,039	845
Release of premium on prepaid lease payments	3,997	357
Release of prepayment	20,000	–
Depreciation of property, plant and equipment	11,058	8,902
(Gain) loss on disposal of property, plant and equipment	(77)	72
Impairment loss recognised in respect of goodwill	5,375	–
Allowance on bad and doubtful debts, net	2,937	225
Interest income	(15,781)	(6,038)
Imputed interest income on non-current interest-free advance to an associate	(3,593)	(9,349)
Finance costs	180,131	51,800
Net foreign exchange (gain) loss	(1,618)	1,334
Share of results of associates	(406)	1,899
Operating cash flows before movements in working capital	1,611,953	792,066
Addition to prepaid lease payments	(700,696)	–
Increase in land development expenditure	(393,849)	–
Increase in properties for sale	(687,919)	(832,836)
Increase in deposits paid for acquisition of land use rights	(763,095)	–
Increase in trade and other receivables	(338,776)	(842,377)
Decrease (increase) in prepayment	9,802	(70,586)
Increase in prepayment to a related party for construction work	(7,500)	–
Increase in amounts due from customers for contract works	(12,131)	(2,459)
Increase in trade and other payables	731,364	167,938
(Decrease) increase in deposits received for sale of properties	(546,175)	1,287,783
Decrease in held-for-trading investments	–	3,000
Cash (used in) generated from operations	(1,097,022)	502,529
Enterprise income tax ("EIT") paid, net	(129,423)	(124,048)
Land appreciation tax ("LAT") paid	(99,529)	(29,067)
Interest paid	(305,973)	(188,628)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,631,947)	160,786

	Notes	2010 RMB'000	2009 RMB'000
INVESTING ACTIVITIES			
Deposits paid for acquisition of a property project		(37,000)	(352,056)
Decrease (increase) in restricted bank deposits		104,551	(151,863)
Purchases of property, plant and equipment		(73,665)	(49,341)
Additions to investment properties		(330,519)	(55,444)
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	38(a)	(1,411,326)	(9,999)
Acquisition of business (net of cash and cash equivalents acquired)	38(b)	(1,408)	–
Investment in an associate		(500)	–
Interest received		15,781	6,038
Proceeds from disposal of property, plant and equipment		471	767
Deposits paid for acquisition of subsidiaries		–	(423,000)
Proceeds from disposal of investment properties		–	5,953
Advance to an associate		–	(8,399)
Repayment from related parties		–	26,856
Repayment from a shareholder		–	21
NET CASH USED IN INVESTING ACTIVITIES		(1,733,615)	(1,010,467)
FINANCING ACTIVITIES			
New borrowings raised		3,553,495	3,485,256
Net proceeds from the issuance of senior notes	36	794,076	–
Contribution from a non-controlling shareholders		2,800	16,000
Repayment of borrowings		(2,190,084)	(771,986)
Dividends paid to shareholders of the Company		(75,100)	–
Dividend paid to non-controlling shareholders		(3,297)	(1,267)
(Repayment to) advance from a related party		(310)	1,519
Acquisition of additional interest in a subsidiary		(306)	–
Repayment of loans from shareholders		–	(682,680)
Issue of shares		–	2,360,176
Share issue expenses		–	(109,350)
Repayment to directors		–	(54,012)
NET CASH FROM FINANCING ACTIVITIES		2,081,274	4,243,656
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,284,288)	3,393,975
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,696,488	303,046
Effect of foreign exchange rate changes		(40,748)	(533)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		2,371,452	3,696,488

1. General

The Company was incorporated in the Cayman Islands on 17 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") with effect from 25 November 2009. Its parent is Fantasy Pearl International Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). Its ultimate holding company is Ice Apex Limited, a limited liability company also incorporated in the BVI. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY 1-1111, Cayman Islands and its principal place of business in Hong Kong is Room 1103, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong while its principal place of business in the People's Republic of China (the "PRC") is 27/F, Block A, Hailrun Complex, No.6021 Shennan Boulevard, Shenzhen 518040, Guangdong Province, the PRC.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 44.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s)

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s) (continued)

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Shenzhen Hui Gang Property Management Company Limited (深圳市匯港物業管理有限公司) ("Shenzhen Hui Gang"), the Group has elected to measure the non-controlling interests by reference to the proportionate share of the acquiree's net identifiable assets at the acquisition date.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The application of HKFRS 3 (Revised) has had no material impact on the Group's results for the reported periods.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional interest in Shenzhen Xingyanhang Property Company Limited (深圳市星彥行置業有限公司) ("Shenzhen Xingyanhang") in the current year. The change in policy has resulted in the difference of approximately RMB306,000 between the consideration received and the adjustment to the non-controlling interests. Therefore, the change in accounting policy has resulted in a decrease of net assets of approximately RMB306,000 as at 31 December 2010 and respective cash outflow has included under financing activities in the consolidated statement of cash flows.

In addition, the cash consideration paid in the current year of RMB306,000 has been included in cash flow from financing activities.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s) (continued)

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of approximately RMB199,111,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6 for details).

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s) (continued)

New and revised Standards and Interpretations issued but not yet effective (continued)

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

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

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

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

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain investment properties which are measured at fair value, and in accordance with accounting policies set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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

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

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 January 2010

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

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

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

3. Significant Accounting Policies (continued)

Business combinations (continued)

Business combinations that took place prior to 1 January 2010

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

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes.

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

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

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant Accounting Policies (continued)

Joint ventures

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequent whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent periods.

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

Land development expenditure

Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of Wangcong Ancient Sichuan Culture Park such as road construction, demolition and resettlement work.

Properties for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses.

Where properties for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in profit or loss.

Installation contracts

Where the outcome of a contract for the installation of security systems can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by reference to the proportion that billings certified by the customer to date relative to the estimated total revenue for each contract. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. Significant Accounting Policies (continued)

Installation contracts (continued)

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are generally classified as loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including advance to an associate, deposits paid for acquisition of land use rights, subsidiaries and a property project, trade and other receivables, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a related party, borrowings and senior notes) are subsequently measured at amortised cost, using the effective interest method.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

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

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Embedded derivatives

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

Financial guarantee contracts

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment losses on tangible assets other than goodwill (see accounting policy in respect of goodwill above)

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

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

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and services provided in the normal course of business, net of discounts.

Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Agency fee, service income, management fee, parking fee and consultation fee

Agency fee, service income, management fee, parking fee and consultation fee are recognised when services are provided.

Contract revenue

Contract revenue from installation contract is recognised when the outcome of the contract can be estimated reliably and the stage of completion at the end of reporting period can be measured reliably. Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that billings certified by the customer to date relative to the estimated total revenue for each contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable.

Hotel operation

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

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

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

3. Significant Accounting Policies (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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

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

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operation cycle are classified under non-current assets.

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operation cycle are classified under non-current assets.

Taxation

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

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

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

4. Key Sources of Estimation Uncertainty

In the application of applying the Group's accounting policies, which are described in note 3, the management has made various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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.

4. Key Sources of Estimation Uncertainty (continued)

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

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with aggregate carrying amount of approximately RMB7,644,582,000 (2009: RMB4,576,936,000). Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

LAT

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation 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 or taxable temporary difference together with future tax planning strategies.

Recognition and allocation of construction costs 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 for sale and charged to the consolidated statement of comprehensive income upon the recognition of the sales 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. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of debt, which includes amount due to a related party as disclosed in note 34, borrowings as disclosed in note 35, senior notes as disclosed in note 36, cash and cash equivalents as disclosed in note 32 and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

(a) Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	3,535,453	4,924,001
Financial liabilities		
Amortised cost	7,306,656	4,362,204

(b) Financial risk management objectives and policies

The Group's major financial instruments include advance to an associate, deposits paid for acquisition of land use rights, subsidiaries and a property project, trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, amount due to a related party, borrowings and senior notes. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Foreign currency risk management

The Group has bank balances, borrowings and senior notes which are denominated in foreign currencies of the relevant group entities, hence expose to exchange rate fluctuations.

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

	2010 RMB'000	2009 RMB'000
Assets		
United States Dollars ("USD")	17,376	1,413
Hong Kong Dollars ("HKD")	520,692	1,868,114

	2010 RMB'000	2009 RMB'000
Liabilities		
USD	1,449,600	682,820
HKD	199,111	–

6. Financial Instruments (continued)

(c) Foreign currency risk management (continued)

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

The Group mainly exposes to the effects of fluctuation in USD and HKD against RMB.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in the RMB against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens against the relevant currencies. For a 5% (2009: 5%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit for the year.

	2010 RMB'000	2009 RMB'000
USD		
Increase in profit for the year	71,613	34,070
HKD		
Decrease in profit for the year	(16,078)	(93,406)

During the year ended 31 December 2009, in management's opinion, the sensitivity analysis is unrepresentative of the interest foreign exchange risk as the year end exposure does not reflect the exposure during the year. USD denominated borrowings and HKD denominated bank balances are incurred in the last quarter of the financial year, which results in an increment in the respective balances at year end.

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its balance with a related party, fixed-rate borrowings and senior notes (see notes 34, 35 and 36). The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offered Rate ("LIBOR") arising from the Group's USD borrowings, the Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's HKD borrowings and Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate") from the Group's RMB borrowings.

6. Financial Instruments (continued)

(d) **Interest rate risk management** (continued)

Sensitivity analysis

Bank balances

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances at the end of the reporting period. A 25 basis points (2009: 25 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher/lower by 25 basis points (2009: 25 basis points) and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase/decrease by approximately RMB4,607,000 (2009: increase/decrease of approximately RMB7,287,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2009: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher/lower by 50 basis points (2009: 50 basis points) and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease /increase by approximately RMB16,706,000 (2009: decrease/increase of approximately RMB10,463,000).

(e) **Credit risk management**

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

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 42.

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

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group has concentration of credit risk on the advance to an associate which was due from Dongguan Zuoting Youyuan Industry Investment Company Limited (東莞市左庭右院實業投資有限公司) ("Dongguan Zuoting Youyuan") and the deposits for acquisition of land use rights subsidiaries and a property project , which are all engaged in PRC property development business.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong. The Group's credit risk on deposits paid on acquisition of land use rights is not significant as the counterparties are enterprises with good reputation established in PRC.

For properties under development which are subject to pre-sales agreements, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. Financial Instruments (continued)

(f) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings, amount due to a related party and senior notes as a significant source of liquidity. As at 31 December 2010, the Group has total available unutilised overdraft and bank loan facilities of RMB869,145,000 (2009: RMB272,000,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2010								
Non-derivative financial liabilities								
Trade and other payables	–	471,003	680,213	481,389	11,186	–	1,643,791	1,643,791
Amount due to a related party	7.02	100,549	–	–	–	–	100,549	100,549
Borrowings								
– fixed rate	5.37	1,432	2,865	111,167	225,709	–	341,173	320,000
– variable rate	5.58	224,813	144,329	1,645,777	2,695,855	109,072	4,819,846	4,454,986
Financial guarantee contracts	–	1,654,345	–	–	–	–	1,654,345	–
Senior notes	14.89	–	–	111,261	1,184,139	–	1,295,400	787,330
		2,452,142	827,407	2,349,594	4,116,889	109,072	9,855,104	7,306,656
As at 31 December 2009								
Non-derivative financial liabilities								
Trade and other payables	–	286,330	407,675	115,171	12,099	–	821,275	821,275
Amount due to a related party	7.02	2,100	1,162	5,230	101,084	–	109,576	100,859
Borrowings								
– fixed rate	5.36	2,902	5,803	317,991	375,649	–	702,345	650,000
– variable rate	4.57	693,093	41,596	345,719	1,943,231	25,950	3,049,589	2,790,070
Financial guarantee contracts	–	1,626,282	–	–	–	–	1,626,282	–
		2,610,707	456,236	784,111	2,432,063	25,950	6,309,067	4,362,204

6. Financial Instruments (continued)

(f) **Liquidity risk management** (continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to approximately RMB199,111,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid ranging from 1 year to 3 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB215,977,000.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(g) **Fair value**

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for the senior note as detailed in note 36, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue and Segment Information

	2010 RMB'000	2009 RMB'000
Sales of properties	4,320,413	2,322,037
Rental income from investment properties	17,727	10,806
Agency fee from provision of property agency services	36,845	57,775
Management fee and installation services from provision of property operation services	89,228	63,900
Hotel operations	7,021	4,155
	4,471,234	2,458,673

7. Revenue and Segment Information (continued)

Included in revenue, which is under property development segment, is an amount of nil (2009: RMB107,919,000) in respect of completed properties sold in exchange for the advertising spaces provided by the customers. The prepaid advertising spaces of RMB43,370,000 (2009: RMB70,586,000) and RMB31,013,000 (2009: RMB33,599,000) are recorded in prepayment under non-current assets and trade and other receivables under current assets, respectively for such arrangement.

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

Inter-segment revenue are eliminated on consolidation.

The Group has five operating segments as follows:

Property development	–	developing and selling of properties in the PRC
Property investment	–	leasing of investment properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security systems and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, imputed interest income on non-current interest-free advance to an associate, exchange loss, share of results of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker also reviews the segment assets attributable to each operating segment, which comprises assets other than interests in associates, advance to an associate, restricted bank deposits, bank balances and cash and other corporate assets.

7. Revenue and Segment Information (continued)

The following is an analysis of the Group's revenue, results and other material items by reportable segment under review:

Segment revenues, results, assets and other material items for 31 December 2010:

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External revenues	4,320,413	17,727	36,845	89,228	7,021	4,471,234
Inter-segment revenues	5,184	–	32,511	18,557	5	56,257
Segment result	1,606,296	403,384	7,409	36,244	(14,836)	2,038,497
Segment assets	10,522,812	1,703,856	10,959	105,042	329,400	12,672,069
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	2,960,308	795,848	872	6,332	175,693	3,939,053
Change in fair value of investment properties	–	320,461	–	–	–	320,461
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	–	67,326	–	–	–	67,326
Impairment loss recognised in respect of goodwill	–	–	–	5,375	–	5,375
Release of prepaid lease payments	8,039	–	–	–	–	8,039
Release of premium on prepaid lease payments	3,997	–	–	–	–	3,997
Depreciation of property, plant and equipment	5,287	–	1,582	1,777	2,294	10,940
(Gain) loss on disposal of property, plant and equipment	11	–	66	–	–	77
Allowance on bad and doubtful debts, net	2,400	–	–	537	–	2,937

Inter-segment revenues are charged at prevailing market rate.

7. Revenue and Segment Information (continued)

Segment revenues, results, assets and other material items for 31 December 2009:

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Total RMB'000
External revenues	2,322,037	10,806	57,775	63,900	4,155	2,458,673
Inter-segment revenues	951	42	14,135	9,994	–	25,122
Segment result	783,517	43,979	13,654	27,574	(684)	868,040
Segment assets	6,170,342	938,989	12,022	60,533	193,285	7,375,171
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	143,337	76,766	962	3,103	184,137	408,305
Change in fair value of investment properties	–	34,476	–	–	–	34,476
Release of prepaid lease payments	845	–	–	–	–	845
Release of premium on prepaid lease payments	357	–	–	–	–	357
Depreciation of property, plant and equipment	4,485	–	2,015	1,240	1,046	8,786
(Gain) loss on disposal of property, plant and equipment	(10)	–	82	–	–	72
Allowance on bad and doubtful debts, net	–	–	83	41	–	124

Inter-segment revenues are charged at prevailing market rate.

Note: Non-current assets excluded interests in associates, advance to an associate, prepayment, deposits paid for acquisition of subsidiaries and a property project, deferred tax assets.

7. Revenue and Segment Information (continued)

Reconciliation:

	2010 RMB'000	2009 RMB'000
Revenue:		
Total revenue for reportable segments	4,527,491	2,483,795
Elimination of inter-segment revenues	(56,257)	(25,122)
Group's total revenues	4,471,234	2,458,673
Profit or loss:		
Segment result	2,038,497	868,040
Elimination of inter-segment result	(43,134)	(1,650)
Unallocated amounts:		
Unallocated income	20,917	15,387
Unallocated corporate expenses	(41,502)	(51,583)
Finance costs	(180,131)	(51,800)
Impairment of loss recognised in respect of goodwill	(5,375)	–
Share of results of associates	406	(1,899)
Profit before taxation	1,789,678	776,495
Assets:		
Total assets for reportable segments	12,672,069	7,375,171
Unallocated assets:		
Interests in associates	17,795	12,941
Advance to an associate	72,041	72,396
Restricted bank deposits	85,161	189,712
Bank balances and cash	2,371,452	3,696,488
Corporate assets	163,870	106,778
Group's total assets	15,382,388	11,453,486

7. Revenue and Segment Information (continued)

Reconciliation: (continued)

	2010 RMB'000	2009 RMB'000
Other material items:		
Release of prepaid lease payments		
Reportable segment totals	8,039	845
Unallocated amount	–	–
Group's total	8,039	845
Release of premium on prepaid lease payments		
Reportable segment totals	3,997	357
Unallocated amount	–	–
Group's total	3,997	357
Depreciation of property, plant and equipment		
Reportable segment totals	10,940	8,786
Unallocated amount	118	116
Group's total	11,058	8,902
Additions to non-current assets		
Reportable segment totals	3,939,053	408,305
Unallocated amount	69	32
Group's total	3,939,122	408,337
(Gain) loss on disposal of property, plant and equipment		
Reportable segment totals	(77)	72
Unallocated amount	–	–
Group's total	(77)	72
Allowance on bad and doubtful debt, net		
Reportable segment totals	2,937	124
Unallocated amount	–	101
Group's total	2,937	225
Impairment loss recognised in respect of goodwill		
Reportable segment totals	5,375	–
Unallocated amount	–	–
	5,375	–

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2010 and 2009, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

8. Other Income, Gains and Losses

	2010 RMB'000	2009 RMB'000
Interest income	15,781	6,038
Imputed interest income on non-current interest-free advance to an associate	3,593	9,349
Forfeiture income on deposits received	378	384
Government grant (note)	10,133	10,448
Exchange gain (loss)	1,618	(1,334)
Others	696	1,681
	32,199	26,566

Note: The amount represents the grants received from the relevant PRC government to encourage the development of real estate industry. The subsidies are unconditional and granted on a discretionary basis to the Group during the year.

9. Finance Costs

	2010 RMB'000	2009 RMB'000
Interest on:		
– borrowings wholly repayable within five years	239,575	111,086
– borrowings not wholly repayable within five years	1,742	1,485
– senior notes	74,589	–
– amount due to a related party	7,098	5,153
– loans from shareholders	–	70,904
Less: Amount capitalised in properties under development for sale	(139,657)	(131,233)
Amount capitalised in construction in progress	(3,216)	(5,595)
	180,131	51,800

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.06% (2009: 6.65%) per annum to expenditure on qualifying assets.

10. Profit Before Taxation

	2010 RMB'000	2009 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	10,104	5,380
Other staff's salaries and allowances	181,983	101,887
Retirement benefit scheme contributions	13,575	10,435
Total staff costs	205,662	117,702
Less: Amount capitalised in properties under development for sale	(36,690)	(7,131)
	168,972	110,571
Auditor's remuneration	3,221	2,503
Release of prepaid lease payments	8,039	845
Release of premium on prepaid lease payments	3,997	357
Depreciation of property, plant and equipment	11,058	8,902
(Gain) loss on disposal of property, plant and equipment	(77)	72
Allowance on bad and doubtful debts, net	2,937	225
Cost of properties recognised as an expense	2,014,859	1,338,646
Contract cost recognised as an expense	27,456	14,163
Rental expenses in respect of rented premises under operating leases	8,636	7,065
Gross rental income from investment properties	(17,727)	(10,806)
Less: direct operating expenses from investment properties that generated rental income	2,130	1,303
	(15,597)	(9,503)

11. Income Tax Expense

	2010 RMB'000	2009 RMB'000
Current tax:		
PRC taxes		
EIT	360,752	217,833
LAT	440,801	263,215
	801,553	481,048
Deferred tax (note 27)		
Current year	34,800	(69,237)
Underprovision of deferred tax assets	(7,645)	(4,761)
	27,155	(73,998)
	828,708	407,050

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arise in nor is derived from Hong Kong.

The Group's PRC enterprise income tax is calculated based on the applicable tax rates on assessable profits, if applicable.

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

11. Income Tax Expense (continued)

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	1,789,678	776,495
Tax at PRC enterprise income tax rate of 25% (note i)	447,420	194,124
Tax effect of share of results of associates	(102)	474
Tax effect of income not taxable for tax purposes	(898)	(2,337)
Tax effect of expenses not deductible for tax purposes (note ii)	33,525	35,373
Tax effect of tax losses not recognised	40,418	6,324
Utilisation of tax losses previously not recognised	(3,076)	(4,026)
Tax effect of different tax rates on subsidiaries	(11,535)	(12,519)
LAT	440,801	263,215
Deferred tax effect of LAT	(110,200)	(65,804)
Underprovision of deferred tax assets	(7,645)	(4,761)
Others	–	(3,013)
Income tax expense for the year	828,708	407,050

Notes:

(i) Majority of the assessable profits of the Group were derived from subsidiaries situated in Chengdu of the PRC and the applicable income tax rate was 25%.

(ii) The amounts for the year ended 31 December 2010 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on senior notes, legal and professional fees in connection with the issue of senior notes in May 2010.

The amounts for the year ended 31 December 2009 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on loans from shareholders, legal and professional fees in connection with the listing of the Company's share in the SEHK.

12. Directors' and Employees' Remuneration

The emoluments of the directors on a named basis are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note)	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2010					
Executive director:					
Pan Jun (潘軍)	–	1,776	1,398	22	3,196
Zeng Jie, Baby (曾寶寶)	–	1,776	458	21	2,255
Feng Hui Ming (馮輝明)	–	1,003	1,193	22	2,218
Chan Sze Hon (陳思翰)	–	1,045	420	10	1,475
Independent non-executive director:					
Ho Man (何敏)	240	–	–	–	240
Huang Ming (黃明)	240	–	–	–	240
Liao Martin Cheung Kong (廖長江)	240	–	–	–	240
Xu Quan (許權)	240	–	–	–	240
	960	5,600	3,469	75	10,104
For the year ended 31 December 2009					
Executive director:					
Pan Jun (潘軍)	–	819	504	21	1,344
Zeng Jie, Baby (曾寶寶)	–	1,322	–	19	1,341
Feng Hui Ming (馮輝明)	–	773	548	21	1,342
Chan Sze Hon (陳思翰)	–	1,057	73	11	1,141
Independent non-executive director:					
Ho Man (何敏)	53	–	–	–	53
Huang Ming (黃明)	53	–	–	–	53
Liao Martin Cheung Kong (廖長江)	53	–	–	–	53
Xu Quan (許權)	53	–	–	–	53
	212	3,971	1,125	72	5,380

Note: The discretionary bonus is determined by the board of directors based on the Group's performance for each financial year.

12. Directors' and Employees' Remuneration (continued)

Employees' emoluments

The five individuals with the highest emoluments in the Group included 3 directors for both years. Details of their emoluments are set out above. The emoluments of the remaining 2 (2009: 2) of the five highest paid individuals are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and allowances	1,515	1,395
Discretionary bonus	3,339	1,102
Retirement benefit scheme contributions	50	41
	4,904	2,538

Their emoluments were within the following band:

	2010 Number of employee	2009 Number of employee
HK$1,000,001 to HK$1,500,000	–	2
HK$2,000,001 to HK$2,500,000	1	–
HK$3,000,001 to HK$3,500,000	1	–

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

13. Dividends

	2010 RMB'000	2009 RMB'000
Final dividend for 2009 of HK1.75 cents per share (2009: nil) (Note i)	75,100	–
Dividends paid to non-controlling shareholders (Note ii)	3,297	1,267

Notes:

(i) Subsequent to the end of the reporting period, a final dividend for 2010 of HK4.00 cents (2009: Final dividend for 2009 of HK1.75 cents) per share has been proposed by the directors in the annual general meeting. The final dividends proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) The amount represents dividends paid by the PRC subsidiaries to their non-controlling shareholders.

14. Earnings Per Share

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

	2010 RMB'000	2009 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	807,281	373,469

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,873,888,750	3,768,544,897

No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue during both years or at the end of the reporting period.

For the year ended 31 December 2009, the weighted average number of ordinary shares reflect the weighted average effect of the 100,000 shares in issue before the capitalisation issue, adjusted for the 3,644,900,000 shares issued pursuant to the capitalisation issue as more fully described in note 37 and 1,228,888,750 shares issued in the global offering.

15. Property, Plant and Equipment

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000 (note)	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2009	–	23,610	21,058	24,313	10,311	–	79,292
Transfer from properties under development for sale (Note i)	–	–	–	–	–	66,999	66,999
Additions	–	636	150	2,667	1,009	51,306	55,768
Disposals	–	–	(57)	(2,381)	(571)	–	(3,009)
At 31 December 2009 and 1 January 2010	–	24,246	21,151	24,599	10,749	118,305	199,050
Transfer from completed properties for sale (Note i)	–	5,348	–	–	–	–	5,348
Transfer from properties under development for sale (Note i)	–	–	–	–	–	137,277	137,277
Acquisition of assets and liabilities through acquisition of subsidiaries (note 38(a))	–	–	–	228	134	–	362
Acquisition of business (note 38(b))	–	872	–	3	–	–	875
Additions	–	–	4,213	9,954	8,529	55,798	78,494
Transfer	54,489	9,309	198	4,132	–	(68,128)	–
Disposals	–	–	–	(792)	(346)	–	(1,138)
At 31 December 2010	54,489	39,775	25,562	38,124	19,066	243,252	420,268
DEPRECIATION							
At 1 January 2009	–	3,640	9,368	10,135	5,645	–	28,788
Provided for year	–	1,159	2,400	3,801	1,542	–	8,902
Eliminated on disposals	–	–	(30)	(1,750)	(390)	–	(2,170)
At 31 December 2009 and 1 January 2010	–	4,799	11,738	12,186	6,797	–	35,520
Provided for the year	895	1,370	2,310	4,345	2,138	–	11,058
Eliminated on disposals	–	–	–	(408)	(336)	–	(744)
At 31 December 2010	895	6,169	14,048	16,123	8,599	–	45,834
CARRYING AMOUNTS							
At 31 December 2010	53,594	33,606	11,514	22,001	10,467	243,252	374,434
At 31 December 2009	–	19,447	9,413	12,413	3,952	118,305	163,530

Notes:

(i) During the year ended 31 December 2010, buildings of RMB5,348,000 were transferred from completed properties for sale as a result of the change in use of property. No such transfer was made during the year ended 31 December 2009.

(ii) During the year ended 31 December 2010, RMB137,277,000 (2009: RMB66,999,000) was transferred from properties under development for sale as a result of change in intended use to operate hotel business as approved by the management of the Group.

15. Property, Plant and Equipment (continued)

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	5–10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 10 years

At 31 December 2010, certain of the Group's buildings and construction in progress with carrying amounts of RMB10,384,000 (2009: RMB11,122,000) and RMB233,688,000 (2009: RMB80,273,000) respectively, were pledged to banks to secure certain banking facilities granted to the Group.

16. Investment Properties

	Completed RMB'000	Under development RMB'000	Total RMB'000
FAIR VALUE OR COST			
At 1 January 2009	476,079	–	476,079
Additions	–	76,766	76,766
Disposals	(5,953)	–	(5,953)
Net change in fair value recognised in profit or loss	26,870	7,606	34,476
At 31 December 2009 and 1 January 2010	496,996	84,372	581,368
Transfer from deposits paid for acquisition of a property project	86,523	265,533	352,056
Acquisition of assets and liabilities through acquisition of subsidiaries (note 38(a))	6,717	–	6,717
Additions	–	330,519	195,589
Transfer from completed properties for sale (note 28)	106,556	–	106,556
Transfers upon completion of construction work	160,507	(160,507)	–
Net change in fair value recognised in profit or loss	(12,769)	333,230	320,461
At 31 December 2010	844,530	853,147	1,697,677

At 31 December 2010, the fair values of the Group's completed investment properties of approximately RMB844,530,000 (2009: RMB496,996,000) and investment properties under development of approximately RMB682,815,000 (2009: RMB26,602,000) at the end of the reporting period were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited. Jones Lang LaSalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under development has been arrived at using the capitalisation of net income derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development, the developer's profit and percentage of completion of the properties.

16. Investment Properties (continued)

At 31 December 2010, the Group has concluded the fair value of certain investment properties under development with carrying amounts of approximately RMB170,332,000 (2009: RMB57,770,000) are not reliably determinable on a continuing basis, therefore, these investment properties under development continued to be measured at cost until its fair value becomes reliably determinable or construction is completed.

At 31 December 2010, investment properties with fair value of RMB476,825,000 (2009: RMB164,470,000) represents completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there was no special provisions to obtain any title certificates, according to the relevant laws and regulations in Shenzhen, Suzhou and Tianjin areas.

At 31 December 2010, certain of the Group's investment properties with an aggregate fair value of approximately RMB325,457,000 (2009: RMB301,535,000) were pledged to banks to secure the banking facilities granted to the Group.

The investment properties are held under medium-term and long-term lease in the PRC.

17. Interests in Associates

	2010 RMB'000	2009 RMB'000
Cost of investment, unlisted	7,250	6,750
Share of post-acquisition results	(6,344)	(6,750)
Deemed capital contributions	16,889	12,941
	17,795	12,941

Included in interests in associates are fair value adjustments of RMB16,889,000 (2009: RMB12,941,000) on interest-free non-current advance to an associate. For details, please refer to note 18.

During the year ended 31 December 2010, a discount on acquisition of RMB385,000, arising on the acquisition of Yuezhong Property Management Company Limited (越眾物業管理有限公司) has been included as income in the determination of the Group's share of results of associates.

As at 31 December 2010 and 2009, the Group had interests in the following associates:

Name of associate	Registered capital	Equity interest attributable to the Group as at 31 December 2010	2009	Principal activities
東莞市歐普泰建築技術有限公司 Dongguan Ouputai Architecture Technology Company Limited	RMB3,000,000	30%	30%	Property consulting
東莞市左庭右院實業投資有限公司 Dongguan Zuoting Youyuan	RMB18,000,000	37.5%	37.5%	Property development
越眾物業管理有限公司 Yuezhong Property Management Company Limited	RMB5,000,000	50%	–	Property management

17. Interests in Associates (continued)

The summarised financial information in respect of the Group's associates is set out below:

	2010 RMB'000	2009 RMB'000
Total assets	299,311	266,577
Total liabilities	303,389	270,695
Net liabilities	(4,078)	(4,118)
Group's share of net assets of associates	906	–

	2010 RMB'000	2009 RMB'000
Revenue	2,443	–
Loss and total comprehensive expense for the year	(1,729)	(7,802)
Group's share of results of associates (note)	(258)	(2,926)

Note: During the year ended 31 December 2010, the unrecognised share of loss of associates was approximately RMB279,000 (2009: RMB1,027,000). In the opinion of directors, there are no significant unrecognised share of capital commitment and contingent liabilities at the end of the reporting period.

18. Advance to an Associate

	2010 RMB'000	2009 RMB'000
Dongguan Zuoting Youyuan	72,041	72,396

The amount represents the advance to an associate which are non-trade nature and will not be recoverable within one year from the end of respective reporting period and therefore considered as a non-current asset. The amount is unsecured, interest-free and measured at amortised cost using the effective interest method at the borrowing rate of 5.48% (2009: 4.96%) per annum.

19. Prepaid Lease Payments

The Group's prepaid lease payments comprise:

	2010 RMB'000	2009 RMB'000
Leasehold land in the PRC		
Medium-term lease	64,700	169,161
Long-term lease	288,226	–
	352,926	169,161
Analysed for reporting purposes as:		
Current asset	6,881	4,704
Non-current asset	346,045	164,457
	352,926	169,161

During the year ended 31 December 2010, the Group acquired prepaid lease payments of approximately RMB1,008,907,000 (2009: RMB100,512,000) through the acquisition of subsidiaries as disclosed in note 38(a).

During the year ended 31 December 2010, the Group acquired prepaid lease payments of approximately RMB700,696,000 (2009: nil) through public auction.

During the year ended 31 December 2010, prepaid lease payments of approximately RMB2,957,000 (2009:RMB68,653,000) were transferred from properties under development for sale as a result of change in intended use to the land to operate hotel business. Amortisation charge of RMB1,613,000 (2009: RMB832,000) provided for the leasehold land is capitalised into construction in progress. The capitalisation of amortisation charge will cease when the assets are ready for their intended use.

During the year ended 31 December 2010, prepaid lease payments of RMB1,519,143,000 was transferred to properties under development for sale upon commencement of the related construction work in certain property development projects (2009: nil).

At 31 December 2010, the Group was in the process of obtaining the land use right certificate for a prepaid lease payment with an aggregate carrying amount of approximately RMB120,675,000 (2009: nil).

At 31 December 2010, certain of the Group's prepaid lease payments with a carrying amount of approximately RMB148,237,000 (2009: RMB67,643,000) were pledged to banks to secure the banking facilities granted to the Group.

20. Premium on Prepaid Lease Payments

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC under medium-term and long-term lease acquired through purchase of subsidiaries during the year and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2009	–
Acquisition of assets and liabilities through acquisition of a subsidiary (note 38(a))	47,579
At 31 December 2009 and 1 January 2010	47,579
Acquisition of assets and liabilities through acquisition of subsidiaries (note 38(a))	814,509
Transfer to properties under development for sale (Note)	(494,570)
At 31 December 2010	367,518
AMORTISATION	
At 1 January 2009	–
Amortised for the year	357
At 31 December 2009 and 1 January 2010	357
Amortised for the year	3,997
Eliminated on transfer to properties under development for sale (Note)	(2,140)
At 31 December 2010	2,214
CARRYING AMOUNTS	
At 31 December 2010	365,304
At 31 December 2009	47,222

	2010 RMB'000	2009 RMB'000
Analysed for reporting purposes as:		
Current asset	6,101	1,428
Non-current asset	359,203	45,794
	365,304	47,222

Note: During the year ended 31 December 2010 premium on prepaid lease payments with carrying amount of approximately RMB492,430,000 was transferred to properties under development for sales upon commencement of the related construction work in certain property development projects (2009: nil).

21. Land Development Expenditure

	2010 RMB'000	2009 RMB'000
Cost incurred	393,849	–

In September 2009, the Group entered into agreements ("Agreements") with the People's Government of Pixian County ("Pixian Government") relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province ("Land Development Project"). Under the Agreements, the Group is responsible for preparing overall plans and detailed designs of the culture park including the improvement for parcels of land and its ancillary facilities pursuant to the guidelines set by the Pixian Government as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred in respect of the road construction, demolition and resettlement work during the year ended 31 December 2010.

Pixian Government is required to arrange public auction for these parcels of land after 30 days that the Group completed the road construction, demolition and resettlement work and the Pixian Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreements.

The Land Development Project is not expected to be completed within the normal operating cycle of the Group and accordingly is classified as non-current assets.

22. Deposits Paid for Acquisition of Land Use Rights

During the year ended 31 December 2010, the Group has made deposits of approximately RMB763,095,000 in relation to acquisition of land use rights from independent third parties (2009: nil). The aforesaid deposits relates to land use rights acquired for development of properties for sale in the ordinary course of business and are therefore classified as current assets. In the opinion of the directors, the aforesaid transaction is expected to be completed within twelve months from the end of the reporting period.

23. Deposits Paid for Acquisition of Subsidiaries

During the year ended 31 December 2009, the Group has made deposits of approximately RMB423,000,000 in relation to the acquisition of 100% equity interests in Suzhou Huawanli Real Estate Company Limited (蘇州花萬里房地產開發有限公司) ("Suzhou Huawanli") and 100% equity interests in Suzhou LKN Real Estate Company Limited (蘇州林甲岩房產發展有限公司) ("Suzhou LKN") from independent third parties. The aforesaid companies are principally engaged in the PRC property development. The aforesaid transaction was completed on 20 April 2010 as disclosed in note 38(a).

24. Deposits Paid for Acquisition of a Property Project

During the year ended 31 December 2010, the Group has made deposit of approximately RMB37,000,000 in relation to the acquisition of a property project from an independent property developer. The aforesaid deposit relates to acquisition of a building for hotel operations and is therefore classified as non-current assets. At the date these consolidated financial statements were authorised for issue, the acquisition of a property project has not been completed.

During the year ended 31 December 2009, the Group has made deposits of approximately RMB704,112,000 in relation to the acquisition of a property project from an independent property developer. Included in the deposits, the amount of approximately RMB352,056,000 relates to investment properties under development and buildings for own use, therefore classified as non-current assets. The remaining amount of approximately RMB352,056,000 relates to properties under development for future sales and therefore included in trade and other receivables and classified as current assets. The acquisition was subsequently completed in January 2010.

25. Goodwill

	RMB'000
COST	
At 1 January 2009 and 31 December 2009	24,820
Arising on acquisition of business (note 38(b))	5,375
At 31 December 2010	30,195
IMPAIRMENT	
At 1 January 2009 and 31 December 2009	24,820
Impairment loss recognised for the year	5,375
At 31 December 2010	30,195
CARRYING AMOUNTS	
At 31 December 2010	–
At 31 December 2009	–

On 31 March 2010, the Group acquired 75% equity interests in Shenzhen Hui Gang (defined in note 2) from an independent third party at a consideration of approximately RMB5,500,000 (note 38(b)). Shenzhen Hui Gang is principally engaged in provision of property operation services and was acquired with the objective of expansion of property operation services.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination.

26. Impairment Testing on Goodwill

In the opinion of the directors, the performance of Shenzhen Hui Gang in the future years assessed at the end of the reporting period is not as good as expected at the time of the acquisition due to the vigorous competition among other competitors and therefore impairment loss of RMB5,375,000 is recognised during the year.

For the purposes of impairment testing, goodwill set out in note 25 has been allocated to one individual CGU, which is engaged in provision of property operation services. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2010 allocated to this CGU is nil (2009: nil).

27. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements during the current and prior year are as follows:

	Fair value adjustment of investment properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Others (note) RMB'000	Total RMB'000
At 1 January 2009	67,353	(4,507)	(22,902)	(22,484)	17,460
Charge (credit) to profit or loss	10,556	(2,427)	(22,870)	(54,496)	(69,237)
Underprovision of deferred tax assets	–	–	(1,977)	(2,784)	(4,761)
At 31 December 2009 and 1 January 2010	77,909	(6,934)	(47,749)	(79,764)	(56,538)
Charge (credit) to profit or loss	96,947	4,849	21,246	(88,242)	34,800
Underprovision of deferred tax assets	–	(166)	–	(7,479)	(7,645)
At 31 December 2010	174,856	(2,251)	(26,503)	(175,485)	29,383

Note: Others mainly represents the deductible temporary difference arising from LAT provision.

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

	2010 RMB'000	2009 RMB'000
Deferred tax assets	(157,504)	(88,818)
Deferred tax liabilities	128,121	32,280
	(29,383)	(56,538)

27. Deferred Taxation (continued)

At 31 December 2010, the Group had unutilised tax losses of approximately RMB355,677,000 (2009: RMB306,595,000). A deferred tax asset has been recognised in respect of approximately RMB106,032,000 (2009: RMB198,930,000) of such tax losses . No deferred tax asset has been recognised in respect of the remaining tax losses of RMB249,645,000 (2009: RMB107,665,000) due to the unpredictability of future profits streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2010 RMB'000	2009 RMB'000
2010	–	7,640
2011	1,922	2,683
2012	33,965	40,113
2013	21,780	22,162
2014	15,384	20,145
2015	139,014	–
No expiry	37,580	14,922
	249,645	107,665

At 31 December 2010, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB1,783,074,000 (2009: RMB721,481,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

28. Properties for Sale

	2010 RMB'000	2009 RMB'000
Completed properties for sale	1,151,391	319,132
Properties under development for sale	6,493,191	4,257,804
	7,644,582	4,576,936

At 31 December 2010, certain of the Group's properties for sale with a carrying amount of RMB2,048,054,000 (2009: RMB2,522,991,000) were pledged to secure certain banking facilities granted to the Group.

At 31 December 2010, the Group was in the process of obtaining the land use right certificates for certain properties with an aggregate carrying amount of approximately RMB7,830,000 (2009: nil).

During the year ended 31 December 2010, the Group has completed the acquisition of a property project from an independent property developer amounting to approximately RMB352,056,000 (2009: nil).

During the year ended 31 December 2010, RMB142,625,000 (2009: RMB66,999,000) and RMB2,957,000 (2009: RMB68,653,000) were transferred to construction in progress under property, plant and equipment and prepaid lease payments, respectively, as a result of change in intended use to operate hotel business and for self own used buildings as approved by the management of the Group.

28. Properties for Sale (continued)

During the year ended 31 December 2010, completed properties for sale with an aggregate amount of approximately RMB39,230,000 (2009: nil) were transferred to investment properties upon signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to approximately RMB67,326,000 (2009: nil) were recognised in the consolidated statement of comprehensive income

Included in the amount are properties under development for sale of approximately RMB1,328,233,000 (2009: RMB2,060,976,000) in relation to property development projects that are expected to complete after one year from the end of the reporting periods.

29. Trade and Other Receivables

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, normally within 30 days from date of the sales and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and service fee income is received in accordance with the terms of the relevant property service agreements, normally within 30-90 days from the issuance of invoices.

Hotel operation income is in the form of cash sales.

	2010 RMB'000	2009 RMB'000
Trade receivables	116,301	105,301
Other receivables	90,403	85,048
Deposits for the auction in respect of the sale of land (Note i)	–	143,000
Deposits for the acquisition of properties for sale (note 24)	–	352,056
Prepayments and other deposits	44,733	99,591
Prepayments for suppliers	336,598	143,433
Prepayments for construction work	339,971	–
Other tax prepayment (Note ii)	49,173	59,532
	977,179	987,961

Notes:

(i) The amount represented the deposits paid for the auction in respect of the acquisition of land in Shanghai. Subsequent to 31 December 2009, the Group did not win the auction and the relevant deposits were refunded to the Group in January 2010.

(ii) During the year ended 31 December 2010, the Group is required to prepay business tax amounting to approximately RMB159,252,000 (2009: RMB116,381,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. As at 31 December 2010, amount of approximately RMB48,938,000 (2009: RMB57,948,000) has been prepaid and included in other tax prepayment.

29. Trade and Other Receivables (continued)

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
0 to 30 days	87,063	86,481
31 to 90 days	10,229	10,634
91 to 180 days	5,544	4,082
181 to 365 days	10,576	1,465
Over 1 year	2,889	2,639
	116,301	105,301

For property investment and property operating services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customers. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

At 31 December 2010, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB28,692,000 (2009: RMB13,199,000) which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2010 RMB'000	2009 RMB'000
31 to 90 days	9,683	5,031
91 to 180 days	5,544	4,064
181 to 365 days	10,576	1,465
Over 1 year	2,889	2,639
	28,692	13,199

29. Trade and Other Receivables (continued)

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2010 RMB'000	2009 RMB'000
Balance at beginning of the year	1,520	2,513
Impairment losses reversed	(103)	(223)
Impairment losses written off	(1,520)	(1,218)
Impairment losses recognised	3,040	448
Balance at end of the year	2,937	1,520

As at 31 December 2010, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB2,937,000 (2009: RMB1,520,000) of which the debtors have been in dispute with the Group.

30. Prepayment to a Related Party for Construction Work

	2010 RMB'000	2009 RMB'000
惠州市國勝土石方工程有限公司 Huizhou Guosheng Tushifang Industry Company Limited ("Huizhou Guosheng") (note)	7,500	–

Note: Huizhou Guosheng held 24% equity interests in a subsidiary of the Company.

The balance represents the prepayment for construction work in a property development for sale project and hence is trade in nature. The construction work is expected to utilise within twelve months from the end of the reporting period.

The amount is unsecured and non-interest bearing.

31. Amounts Due from Customers for Contract Works

	2010 RMB'000	2009 RMB'000
Contract costs incurred plus recognised profits less recognised losses	55,034	32,173
Less: Progress billings	(39,095)	(28,365)
	15,939	3,808

No retentions held by customers for contract works for installation contracts was included in amounts due from customers for contract works.

No advance from customers prior to commencement of contract works had been received during the years ended 31 December 2010 and 2009.

32. Restricted Bank Deposits/Bank Balances and Cash

Restricted bank deposits

The deposits carry interest rates ranging from 0.36% to 0.72% (2009: 0.36% to 0.72%) per annum. The restricted bank deposits will be released upon the buyers obtaining the individual property ownership certificate.

Bank balances and cash

The bank balances carry variable interest rates ranging from 0.36% to 2.25% (2009: 0.36% to 0.76%) per annum.

At 31 December 2010, bank balances of the Group denominated in USD, foreign currency of the relevant group entities, are approximately RMB17,376,000 (2009: RMB1,413,000).

At 31 December 2010, bank balances of the Group denominated in HKD, foreign currency of the relevant group entities, are approximately RMB520,692,000 (2009: RMB1,868,114,000).

33. Trade and Other Payables

	2010 RMB'000	2009 RMB'000
Trade payables	1,319,641	652,710
Other payables	220,721	111,253
Other tax payables	36,520	34,906
Payroll payable	20,192	26,503
Welfare payable	2,895	2,813
Retention payable	16,442	27,996
Consideration payable (note 38(a))	63,900	–
Accruals	6,407	17,616
	1,686,718	873,797

Trade payables principally comprise amounts outstanding for purchase of materials for the construction of properties for sale, investment properties and hotels and ongoing expenditures. The average credit period for purchase of construction materials ranged from 6 months to 1 year.

33. Trade and Other Payables (continued)

The following is an aged analysis of the Group's trade payables and retention payable presented based on the invoice date at the end of the reporting period:

	2010 RMB'000	2009 RMB'000
0 to 60 days	881,583	536,031
61 to 180 days	346,243	50,392
181 to 365 days	67,903	66,287
1 – 2 years	37,944	26,283
2 – 3 years	1,272	275
Over 3 years	1,138	1,438
	1,336,083	680,706

At 31 December 2010, the balances of approximately RMB16,442,000 (2009: RMB27,996,000) with age over 1 year represent the retention money of approximately 5% to 10% of the construction contract price.

34. Amount Due to a Related Party

	2010 RMB'000	2009 RMB'000
Tianjin Songjiang Group Company Limited 天津松江集團有限公司 ("Songjiang Group") (note)	100,549	100,859
Analysed for reporting purposes as:		
Current liabilities	100,549	1,519
Non-current liabilities	–	99,340
	100,549	100,859

Note: Songjiang Group held 40% equity interests in a subsidiary of the Company. Pursuant to the agreement entered into between the Group and Songjiang Group in April 2009, the full amount with Songjiang Group has changed to interest bearing which carried fixed interest rate at 7.02% per annum with effect from 10 April 2009 and is fully repayable on 9 April 2011.

The balance represents the advance from a related party which is non-trade nature.

35. Borrowings

	2010 RMB'000	2009 RMB'000
Bank loans	4,306,986	2,994,070
Other loans	468,000	446,000
	4,774,986	3,440,070
Secured	4,206,986	3,044,070
Unsecured	568,000	396,000
	4,774,986	3,440,070
Carrying amount repayable*:		
Within one year	1,933,270	1,266,320
More than one year, but not exceeding two years	1,860,000	1,422,000
More than two years, but not exceeding five years	875,861	726,750
More than five years	105,855	25,000
	4,774,986	3,440,070
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(199,111)	–
Less: Amounts due within one year shown under current liabilities	(1,933,270)	(1,266,320)
	2,642,605	2,173,750

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2010, all borrowings are denominated in RMB except that secured borrowings amounting to approximately RMB662,270,000 (2009: RMB682,820,000) and RMB199,111,000 (2009: nil) are denominated in USD and HKD respectively, foreign currency of relevant group entities.

The analysis of the Group's fixed-rate borrowings based on their contractual maturity dates are as follows:

	2010 RMB'000	2009 RMB'000
Fixed-rate borrowings:		
Within one year	100,000	300,000
More than one year, but not exceeding two years	220,000	–
More than two years, but not exceeding five year	–	350,000
	320,000	650,000

35. Borrowings (continued)

In addition, the Group has variable-rate borrowings which carry interest linked to LIBOR, HIBOR and Benchmark Rate. Interest is repriced every six months. The analysis of the Group's variable rate borrowings based on their contractual maturity dates are as follows:

	2010 RMB'000	2009 RMB'000
Variable-rate borrowings:		
Within one year	1,833,270	966,320
More than one year, but not exceeding two years	1,640,000	1,422,000
More than two years, but not exceeding five years	875,861	376,750
More than five years	105,855	25,000
	4,454,986	2,790,070

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	2010	2009
Effective interest rate:		
Fixed-rate borrowings	5.37% per annum	5.36% per annum
Variable-rate borrowings		
LIBOR	+2% per annum	+1% per annum
HIBOR	+2% per annum	N/A
Benchmark Rate	-1.03% to +7.10% per annum	-0.27% to +1.08% per annum

36. Senior Notes

On 12 May 2010, the Company issued senior notes in an aggregate principal amount of US$120,000,000 (the "Notes"). The issue price is 98.264% of the principal amount of the Notes. The Notes are listed on the Singapore Exchange Securities Trading Limited. The Notes carry interest of 14% per annum and interest is payable semi-annually on 12 May and 12 November in arrears. The Notes will mature on 12 May 2015, unless redeemed earlier.

At any time, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus applicable premium as defined in the offering memorandum of the Company dated 5 May 2010 ("Applicable Premium") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable premium is the greater of (1) 1% of the principal amount of such Notes and (2) the excess of the amount equivalent to the principal amount and related interest up to 12 May 2015 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 12 May 2013, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 114% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

36. Senior Notes (continued)

The Notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.89% per annum to the liability component since the Notes were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2010.

The movements of the liability component in the Notes during the year are set out below:

	RMB'000
Net proceeds on the date of issuance	794,076
Exchange gains	(23,777)
Interest expenses (note 9)	74,589
Less: Interest paid to Notes holders	(57,558)
Carrying amount as at 31 December 2010	787,330

The fair value of the Notes at 31 December 2010 amounted to approximately RMB812,539,000. The fair value is calculated using the market price of the Notes at the end of reporting period (or the nearest day of trading).

37. Share Capital

	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2009	1,000,000	100,000	90
Increase on 27 October 2009 (note 1)	7,999,000,000	799,900,000	703,918
On 31 December 2009, 1 January 2010 and 31 December 2010	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2009	100,000	10,000	9
Capitalisation issue (note 1)	3,644,900,000	364,490,000	321,115
Issue of new shares (note 2)	1,228,888,750	122,888,875	108,265
On 31 December 2009, 1 January 2010 and 31 December 2010	4,873,888,750	487,388,875	429,389

Notes:

(1) Pursuant to written resolutions of all the shareholders passed on 27 October 2009, the authorised share capital of the Company was increased from HK$100,000 to HK$800,000,000 which rank pari passu in all respects with the shares then in issue. In addition, the directors were authorised, and resolved, to capitalise HK$364,490,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 3,644,900,000 shares.

(2) On 25 November 2009, the Company issued 1,215,000,000 shares with a nominal value of HK$0.1 each, at a price of HK$2.18 per share by way of a global offering to Hong Kong and overseas investors. On 22 December 2009, over-allotment of 13,888,750 shares of HK$0.1 each in the Company at a price of HK$2.18 per share was issued pursuant to the international underwriting agreement.

Shares issued by the Company during the year ended 31 December 2009 rank pari passu with each other in all respects.

38. Acquisition of Subsidiaries

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2010

On 20 April 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Suzhou Huawanli from independent third parties at a consideration of approximately RMB 219,215,000.

On 20 April 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Suzhou LKN from independent third parties at a consideration of approximately RMB 226,383,000.

On 30 June 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Dongguan Huaqianli Property Development Company Limited (東莞花千里房地產開發有限公司) from independent third parties at a consideration of approximately RMB10,000,000.

On 30 June 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Shenzhen Gaohua Investment Limited (深圳高華投資有限公司) and its subsidiaries from independent third parties at a consideration of approximately RMB200,000,000.

On 7 September 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Chengdu Nuoyazhou Development Company Limited (成都市諾亞舟實業有限公司) from independent third parties at a consideration of approximately RMB100,000,000.

On 17 December 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interest in Jiangsu Dongfa Real Estate Company Limited (江蘇東發置業有限公司) from independent third parties at a consideration of approximately RMB20,000,000.

On 24 December 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Guilin Wanhao Property Development Limited (桂林萬豪房地產開發有限公司) from independent third parties at a consideration of approximately RMB153,144,000.

On 24 December 2010, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Guilin Juhao Property Development Limited (桂林聚豪房地產開發有限公司) from independent third parties at a consideration of approximately RMB176,197,000.

In addition to the considerations set out above, the Group made an aggregate payment of RMB827,250,000 owed by the acquirees to the respective vendors as at the date of the acquisition. The aforesaid amounts formed part of the consideration paid for the above acquisition.

38. Acquisition of Subsidiaries (continued)

(a) **Acquisition of assets and liabilities through acquisition of subsidiaries** (continued)

For the year ended 31 December 2010 (continued)

The above transactions were accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions are summarised below:

	RMB'000
Net assets acquired	
Property, plant and equipment	362
Investment properties	6,717
Prepaid lease payments	1,008,907
Premium on prepaid lease payments	814,509
Completed properties for sale	15,460
Properties under development for sale	45,793
Other receivables	18,292
Tax recoverable	1,487
Bank balances and cash	33,963
Other payables	(13,301)
	1,932,189
Total consideration satisfied by	
Cash	1,445,289
Deposits paid for acquisition of subsidiaries (note 23)	423,000
Consideration payable due for settlement within one year	63,900
	1,932,189
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid during the year	(1,445,289)
Bank balances and cash acquired	33,963
	(1,411,326)

38. Acquisition of Subsidiaries (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2009

On 25 September 2009, the Group acquired the assets and liabilities of a property project through the acquisition of 100% equity interests in Shenzhen Huiheng Property Company Limited ("Shenzhen Huiheng") from independent third parties at a consideration of approximately RMB10,000,000.

The above transaction was accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transaction are summarised below:

	RMB'000
Net assets acquired	
Prepaid lease payments	100,512
Premium on prepaid lease payments	47,579
Other receivables	70
Bank balances and cash	1
Amount due to a subsidiary of the Company	(138,000)
Other payables	(162)
	10,000
Total consideration satisfied by cash	10,000
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid	(10,000)
Bank balances and cash acquired	1
	(9,999)

38. Acquisition of Subsidiaries (continued)

(b) Acquisition of business

For the year ended 31 December 2010

On 31 March 2010, the Group acquired 75% equity interests in Shenzhen Hui Gang from an independent third party at a consideration of approximately RMB5,500,000.

Shenzhen Hui Gang principally engaged in provision of property operation services and was acquired with the objective of expansion of property operation services.

Consideration transferred

	RMB'000
Cash	5,500

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the "administrative expenses" line item in the consolidated statement of comprehensive income.

Assets and liabilities recognised at the date of acquisition

	RMB'000
Net assets acquired	
Property, plant and equipment	875
Other receivables	227
Bank balances and cash	4,092
Trade and other payables	(4,948)
Tax payable	(79)
	167

The other receivables acquired with a fair value of approximately RMB227,000 had gross contractual amounts of approximately RMB227,000.

38. Acquisition of Subsidiaries (continued)

(b) Acquisition of business (continued)

For the year ended 31 December 2010 (continued)

Non-controlling interests

The non-controlling interests in Shenzhen Hui Gang amounting to approximately RMB42,000, was measured by reference to the proportionate share of the acquiree's net identifiable assets at the acquisition date.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	5,500
Plus: non-controlling interests	42
Less: fair value of net identifiable assets acquired	(167)
Goodwill arising on acquisition	5,375

Goodwill arose on the acquisition of Shenzhen Hui Gang because the acquisition included the future profitability of Shenzhen Hui Gang as at acquisition date. These assets could not be separately recognised from goodwill because they are not capable of being separated from Shenzhen Hui Gang and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	(5,500)
Bank balances and cash acquired	4,092
	(1,408)

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB974,000 attributable to the additional business generated by Shenzhen Hui Gang. Revenue for the year includes approximately RMB5,694,000 generated from Shenzhen Hui Gang.

Had the above acquisitions been completed on 1 January 2010, total group revenue for the year would have been approximately RMB4,473,011,000, and profit for the year would have been approximately RMB961,594,000.

The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

39. Operating Lease Commitments

The Group as lessee

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

	2010 RMB'000	2009 RMB'000
Within one year	7,195	5,119
In the second to the fifth year inclusive	20,037	16,473
After the fifth year	10,190	16,531
	37,422	38,123

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 10 years with fixed rentals.

The Group as lessor

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

	2010 RMB'000	2009 RMB'000
Within one year	14,960	9,377
In the second to the fifth year inclusive	50,530	29,467
After the fifth year	115,668	59,426
	181,158	98,270

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

40. Other Commitments

	2010 RMB'000	2009 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	1,631,646	997,326
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	50,366	23,502
Construction commitments in respect of hotels contracted for but not provided in the consolidated financial statements	83,455	39,582
Commitment in respect of acquisition of land use rights contracted for but not provided in the consolidated financial statements	140,000	–

41. Retirement Benefits Plans

The Group operates a mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes lower of 5% of relevant payroll costs or HK$1,000 per person to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

42. Contingent Liabilities

	2010 RMB'000	2009 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,689,775	1,626,282

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

43. Related Party Disclosures

(1) During the year, in addition to those disclosed in notes 17, 18, 30 and 34, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	2010 RMB'000	2009 RMB'000
惠東縣大亞灣三角洲島俱樂部有限公司 Huidong Dayawan San Jiao Zhou Recreation Company Limited	Company controlled by Ms. Zeng Jie, a controlling shareholder and director of the Company	Management service fee received	500	500
深圳喜福會會所管理有限公司 Shenzhen Xi Fu Hui Club Management Company Limited	Company controlled by Ms. Zeng Jie, a controlling shareholder and director of the Company	Property rental income received	301	301

During the year ended 31 December 2010, the Group sold certain properties to its key management personnel of the Group, at a consideration of approximately RMB10,704,000 (2009: RMB6,738,000).

43. Related Party Disclosures (continued)

(2) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2010 RMB'000	2009 RMB'000
Short-term benefit	52,768	28,060
Post-employment benefit	1,353	862
	54,121	28,922

44. Particulars of Principal Subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2010	2009	Principal activities	Legal form
Winning Sky International Limited	The BVI 8 March 2006	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Fantastic Victory Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Wisdom Regal Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Ace Link Pacific Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Precise Idea Limited	The BVI 17 June 2009	US$1	100% (directly)	100% (directly)	Investment holding	Private limited liability
Talent Bright International Limited	The BVI 17 June 2009	US$1	100% (directly)	100% (directly)	Investment holding	Private limited liability
香港花樣年投資控股集團有限公司 Fantasia Investment Holdings Company Limited ("Fantasia Investment Holdings")	Hong Kong 19 February 2001	HK$10,000	100%	100%	Investment holding	Private limited liability
悦泰投資有限公司 Joytime Investment Limited	Hong Kong 6 November 2007	HK$10,000	100%	100%	Investment holding	Private limited liability

44. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2010	2009	Principal activities	Legal form
金展集團有限公司 Gold Genius Holdings Limited	Hong Kong 8 November 2007	HK$10,000	100%	100%	Investment holding	Private limited liability
花樣年酒店管理(國際)有限公司 Fantasia Hotel Management (International) Company Limited	Hong Kong 15 July 2009	HK$1	100%	100%	Investment holding	Private limited liability
花樣年物業管理(國際)有限公司 Fantasia Property Management (International) Company Limited	Hong Kong 15 July 2009	HK$1	100%	100%	Investment holding	Private limited liability
香港康年貿易有限公司 Hong Kong Kangnian Trading Company Limited	Hong Kong 24 September 2009	US$500,000	100%	100%	Trading and investment holding	Private limited liability
花樣年集團(中國)有限公司 Fantasia Group (China) Company Limited*	The PRC 20 January 2006	RMB1,024,843,500	100%	100%	Investment holding and property development	Limited liability company
天津松江花樣年置業有限公司 Tianjin Songjiang Fantasia Real Estate Company Limited*	The PRC 29 May 2006	RMB50,000,000	60%	60%	Property development	Limited liability company
深圳市花樣年投資發展有限公司 Shenzhen Fantasia Investment Development Company Limited* ("Shenzhen Fantasia")	The PRC 28 September 1996	RMB100,000,000	52%	52%	Investment holding, property development and investment	Limited liability company
深圳市星彥地產顧問有限公司 Shenzhen Xingyan Property Consultancy Company Limited*	The PRC 21 February 2000	RMB3,000,000	85%	85%	Provision of property agency services	Limited liability company
深圳市花樣年彩生活科技有限公司 Shenzhen Fantasia Colour Life Technology Company Limited* ("Fantasia Colour Life")	The PRC 25 August 2006	RMB10,000,000	70%	70%	Investment holding	Limited liability company
惠州大亞灣花萬里實業有限公司 Huizhou Daya Bay Huawanli Industry Company Limited*	The PRC 8 June 2007	RMB51,000,000	100%	100%	Property development	Limited liability company
天津市花樣年投資有限公司 Tianjin Fantasia Investment Company Limited*	The PRC 12 June 2006	RMB10,000,000	100%	100%	Property development	Limited liability company

44. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2010	2009	Principal activities	Legal form
成都通和置業有限公司 Chengdu Tonghe Real Estate Company Limited*	The PRC 18 October 2001	RMB75,610,000	100%	100%	Property development and investment	Limited liability company
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Company Limited*	The PRC 28 August 2006	RMB660,339,487	100%	100%	Investment holding	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Company Limited*	The PRC 1 July 1994	RMB946,843,500	100%	100%	Property development and investment	Limited liability company
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited*	The PRC 25 May 1994	RMB10,000,000	100%	100%	Provision of interior design services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Company Limited*#	The PRC 11 December 2000	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Company Limited*#	The PRC 12 June 2007	RMB10,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited*#	The PRC 15 November 2001	RMB5,000,000	100%	100%	Provision of security system design, installation and maintenance services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Company Limited*#	The PRC 16 November 1999	RMB3,000,000	100%	100%	Provision of property operation services	Limited liability company
花樣年實業發展(成都)有限公司 Fantasia (Chengdu) Development Company Limited*^	The PRC 4 July 2001	RMB50,000,000	90%	90%	Property development and investment	Limited liability company
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Development Company Limited*	The PRC 7 September 2006	RMB1,344,970,000	100%	100%	Property development	Limited liability company

44. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2010	2009	Principal activities	Legal form
成都花萬里置業有限公司 Chengdu Huawanli Real Estate Company Limited*	The PRC 25 October 2005	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Company Limited*	The PRC 6 November 2006	RMB704,680,000	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Company Limited*	The PRC 22 May 2003	RMB30,000,000	100%	100%	Property development	Limited liability company
東莞市花樣年房地產投資有限公司 Dongguan Fantasia Real Estate Investment Company Limited*	The PRC 4 December 2006	RMB30,000,000	100%	100%	Property development	Limited liability company
雅浩科技發展(深圳)有限公司 Yahao Technology Development (Shenzhen) Company Limited*	The PRC 25 August 2005	HKD1,000,000	100%	100%	Investment holding	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited*	The PRC 9 February 2007	RMB87,250,000	100%	100%	Property development and investment	Limited liability company
四川西美投資有限公司 Sichuan Ximei Investment Company Limited*	The PRC 7 June 2004	RMB500,000,000	100%	100%	Property development	Limited liability company
天津福大房地產銷售有限公司 Tianjin Fuda Real Estate Development Company Limited*	The PRC 18 October 2004	RMB45,000,000	100%	100%	Property development	Limited liability company
宜興市江南水鄉度假村有限公司 Yixing Jiangnan Shuixiang Tourism Resort Company Limited*	The PRC 19 April 2005	RMB28,000,000	60%	60%	Property development	Limited liability company
深圳市星彥行置業有限公司 Shenzhen Xingyanhang Property Company Limited*#	The PRC 23 April 2007	RMB4,000,000	92.65%	85%	Provision of agency services	Limited liability company
成都新津友幫房地產開發有限責任公司 Chengdu Xinjin Youbang Real Estate Development Company Limited*	The PRC 9 May 2004	RMB85,000,000	100%	100%	Property development	Limited liability company

44. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2010	2009	Principal activities	Legal form
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Company Limited*	The PRC 6 August 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Development Limited*	The PRC 22 August 2007	RMB320,000,000	100%	100%	Property development	Limited liability company
深圳花樣年商業管理有限公司 Shenzhen Fantasia Business Management Company Limited*	The PRC 3 June 2009	RMB100,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市花樣年酒店管理有限公司 Shenzhen Fantasia Hotel Management Company Limited*	The PRC 3 June 2009	RMB50,000,000	100%	100%	Hotel services	Limited liability company
深圳市彩悦酒店管理有限公司 Shenzhen Caiyue Hotel Management Company Limited*#	The PRC 20 August 2008	RMB100,000	100%	100%	Hotel services	Limited liability company
深圳市彩悦酒店有限公司 Shenzhen Caiyue Hotel Company Limited*#	The PRC 15 January 2009	RMB100,000	100%	100%	Hotel services	Limited liability company
寧夏回族自治區新聖基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited*	The PRC 22 July 2009	RMB20,000,000	100%	100%	Provision of construction services	Limited liability company
深圳滙恒置業有限公司 Shenzhen Huiheng Property Company Limited*	The PRC 20 April 2006	RMB10,000,000	100%	100%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Company Limited*	The PRC 14 August 2010	RMB100,000,000	100%	100%	Property development	Limited liability company
蘇州花萬里房地產開發有限公司 Suzhou Huawanli Real Estate Company Limited*	The PRC 9 September 2009	RMB180,000,000	100%	–	Property development	Limited liability company
蘇州林甲岩房產發展有限公司 Suzhou LKN Real Estate Company Limited*	The PRC 5 July 1994	RMB180,599,652	100%	–	Property development	Limited liability company

44. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2010	2009	Principal activities	Legal form
深圳市匯港物業管理有限公司 Shenzhen Hui Gang Property Management Company Limited*#	The PRC 12 April 2002	RMB3,000,000	75%	–	Provision of property operation services	Limited liability company
東莞市花千里房地產開發有限公司 Dongguan Huaqianli Property Development Company Limited*	The PRC 30 April 2010	RMB10,000,000	100%	N/A	Property development	Limited liability company
深圳市高華投資有限公司 Shenzhen Gaohua Investment Limited*	The PRC 12 March 2010	RMB200,000,000	100%	N/A	Investment holding, property development and investment	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Company Limited*	The PRC 17 June 2008	RMB300,000,000	100%	–	Property development	Limited liability company
江蘇東發置業有限公司 Jiangsu Dongfa Real Estate Company Limited*	The PRC 2 March 2009	RMB20,000,000	100%	–	Property development	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	–	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	–	Property development	Limited liability company

* The English name is for identification purpose only.

\# These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Fantasia Colour Life.

^ This subsidiary was held by a non-wholly owned subsidiary of the Company namely Shenzhen Fantasia and a wholly owned subsidiary of the Company namely Fantasia Investment Holdings.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

45. Events after the Reporting Period

(1) On 17 January 2011, Fantasia Group (China) Company Limited (花樣年集團（中國）有限公司) ("Fantasia Group"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party, whereby Fantasia Group agreed to sell 85% equity interest in a subsidiary of the Group which was engaged in provision of property operation services namely Shenzhen Xingyan Property Consultancy Company Limited (深圳市星彥地產顧問有限公司) ("Shenzhen Xingyan") for a consideration of approximately RMB21,250,000.

At the date these consolidated financial statements were authorised for issue, the aforesaid transaction has been completed.

(2) On 18 February 2011, Fantasia Group entered into an equity transfer agreement with an independent third party, whereby Fantasia Group agreed to sell 37.5% equity interest in and dispose of the advance to an associate of the Group. The associate was engaged in property development namely Dongguan Zuoting Youyuan for an consideration of approximately RMB96,000,000.

At the date these consolidated financial statements were authorised for issue, the aforesaid transaction has not been completed.

46. Financial Information of the Company

ASSETS AND LIABILITIES

	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	529,525	320,128
Advances to subsidiaries	3,821,106	2,663,242
	4,350,631	2,983,370
CURRENT ASSET		
Banks balances and cash	101,463	37,196
CURRENT LIABILITIES		
Amounts due to subsidiaries	383	383
Accruals	5,404	13,707
Borrowings	662,270	–
	668,057	14,090
NET CURRENT LIABILITIES	(566,594)	23,106
TOTAL ASSETS LESS CURRENT LIABILITIES	3,784,037	3,006,476
NON-CURRENT LIABILITY		
Senior notes	787,330	–
	2,996,707	3,006,476
CAPITAL AND RESERVES		
Share capital	429,389	429,389
Reserves	2,567,318	2,577,087
	2,996,707	3,006,476

Financial Summary

Results

	For the year ended 31 December				
	2006 RMB'000 (Note 1)	2007 RMB'000 (Note 1)	2008 RMB'000 (Note 1)	2009 RMB'000	2010 RMB'000
Revenue	342,339	772,057	1,174,211	2,458,673	4,471,234
Profit before taxation	263,855	166,819	254,071	776,495	1,789,678
Income tax expense	(86,268)	(82,552)	(156,550)	(407,050)	(828,708)
Profit for the year	177,587	84,267	97,521	369,445	960,970
Attributable to					
Owners of the Company	91,094	68,797	84,259	373,469	807,281
Non-controlling interests	86,493	15,470	13,262	(4,024)	153,689
	177,587	84,267	97,521	369,445	960,970

Assets and liabilities

	At 31 December				
	2006 RMB'000 (Note 1)	2007 RMB'000 (Note 1)	2008 RMB'000 (Note 1)	2009 RMB'000	2010 RMB'000
Total assets	2,027,567	4,209,052	4,957,322	11,453,486	15,382,388
Total liabilities	1,407,486	2,807,249	3,510,965	7,372,125	10,415,918
	620,081	1,401,803	1,446,357	4,081,361	4,966,470
Equity attributable to owners of the Company	327,351	1,058,994	1,145,964	3,770,259	4,502,134
Non-controlling interests	292,730	342,809	300,393	311,102	464,336
	620,081	1,401,803	1,446,357	4,081,361	4,966,470

Note:

1. The figures for the three years ended 31 December 2006, 2007 and 2008 have been extracted from the prospectus of the Company dated 12 November 2009.

Major Investment Properties Held by the Group

1. Completed properties held for investment

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
1	Units 218, 219, 221 to 225, 227 and 228 of Fairy Land located at Renmin North Road Luohu District Shenzhen City Guangdong Province The PRC	Commercial	Long	385.45m²	52%
2	Units 101 and 148 and 200 car parking spaces of My Place located at Xiasha Village South Binhe Road Futian District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 11,100.07m²	52%
3	Unit 16B of Jinfeng Mansion located at Shangbu South Road Futian District Shenzhen City Guangdong Province The PRC	Commercial	Medium	450.21m²	52%
4	Unit 110 and 191 car parking spaces of Pair Life located at Wenjindu Luohu District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 1,234.93m²	52%
5	Units 24H, 24J, 24K, 24L, a community club (Unit 101) and 100 car parking spaces of Self Life located at the junction of Fuhua Road and Binhe Road Futian District Shenzhen City Guangdong Province The PRC	Residential/ Community club/Carpark	Long/Long/–	Residential: 230.74m² Community club: 1,252.3m²	52%

Major Investment Properties Held by the Group

1. Completed properties held for investment (continued)

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
6	Units 105 to 108 and 200 car parking spaces of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Medium/–	Commercial: 42.91m^2	52%
7	177 car parking spaces of Endless Blue located at the northern side of North Ring Xiameilin Futian District Shenzhen City Guangdong Province The PRC	Carpark	–		52%
8	449 car parking (Hua Jun Jia Yuan) Love Forever Project South between Bao An Da Dao and Lu Yv Lu, Bao An Qu Shenzhen City Guangdong Province The PRC	Carpark	–		52%
9	336 car parking spaces of Future Plaza located at Qiaocheng North Road Nanshan District Shenzhen City Guangdong Province The PRC	Carpark	–		100%
10	145 car parking spaces of Flower Harbour located at the northern side of Mingzhu Avenue Yantian District Shenzhen City Guangdong Province The PRC	Carpark	–		100%

1. Completed properties held for investment (continued)

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
11	Car parking spaces of Fantasia Meinian Plaza West to Nanhai Avenue and South to Dongbin Road Nanshan District Shenzhen City Guangdong Province The PRC	Carpark	–	–	100%
12	Unit 1 on Level 1 of Pair Life No. 8 Dachuan Lane Jinjiang District Chengdu City Sichuan Province The PRC	Commercial	Long	127.67m^2	58.8%
13	165 car parking spaces of Human Art Wisdom No. 33 Ximianqiao Street Wuhou District Chengdu City Sichuan Province The PRC	Carpark	Long	6,411.48m^2	58.8%
14	15 car parking spaces of Fantasia Special Town No. 333 Huanglong Avenue 2nd Section Gongxing Town Shuangliu County Sichuan Province The PRC	Carpark	Long	Carpark: 275.8m^2	100%
15	Various commercial units and mechanical car parking space of Love Forever No. 99 Shuangqing Road Chenghua District Chengdu City Sichuan Province The PRC	Commercial/ Carpark	Medium/–	Commercial: 8,248.39m^2 Carpark: 11,871.99m^2	100%
16.	Mechanical car parking space of Hailrun Plaza project No. 216 Xia Dong Da Jie Jin Jiang Qu, Chengdu Suchuan Province The PRC	Carpark	–	10,652.85m^2	100%

Major Investment Properties Held by the Group

1. Completed properties held for investment (continued)

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
17.	Car parking space of Hao Ge project No.1 Xiang Shan Lu Wu Zhong District Taihu National Tourist Vacation Areas Suzhou, Jiansu Province The PRC	Carpark	–		100%
18.	Car parking space of Phase 1 of Hailrun Plaza Between Jie Fong Nan Lu and Wu Shui Dao, Tianjin The PRC	Carpark	–		60%
19.	5F-8F Fantasia Zhongding Building, Can Luan Road Guilin, Guangxi Province The PRC	Office	Medium	3,179.11m^2	100%

2. Investment properties under construction

No.	Property	Type	Lease term	Stage of completion	Interest attributable to the Group	Anticipated completion date
1.	Shops and car parking space of Hua Jun Project North (Hua Xiang Jia Yuan) Between Bao An Da Dao and Lu Yv Lu, Bao An Qu Shenzhen, Guangdong Province The PRC	Commercial/ Carpark	Long/–	In progress	52%	April 2011
2.	Car parking space of Funian Plaza Free Trade Zone, Futian Shenzhen, Guangdong Province The PRC	Carpark	–	In progress	100%	June 2012
3.	Office building of Fantasia Meinian Plaza West to Nanhai Avenue and South to Dongbin Road Nanshan District Shenzhen City Guangdong Province The PRC	Office	Medium	In progress	100%	June 2011
4.	Car parking space of Phase 2 of Hailrun Plaza, between Jie Fang Between Jie Fong Nan Lu and Wu Shui Dao, Tianjin The PRC	Carpark	–	In progress	60%	December 2011

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE
The Stock Exchange of Hong Kong Limited
Stock Code: 01777

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

CORPORATE HEAD OFFICE IN HONG KONG
Room 1103
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA
F/27, Block A, Hailrun Complex
No. 6021 Shennan Boulevard
Shenzhen 518040,
Guangdong Province
China