KWG PROPERTY HOLDING LIMITED
合景泰富地產控股有限公司

合景泰富地產

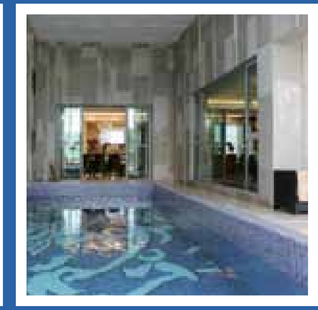
Incorporated in the Cayman Islands with limited liability

Stock Code : 1813

Annual Report 2009

Build Home with Heart
Create Future with Aspiration!

Contents

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Corporate Information

Directors

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

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

Company Secretary

Mr. Tsui Kam Tim

Authorized Representatives

Mr. Kong Jian Min
Mr. Tsui Kam Tim

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

Principal Place of Business in Hong Kong

Room 6407, 64th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Principal Bankers

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

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

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

* Appointed as an executive director on 22 March 2010

Corporate Profile

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

Over the past 15 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, villas, town houses, serviced apartments, Grade A+ office buildings, five-star hotels and high-end shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou as its hub for South China, Suzhou and Shanghai for East China, Chengdu for South-west China and Beijing for the Bohai Rim region. At present, the Group has a number of mid- to high-end projects in the above regions. All of them were well-received by consumers and posted overwhelming sales since their successful market launch.

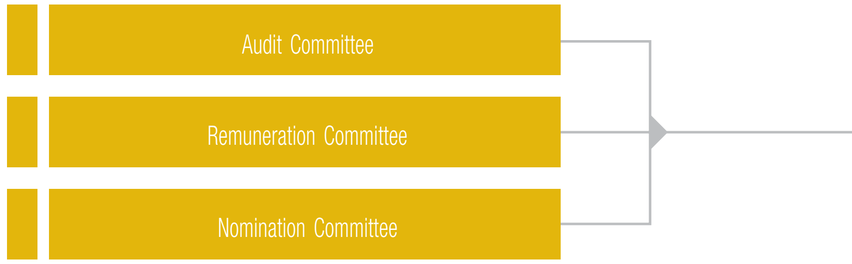
Year 2009 earmarked a remarkable breakthrough in KWG Property's hotel investment business. The soft-launch of Four Points by Sheraton Guangzhou, Dongpu in Guangzhou, the Group's first star-rated hotel, in September unveiled a new chapter in its hotel investment operations. In 2010, the Group will have two additional high-end star-rated hotels in Guangzhou commencing operation, including the first W Hotel in China.

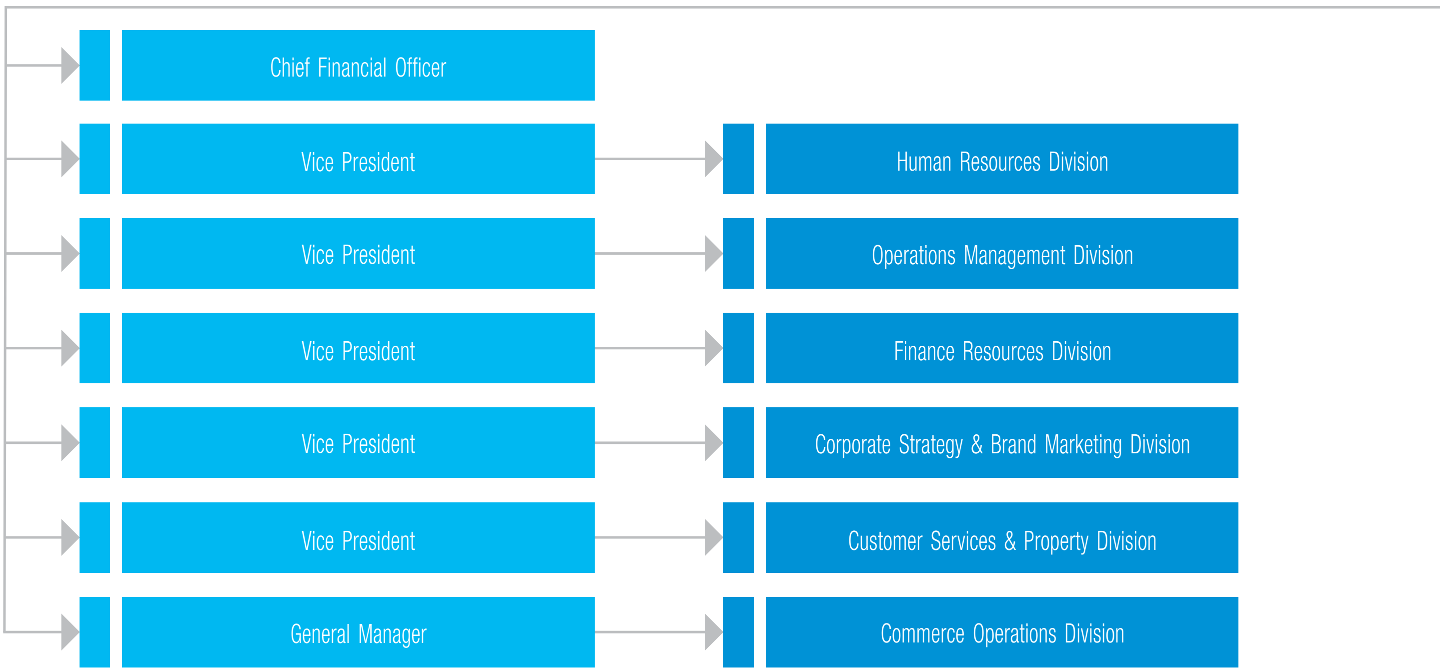
The Group has always adhered to a prudent land replenishment strategy. Its current land bank stands at approximately 7 million sq.m., which is sufficient for the Group's development in the coming 4 to 5 years. The management will continue to prudently acquire premium land with development potential while securing sufficient cash flow, healthy financial position and stable operation, so as to provide a solid foundation for future growth.

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

Management Structure of the Group

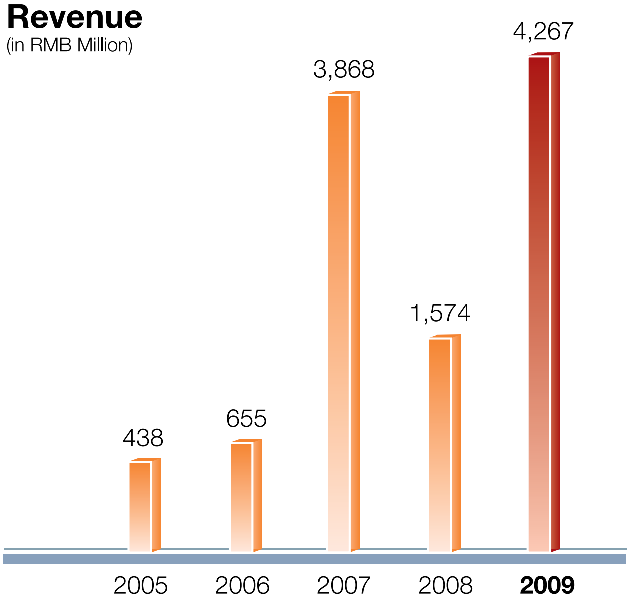
- emphasis on a cohesive team and collaboration
- clearly-defined division of staff and duties
- nurturing talents and providing internal promotion



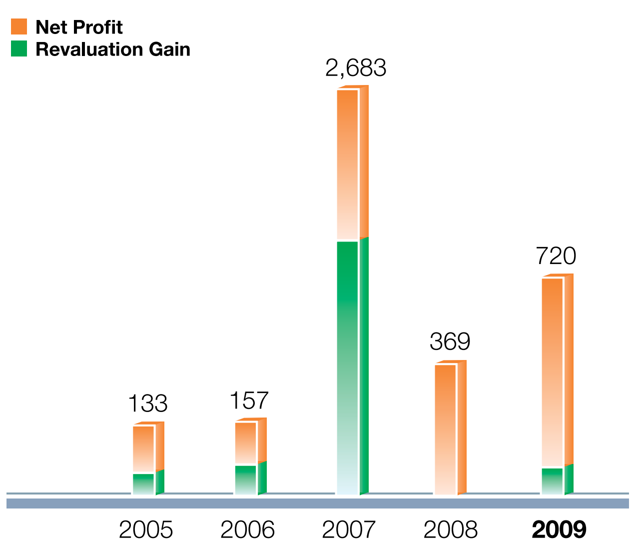


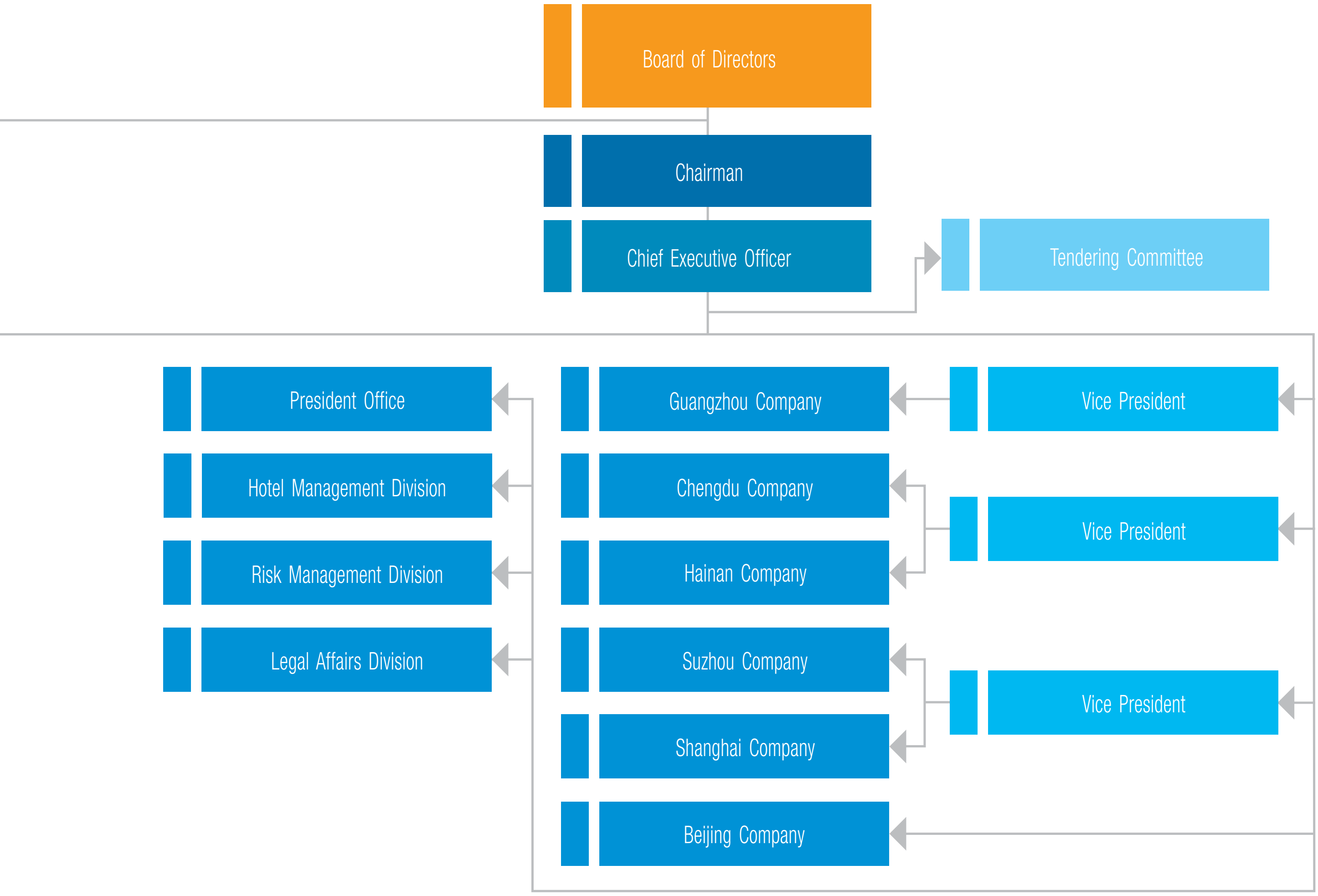
Financial Highlights

Revenue
(in RMB Million)



Profit Attributable to Owners of the Parent
(in RMB Million)





	Year Ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS					
Revenue	**4,266,572**	1,574,214	3,868,136	654,632	437,748
Profit attributable to owners of the parent	**720,078**	368,532	2,683,055	157,156	132,995
Basic earnings per share attributable to owners of the parent (RMB cents)	**26**	14	120	9	N/A
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**28,565,186**	21,766,788	18,974,533	4,406,334	2,844,626
Total liabilities	**18,156,863**	12,575,577	9,702,187	3,419,307	2,235,351

Major Events for 2009

August

- Held its first-ever project exhibition – "Parade of KWG Property's High-end Projects, Focus on China in 2009" in Hong Kong, showcasing its masterpieces in four major regions of China, including Guangzhou, Beijing, Chengdu, Suzhou and Hainan.
- Officially commenced the construction for the Guangzhou Lie De Project, a CBD urban comprehensive project featuring a 5-star hotel, luxury serviced apartments, large-scale high-end shopping mall and Grade A+ office building, which to be jointly developed by KWG Property with two large developers, Guangzhou R&F Properties Co., Ltd and Sun Hung Kei Properties Limited.

September

- Further entered into a co-operation agreement with Starwood Hotels and Resorts Worldwide, Inc to develop the first international 5-star W Hotel in Chengdu, which is also the Group's second W Hotel.
- Its first star-rated business hotel – Four Points by Sheraton Guangzhou, Dongpu commenced its soft launch in Guangzhou.
- Further strengthened its market coverage in Guangzhou by acquiring a land plot in Pearl River New Town, Guangzhou again through public auction.

October

- Fragrant Seasons, the Group's premier residential project in Beijing, was opened for sale. A total of 203 residential units in low density were sold on the first day.

November

- Chengdu Cosmos, the Group's first landmark high-end comprehensive project in Chengdu, was officially launched for sale. A total of 155 residential units were sold out within the first two days, with an average selling price reached at approximately RMB18,000 per sq.m..

December

- KWG Property donated RMB3 million to the Guangzhou Charity Association (廣州慈善會) at the officiating ceremony and charity gala of the First Guangzhou Charity Day.

Honours and Awards

- "Top 20 Guangzhou Real Estate Development Enterprises by Sales Amount 2009" by China Real Estate Evaluation Centre
- "Top 10 Quality Properties of the Guangdong Property Industry on the 60th Anniversary of the Establishment of the PRC" by *the Time Weekly*
- "Top 10 Individual Contributors to the Guangdong Property Industry on the 60th Anniversary of the Establishment of the PRC – Kong Jianmin" by *the Time Weekly*
- "Top 10 Property Developers Contributing to Residential Living in China on the 60th Anniversary of the Establishment of the PRC" by *the Guangzhou Daily*
- "The Most Valuable Brands in the PRC Real Estate Industry 2009" by *QQ.com*
- "Top 10 Listed Companies in Annual Real Estate Review 2009" by the *Yangcheng Evening News*
- "The 8th Top 20 Guangdong Enterprises in Property Information (2009)" by *the People's Daily* and *www.people.com.cn*
- "The Most Influential Brands 2009 – New Perspectives of the PRC Property Sector" by *Sohu.com* and *house.focus.cn*
- "Guangzhou Property Brand 2009" by *www.eeju.com*, *sina.com.cn* and the China Real Estate Information Corporation
- "Top 10 Property Contingents in Guangzhou 2009"(Branded Real Estate Enterprise) by *SouFun.com*
- "Top 10 Residential Project Brands in Guangdong" by *the Guangdong Construction News*
- "Top 30 Enterprises in the PRC Real Estate Industry 2009" by *www.guandian.cn*
- "Top 10 Benchmark Enterprise Brands of the 4th Beijing of Benchmark Property Election" by *the Beijing News*
- "The 7th Chengdu Property Gold Lotus Cup (2009) – Influential Property Enterprises for the Year" by the Sichuan Daily Newspaper Group and the Chengdu Real Estate Management Bureau
- "Sina Home's Trustworthy Enterprises 2008–2009" by *sina.com.cn*


2009广州十大地产军团（品牌房企）
合景泰富地产
Telstra
SouFun


2009
建国60年中国人居贡献十大功勋开发商
合景泰富地产控股有限公司


2009房地产年度总评榜
十佳上市公司
合景泰富地产


建国60周年粤派地产风云榜
合景泰富地产公司
十大品质地产
时代周报
二〇〇九年十月


建国60周年粤派地产风云榜
十大贡献人物
时代周报
二〇〇九年十月

Honours and Awards

- "Best Quality Luxury Residence in Guangzhou 2009" by *SouFun.com*
- "Top 10 Apartments in Guangzhou – the 3rd Lifestyle High-end Residences of Guangzhou 2008–2009" by Life Element
- "Best Serviced Apartments Named by Four Major Industries 2009 – W Guangzhou Residences" by *www.21cn.com*

- "Commercial Property Developments in Guangzhou with Best Investment Potential 2009" by *SouFun.com*
- "Property Developments in Guangzhou with Best Investment Value 2009" by *sina.com.cn*
- "China Mainstream Real Estate Golden Building Award 2009 – Headquarter Base with Best Potential Value"

- "Top 10 Property Developments Contributing to Residential Living in China on the 60th Anniversary of the Establishment of the PRC" by *the Real Estate Biweekly*
- "Top 10 Villas in Annual Real Estate Review 2009" by the *Yangcheng Evening News*


TOP 10
广州十大公寓
领峰
生活元素


2009 "精彩生活 你我选择"
四大行业评选
最佳服务公寓
21CN网站
艾瑞咨询集团


2009广州房地产最佳品质豪宅
领 峰
Telstra
SouFun


2009广州房地产最具投资潜力商用物业
科 汇 金 谷
Telstra
SouFun


2009年度
广州最具投资价值楼盘
合景科汇金谷
sina


十佳别墅
合景天湖峰境

Honours and Awards

- "Best-selling Property Development Award 2009–2010" by *House365.com*
- "The 6th Internet Popularity List of PRC Real Estate – Local Benchmark Property Development" by *suzhou.soufun.com*
- "The Most Influential Property Developments in Suzhou 2009" by Suzhou TV Broadcasting Corporation

- "Best-selling Property Development Award 2009–2010" by *House365.com*
- "The Most Popular Property Developments – 1st Suzhou TV Property Exhibition" by Suzhou TV Broadcasting Corporation
- "Golden Unit Design of Property Developments in Suzhou 2008–2009" by Suzhou TV Broadcasting Corporation


最具影响力楼盘
合景·峰汇国际


SouFun
合景·峰汇国际 荣获
第六届中国房地产网络人气榜
区域标杆楼盘
苏州搜房网


HOUSE365


首届苏州电视房展会
人气楼盘
合景·朗悦湾


08-09苏州金牌户型楼盘
朗悦湾

Honours and Awards

- "The 7th Chengdu Property Gold Lotus Cup (2009) – Golden Award of Property Development of the Year" by the Sichuan Daily Newspaper Group and the Chengdu Real Estate Management Bureau
- "Home of the Year Award 2009 – City Landmark Property Development" by *sina.com.cn*
- "China Property Magazines Alliance Award 2009 – Property Development with the Most Outstanding Local Benchmarks" by the China Property Magazines Alliance（中國地產雜誌聯盟）
- "The 3rd Quality Life Leader List – Short-Listed Brands of World-class Central Metropolis Luxury Residence 2010" by the China Mainstream Magazines Alliance（中國主流雜誌聯盟）

- "The Most Influential Local Benchmark Property Developments 2009" by *the Beijing Times*
- "The Most Influential Outstanding Enterprises of Beijing 2009" by *the Beijing Times*
- "Benchmark Project of the 4th Beijing Benchmark Property Election" by *the Beijing News*
- "Golden Award List of Top 10 Best-selling Property developments of Beijing 2009" by the *Beijing Youth Daily*
- "Best Overall Quality Award – New Perspectives of the PRC Property Sector" by *Sohu.com* and *house.focus.cn*
- "Sina Home's Most Popular Property Developments 2009" by *sina.com.cn*
- "TOSCAR 2009–2010 (7th) Annual List of the Property Sector – New City Landmarks" by the China Real Estate Chamber of Commerce and the Anjia Magazine Association（安家雜誌社）


荣誉证书
荣获成都房地产第七届金芙蓉杯(2009)
"年度楼盘金奖"荣誉称号。


第三届高質生活
领袖榜
The 3rd Award Ceremony Of Quality Lifestyle


2009最具京城影响力优秀企业·合景泰富
京华时报


Oscar
地产年度风云榜
城市新地标
合景·香悦四季


中国地产新视角
最佳综合质素奖
香悦四季

Letter to the Shareholders

Kong Jian Min
Chairman

KWG Property experienced a great 2009. We successfully executed our expansion strategy, and grew from a Guangzhou-focused developer into meaningful contribution from 4 cities, namely Guangzhou, Beijing, Chengdu and Suzhou.

We achieved total pre-sales of approximately RMB7.6 billion, which represented a 3 times increase from 2008. As compared to our original pre-sale target of RMB5 billion, we achieved 50% more, demonstrating our ability to push through sales with strong pipeline. Given such strong pre-sales result, we have locked in approximately 60% of our 2010 delivery target, providing strong visibility to our expected financial performance in 2010.

KWG Property has also sensibly managed our land bank during 2009. In terms of the new land market, given continuous high priced transactions in the public auction market, KWG Property was very selective in our participation and has bought just one piece of auction land in our home base, Guangzhou's Pearl River New Town, during 2009. Our three other acquisitions, namely in, Guangzhou Zengcheng, Suzhou and Chengdu, were through private negotiations which allowed us to manage our land cost to a reasonable level. As at 31 December 2009, we have a total land bank of approximately 7 million sq.m. of gross floor area ("GFA"). We have also continued to pay down our outstanding land premiums during 2009. This positions us favorably for future land acquisitions in 2010 and beyond.

Leveraging our strong pre-sales performance, KWG Property has been maintaining a prudent financial discipline. We continued to expand our financial resources with domestic and international banks, and broadened our shareholder base through a new share placement in July 2009. As at 31 December 2009, our net gearing stood at 48.4%. In terms of financial resources available for use, we have cash on hand of approximately RMB3.6 billion and unused banking facilities of approximately RMB11 billion, further providing us deep cushion for our growth.

Lastly, I would like to thank our shareholders, investors, business partners and customers for their ardent support of and confidence in KWG Property in the past year. We look forward to driving KWG Property to new heights in 2010.

Kong Jian Min
Chairman

Chief Executive Officer's Report

Dear Shareholders,

KWG Property achieved substantial progress and solid results during 2009. We have successfully launched all our existing projects in Suzhou, Chengdu and Beijing. The superior results achieved in these new launches laid solid foundation for development of subsequent phases of these projects in 2010 and beyond. It also brings KWG Property strong brand equity in these new cities as a result of our product quality and sales performance.

In terms of geographic contribution, we made sale from 7 projects located in these 3 cities, and together they accounted for approximately 55% of our GFA sold during 2009. Suzhou accounted for approximately 35% with sales from 3 projects (namely, The Sapphire, The City Island and The Up Blue Town), Chengdu accounted for approximately 16% with sales from 3 projects (namely, Chengdu Cosmos, The Vision of the World and The Emerald), and Beijing accounted for approximately 4% with our only project, Fragrant Seasons (also known as "Sound of the Soul").

In Suzhou, we achieved No. 3 ranking in terms of units sold in the city. We are especially encouraged by the performances of our high-end project, Suzhou's The Sapphire, where we saw average selling price ("ASP") rose from approximately RMB6,600 per sq.m. to approximately RMB10,000 throughout three phases in 2H 2009. Our two other projects, The City Island and The Up Blue Town, showed solid sales results throughout 2009.

In Chengdu, our high-end project Chengdu Cosmos achieved the status as the highest-priced apartment in Chengdu with ASP of approximately RMB18,000 per sq.m.. Our two other projects, The Vision of the World and The Emerald, continued to enjoy price increases since their launches in 2Q 2009.

In Beijing, our Fragrant Seasons (also known as "Sound of the Soul") project performed strongly, with pricing higher than neighbouring projects. Our ASP at launch was approximately RMB13,800 per sq.m., higher than neighbouring town houses properties, thereby demonstrating our success in building KWG Property 's superior product and brand in Beijing.

In Guangzhou, our home base, we achieved No. 4 ranking in terms of number of units sold in the city. We made sale from 6 projects, which together accounted for approximately 45% of our GFA sold in 2009. Main contributors were The Apex/W Serviced Apartment, Skyville, Waterfront Mansion and Yucui Garden.

In terms of sales momentum throughout 2009, as a result of our broader project base and more diversified geographic exposure, we saw steady momentum starting from 2Q 2009 through year-end, where quarterly sales were at approximately RMB2.4 billion, RMB2.0 billion and RMB2.6 billion, respectively. This gave a high lock-in to our 2010 delivery target, at approximately 60%, therefore providing good visibility to our financial performance in 2010.

We were highly prudent in our land bank replenishment during 2009, at a time when the land auction market continued to make news headline with high prices. We participated and won in just one piece of land, located in our home base, Guangzhou's Pearl River New Town. This land plot, named D3-4, will be developed into a serviced apartment project, leveraging KWG Property's brand name in high-end serviced apartments through our success in The Apex/W Serviced Apartment in Pearl River New Town. In addition, we have added one more piece of land, located in Wuzhong District in Suzhou, through private negotiation. We have also bought out our partners in our Guangzhou Zengcheng project, The Summit, and our Chengdu projects, Chengdu Cosmos and The Emerald, and averaged down our land costs for these projects.

Including these acquisitions, KWG Property's current land bank stands at approximately 7 million sq.m. of GFA, comprising 18 projects. We have commenced construction in all of these projects, making them ready for pre-sale in the coming 12 to 18 months. We have actively paid down our land premium during 2009. This gives KWG Property a solid financial position to further expand our land bank, at the right opportunity, during 2010 and beyond.

Looking ahead, we are confident to leverage the success we achieved in 2009 to drive KWG Property forward. Our core strengths in premium product design and pricing, sensible land banking, and prudent financial plan will continue to enable our future growth. In 2010, we plan to continue to execute our development strategy in each of our cities, namely Guangzhou, Beijing, Chengdu, Suzhou, Shanghai and Hainan. The build-out of our investment properties will continue to supplement our residential development properties, and will continue to increase their contribution to our financial results over time.

On behalf of the board of directors (the "Board"), I would like to express sincere gratitude for the support of our shareholders and dedicated services of our staff, which underpin each and every step in KWG Property's stable growth. We look forward to a successful 2010.

Kong Jian Tao
Chief Executive Officer

Management Discussion and Analysis

Financial Review

Revenue

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

The revenue amounted to approximately RMB4,266.6 million in 2009, representing a significant increase of 171.0% from approximately RMB1,574.2 million in 2008, primarily due to the increase of total GFA delivered in sales of properties in 2009.

In 2009, the revenue generated from property development, property investment, hotel operation and property management services were approximately RMB4,110.0 million, RMB98.7 million, RMB10.0 million and RMB47.9 million, respectively.

Property development

Revenue generated from property development increased by 179.4% to approximately RMB4,110.0 million in 2009 from approximately RMB1,471.2 million in 2008, primarily due to a 281.8% increase in the total GFA delivered to 509,834 sq.m. in 2009 from 133,531 sq.m. in 2008. The increase in the total GFA delivered in 2009 was principally due to some of the property development projects were under construction during 2008 and three of these development projects were completed and delivered in 2009. The increase in revenue was partially offset by the decrease in the recognised average selling price of our properties sold. The recognised average selling price of property decreased to RMB8,061 per sq.m. in 2009 from RMB11,018 per sq.m. in 2008 due to the sales portfolio of the Group comprising more mid-to high end residential GFA with relatively lower recognised average selling price during the year under review.

Property investment

Revenue generated from the provision of property investment increased by 32.5% to approximately RMB98.7 million in 2009 from approximately RMB74.5 million in 2008, primarily attributable to an increase in total GFA of our rental area leased in International Finance Place ("IFP") during the year under review as well as 2009 being the first full year to us of generating rental income from certain tenants.

Hotel operation

In September 2009, our Four Points by Sheraton Guangzhou, Dongpu commenced its soft-launch. The Group reported hotel operation income of approximately RMB10.0 million for 2009 (2008: nil).

Provision of property management services
Revenue generated from the provision of property management services increased by 68.1% to approximately RMB47.9 million in 2009 from approximately RMB28.5 million in 2008, primarily attributable to an increase in the number of properties under management as well as 2009 being the first full year where we provided property management services to certain projects.

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

Cost of sales increased by 255.1% to approximately RMB2,650.3 million in 2009 from approximately RMB746.4 million in 2008, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. remained constant in both year.

Construction cost per sq.m. decreased from RMB4,153 in 2008 to RMB3,708 in 2009, principally due to the increasing proportion of the Group's construction of mid-end residential projects which have relatively lower construction costs.

Gross profit
Gross profit of the Group increased by 95.3% to approximately RMB1,616.3 million in 2009 from approximately RMB827.8 million in 2008. The increase in gross profit primarily attributable to the increase in the total revenue in 2009. However, the increase of gross profit was partially offset by the decrease in recognised average selling price in 2009 as discussed and the delivery of mid-to high end residential GFA with relatively lower gross margin. The Group reported a gross profit margin of 37.9% for 2009 (2008: 52.6%). The decline in gross profit margin was mainly due to the increasing proportion of the Group's sales and delivery of mid-to high end residential GFA, which have relatively lower average selling price and gross profit margin.

Other income and gains
Other income and gains decreased by 67.3% to approximately RMB49.3 million in 2009 from approximately RMB150.6 million in 2008, mainly comprising interest income of approximately RMB7.1 million and net exchange gains of approximately RMB24.6 million.

Selling and marketing costs
Selling and marketing costs of the Group increased by 110.6% to approximately RMB188.5 million in 2009 from approximately RMB89.5 million in 2008, which is primarily due to an increase of 62.9% in advertising expenses to approximately RMB104.4 million in 2009 from approximately RMB64.1 million in 2008, which was largely attributable to increased advertising for our new projects, such as The Emerald, Chengdu Cosmos and The Vision of the World in Chengdu, The Up Blue Town and The Sapphire in Suzhou, Fragrant Seasons (also known as "Sound of the Soul") in Beijing, The Apex, International Creative Valley and Zengcheng Summit in Guangzhou.

Administrative expenses

Administrative expenses of the Group increased by 65.0% to approximately RMB282.0 million in 2009 from approximately RMB170.9 million in 2008, primarily attributable to an increased headcount to catch up with the rapid development of the Group in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasp the opportunities ahead. The Group also provided extensive training, built an incentive scheme as well as a teamwork-oriented corporate culture with high sense of belonging to pave the way for long term development. The opening of our Four Points by Sheraton Guangzhou, Dongpu and the increase of other tax and surcharges on sales of properties also contributed to the increment in 2009.

Other operating expenses, net

Other operating expenses of the Group was approximately RMB42.2 million in 2009 (2008: approximately RMB1.8 million), mainly comprising the losses on the disposal of investment properties of approximately RMB40.1 million (2008: nil).

Fair value gains/losses on investment properties, net

The Group reported net fair value gains on investment properties of approximately RMB60.6 million for 2009 (2008: losses of approximately RMB23.6 million), mainly related to the leasable portion of our International Creative Valley in Guangzhou.

Finance costs

Finance costs of the Group being approximately RMB9.0 million in 2009 (2008: nil), related to the borrowing costs on corporate loans. Since such loans were not earmarked for project development, thus such borrowing costs have not been capitalised.

Tax

Tax increased by 62.6% to approximately RMB548.0 million in 2009 from approximately RMB337.1 million in 2008, primarily due to an increase in profit attributable to the owners of the parent and provisions for LAT as a result of an increase in properties sold in 2009.

Profit attributable to the owners of the parent

Profit attributable to the owners of the parent of the Group in 2009 increased by 95.4% to approximately RMB720.1 million from approximately RMB368.5 million in 2008. Net profit margin decreased to 16.9% in 2009 from 23.3% in 2008, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2009, the carrying amount of the Group's cash and bank deposits was approximately RMB3,610.6 million (31 December 2008: approximately RMB1,373.0 million), representing a increase of 163.0% as compared to that as at 31 December 2008.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2009, the carrying amount of the restricted cash was approximately RMB1,069.9 million (31 December 2008: approximately RMB205.9 million).

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings as at 31 December 2009 of approximately RMB8,645.5 million, of which approximately RMB2,566.6 million will be repayable within 1 year, approximately RMB5,242.4 million will be repayable between 2 and 5 years and approximately RMB836.5 million will be repayable over 5 years.

As at 31 December 2009, the Group's bank loans of approximately RMB6,438.9 million were secured by property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying values of approximately RMB8,506.1 million.

The carrying amounts of all the Group's bank loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK$1,210.0 million as at 31 December 2009 which were denominated in Hong Kong dollars. All of the Group's borrowings were charged at floating interest rates as at 31 December 2009.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2009, the gearing ratio was 48.4% (2008: 50.3%).

Risk of exchange rate fluctuation

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

During 2009, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2009, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB4,067.1 million (31 December 2008: approximately RMB1,624.9 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements as at 31 December 2009 and 2008 for the guarantees.

(ii) As at 31 December 2009, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million for the ex-owner of our Zengcheng project in Guangzhou, PRC.

Employees and Emolument Policies

As at 31 December 2009, the Group employed a total of approximately 2,300 employees. The total staff costs incurred was approximately RMB138.8 million during the financial year ended 31 December 2009. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the year ended 31 December 2009, 8,457,000 share options had been granted by the Company to the grantees, including the Board and certain employees of the Group on 18 December 2009. None of the share options were exercised by the grantees or cancelled by the Company as at the date of approval of these financial statements.


CLAPTON
HARRIS

Business Review

Market and business review

The PRC property market has begun to recover in 1Q 2009. With supporting policies from the PRC central government, pent-up and ongoing demand from buyers were released, and resulted in strong increases in transaction volume and prices nationwide. From 2Q 2009 onwards, developers enjoyed good sales results in project launches, with good volume and subsequently with price uptakes. KWG Property had our first major launch in mid April 2009, where we launched four projects, namely Guangzhou's Apex/W Serviced Apartment, Chengdu's Vision of the World and The Emerald, and Suzhou's Up Blue Town, which gave us the first step-up in sales performance.

During the second half of 2009, KWG Property launched a number of high profile, high-end projects and achieved strong sales results. In our Suzhou Sapphire project, we first launched in June 2009 and ASP of approximately RMB6,600 per sq.m.. In our subsequent phases launched in September and November, our ASPs achieved were approximately RMB8,100 per sq.m. and RMB10,000 per sq.m. respectively. All three launches generated strong volume pick-up, and thus allowed KWG Property to promote our emerging brand name and product recognition in the high-end residential market in Suzhou. In our Chengdu Cosmos project, we first launched in November, we achieved ASP of approximately RMB18,000 per sq.m., and sold out the entire phase of 200 units in the first few weeks. This selling price made Chengdu Cosmos to be the highest-priced apartment project in Chengdu. In our Beijing Fragrant Seasons (also known as "Sound of the Soul") project, we first launched in October and achieved ASP of approximately RMB13,800 per sq.m. for our low-rise units. This price level exceeded that of neighbouring projects' town houses products, and provided us with the opportunity to build up KWG Property's product recognition and brand name in Beijing.

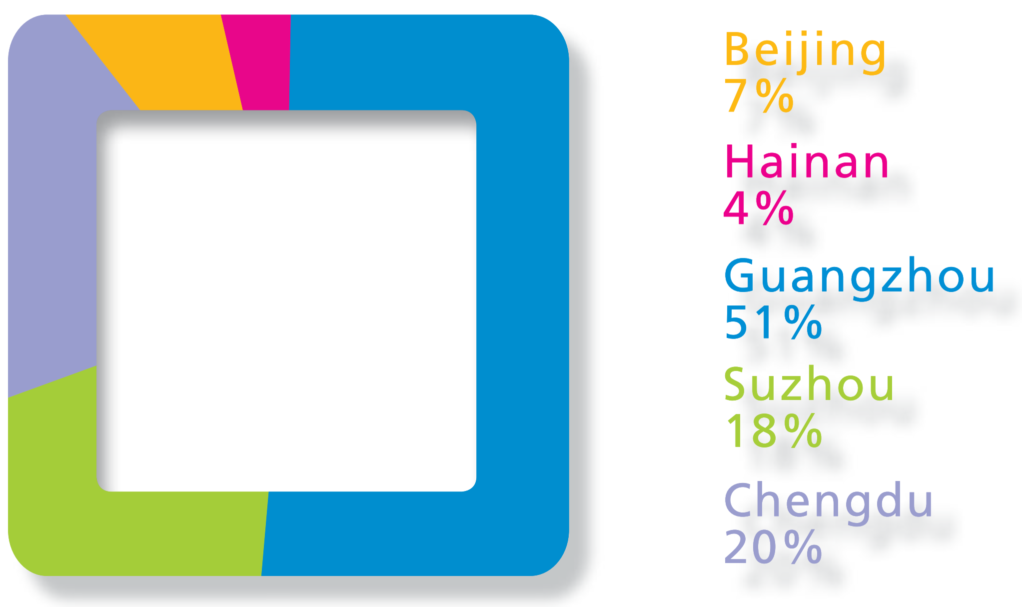
Throughout the remainder of 2009, KWG Property maintained very strong monthly sales momentum. Our quarterly sales were at approximately RMB2.4 billion, RMB2.0 billion and RMB2.6 billion during 2Q, 3Q and 4Q 2009, respectively. We finished the year with total pre-sale of approximately RMB7.6 billion, 3 times more than our performance in 2008, and 50% higher than our original 2009 budget. This high level of pre-sales resulted in an approximately 60% lock in for our delivery target in 2010, thus providing high visibility for our financial performance.

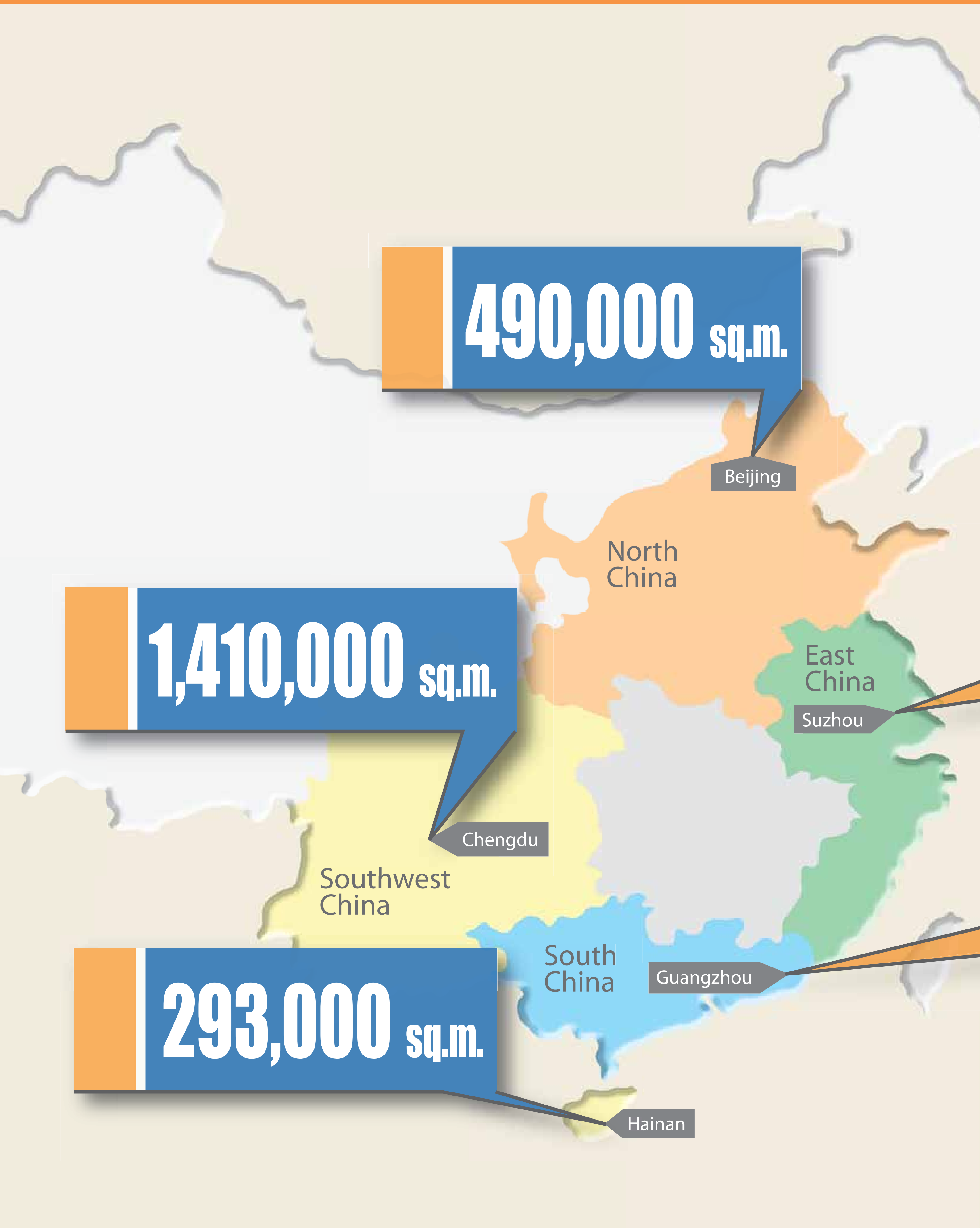
Land Bank

KWG Property maintained a prudent and sensible land banking strategy during 2009. We have replenished land bank in our existing locations, which would allow us to leverage the brand and product recognitions generated by our existing projects. We were also highly selective in our choice of new land bank. During 2009, we bought one land plot in the open auction market, namely Plot D3-4 in Guangzhou's Pearl River New Town. We expect to build a service apartment project, leveraging on our success in The Apex/W Serviced Apartment achieved in 2009. In addition, we added to our land bank in Suzhou's Wuzhong district, along the upcoming light rail line #1, through private negotiation. We also bought out the equity stakes from new or former partners in several existing projects, namely Chengdu Cosmos, The Emerald and Guangzhou Zengcheng Summit, to expand our land bank while keeping land cost at a reasonable level. At the same time, during 2009, we also actively paid down our outstanding land premiums. This positions us favourably for future acquisition opportunities in 2010 and beyond. As at 31 December 2009, we had a total land bank of approximately 7 million sq.m. of GFA, and expect this will support 4–5 years of our development.

Diversified land bank portfolio (as at 31 December 2009)

Total GFA attributable to the Group by geographical areas




490,000 sq.m.
Beijing
North China
1,410,000 sq.m.
East China
Suzhou
Chengdu
Southwest China
293,000 sq.m.
South China
Guangzhou
Hainan

North China

Beijing 1 project

Fragrant Seasons
(also known as "Sound of the Soul")

East China

Suzhou 4 projects

The City Island
The Up Blue Town
The Sapphire
Mudu Project

Southwest China

Chengdu 4 projects

The Emerald
The Vision of the World
Chengdu Cosmos

Hainan

Lingshui Project

1,208,000 sq.m.

South China

Guangzhou 9 projects

The Apex
Sky Ville
Waterfront Mansion
Yucui Garden
International Creative Valley
Zengcheng Summit
Lie De Project
J2-2 Project
D3-4 Project

3,582,000 sq.m.

Projects under development

As at 31 December 2009, the Group had 18 development projects under various stages of development, which were located in Guangzhou, Suzhou, Chengdu, Beijing and Hainan.

District	Project	Type of property	GFA attributable to the Group's Interest ('000 sq.m.)	Interests attributable to the Group (%)
Guangzhou	The Apex	High-end comprehensive project: luxury residential/serviced apartments/5-star hotel	81	100
Guangzhou	Lie De	High-end comprehensive project: hotel/serviced apartments/office building/shopping mall	155	33
Guangzhou	J2-2	High-end comprehensive project: hotel/serviced apartments/office building/shopping mall	72	50
Guangzhou	Yucui Garden	Mid-to high-end residential	12	50
Guangzhou	International Creative Valley	Office building	320	100
Guangzhou	Sky Ville	Low density villas/townhouses/high-rise apartments/5-star hotel	253	100
Guangzhou	Waterfront Mansion	Townhouses/mid-to high-end residential	115	100
Guangzhou	Zengcheng Summit	Large scale comprehensive project: mid-to high-end residential/villas/townhouses/commercial properties	2,540	100
Guangzhou	D3-4	High-end serviced apartments	34	100
Suzhou	The City Island	Townhouses/mid-to high-end residential	138	100
Suzhou	The Up Blue Town	Mid-to high-end residential	147	100
Suzhou	The Sapphire	High-end residential/hotel/office building	788	100
Suzhou	Mudu	High-end comprehensive project: residential and commercial properties	135	29
Chengdu	The Emerald	High-end residential	28	100
Chengdu	The Vision of the World	Mid-to high-end residential	509	100
Chengdu	Chengdu Cosmos	High-end comprehensive project: residential/hotel/serviced apartments/office building/shopping mall	873	100
Beijing	Fragrant Seasons (also known as "Sound of the Soul")	Mid-to high-end residential	490	100
Hainan	Lingshui Project	Hotel/villas/high-rise apartments	293	100

Investment properties and hotels

During 2009, KWG Property continued the development of its hotels and investment properties in specific projects. In the long run, we will continue to explore opportunities in diversified property investments with the objective to maintain a balanced product portfolio. We expect the contribution from our portfolio of hotels, retail shop units, shopping malls and offices held on a long-term basis to be steadily maintained at around 20% of our asset base.

During the year under review, turnover of the Group from its investment in office premises and leasing of retail properties amounted to approximately RMB98.7 million (2008: approximately RMB74.5 million).

(1) Hotels

In September 2009, KWG Property commenced the soft launch of our Four Points by Sheraton Guangzhou, Dongpu, located in Tianhe Dongpu, Guangzhou. In addition, KWG Property has two high-end star-rated hotels under construction in Guangzhou, namely, Guangzhou W Hotel and Sheraton Huadu Resort, and six other high-end star-rated hotels and two high-end shopping malls under planning, variously located in Guangzhou, Suzhou, Chengdu and Hainan. To ensure the quality of our hotel services, the Group entered into a management agreement with Starwood Group, an internationally renowned hotel management group. Pursuant to the agreement, Starwood Group will provide hotel and serviced apartment operation and management services with respect to the Group's Guangzhou W Hotel, Huadu Sheraton Resort, Four Points by Sheraton Guangzhou, Dongpu, Zengcheng Sheraton Hotel in Guangzhou, and Westin Hotel in Suzhou.

Four Points by Sheraton Guangzhou, Dongpu

- Location – Tianhe, Guangzhou
- Commencement Schedule – Opened in September 2009
- Number of rooms – 300
- Star – ★★★★

Guangzhou W Hotel

- Location – Pearl River New Town, Guangzhou
- Expected Commencement Schedule – 2010
- Number of rooms – 302
- Star – ★★★★★

Huadu Sheration Resort

- Location – Huadu, Guangzhou
- Expected Commencement Schedule – 2010
- Number of rooms – 102
- Star – ★★★★★

(2) *Investment properties completed and available for lease*
To uphold the portfolio of premium tenants that IFP has established since coming on-stream in 2007, the Group continues to lease spaces on a selective basis. At present, tenants who have signed up or agreed to sign up include about 20 domestic and foreign banks, the Guangzhou offices of various multi-national corporations and diplomatic institutions such as the Italian Consulate.

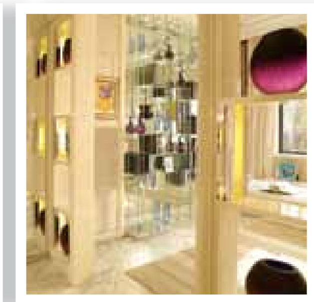
Business Outlook

KWG Property looks forward to leveraging the successes of 2009 into 2010. Having fully opened up our land bank and made sales from substantially all of our projects during 2009, we can further fine tune our project sales strategy, e.g. product positioning, pricing, and launch timing. Given many of our new launches were carried out in 4Q 2009, e.g. Chengdu Cosmos, Suzhou Sapphire, Beijing Fragrant Seasons (also known as "Sound of the Soul"), launches of the subsequent phases of these projects would give us a higher level of visibility during 2010.

As a result of the solid pre-sales achieved, we also expect to have meaningful increase in our financial performance for 2010. Our high lock-in rate for 2010 deliveries gave us high assurance. We will continue to focus on the timely and quality completion of these pre-sold properties so as to ensure our delivery of the expected financial results.

We will continue to be highly prudent in our land bank expansion. Our primary focus is new opportunities located in cities where our existing projects are situate. We will also focus on products that we are highly experienced in and familiar with. We will continue to explore opportunities on both the private and auction market, as well as consider new projects as a sole investor and with highly qualified partners. We strive to maintain a balance in expanding our land bank, while being prudent with our financial resources.



Directors and Senior Management's Profile

Directors

Executive Directors

Kong Jian Min, aged 42, is the founder of the Group, an executive director and the Chairman of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. Mr. Kong has over 15 years of experience in property development and investment. Prior to the founding of the Group, Mr. Kong served as a credit officer of the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands and various subsidiaries incorporated in the PRC of the Company.

Kong Jian Tao, aged 39, is an executive director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 15 years of experience in property development and has been a director of the Group since 1995. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands and various subsidiaries incorporated in the PRC of the Company.

Kong Jian Nan, aged 44, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resource, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands and various subsidiaries incorporated in the PRC of the Company.

Li Jian Ming, aged 43, is an executive director of the Company, a vice president of the operations management division and a general manager of the Southern China Region of the Group. Mr. Li graduated from South China University of Technology, majoring in industrial and civil construction. Mr. Li joined the Group in 1994 and had held the position of vice president in the engineering management division. He was appointed as an executive director of the Company in June 2007. Currently, Mr. Li is responsible for the internal operations and management of the Group and the overall operations and management of the Southern China Region. Save as disclosed above, Mr. Li is also a director of one of the subsidiaries incorporated in the PRC of the Company.

Tsui Kam Tim, aged 41, is an executive director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax and other related finance matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in Commerce and he is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the Chief Financial Officer and was appointed as an executive director of the Company in November 2007. Saved as disclosed above, Mr. Tsui is also a director of all subsidiaries incorporated in Hong Kong of the Company.

He Wei Zhi, aged 42, is an executive director of the Company, a vice president and a general manager of the South-western China Region of the Group. Mr. He graduated from Guangzhou University majoring in hotel management. He joined the Group in 1995 and had held the positions of manager and deputy general manager of the sales department. Since his joining of the Group, he has been responsible for project planning, design and sales planning work of the Group, gaining extensive experience in property market. Mr. He was appointed as an executive director of the Company in February 2009 and is mainly responsible for the overall operation and management of the South-western China Region. Saved as disclosed above, Mr. He is also a director of various subsidiaries incorporated in the PRC of the Company.

Yu Yao Sheng, aged 48, is an executive director of the Company, a vice president and a general manager of the Eastern China Region of the Group. Mr. Yu joined the Group in January 2009 and is responsible for the overall operations and management of the Eastern China Region. Mr. Yu was appointed as an executive director of the Company in March 2010. Mr. Yu is a senior engineer and a grade-one national registered structural engineer. He has extensive experience in architectural design, engineering management, project management, regional development, administration and human resources management. Mr. Yu graduated from Hefei University of Technology with a bachelor's degree in architecture, and also holds a master's degree from China University of Mining and Technology. Prior to joining the Group, Mr. Yu was the head of architectural design institute, deputy director of urban construction commission and executive deputy commander-in-chief of the construction command office of National Development Zones, PRC.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo, aged 49, is an independent non-executive director and a member of audit committee of the Company. Mr. Lee received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Ping An Insurance (Group) Company of China Limited and a non-executive director of Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Limited, Termbray Industries International (Holdings) Limited and Yugang International Limited, all of which are listed on the Stock Exchange. Mr. Lee was a member of the Main Board Listing Committee of the Stock Exchange from 2000 to 2003. He is also an adjudicator of the Registration of Persons Tribunal and the chairman of the Transport Tribunal of the Hong Kong Government.

Dai Feng, aged 68, is an independent non-executive director, a member of audit committee and a member of remuneration committee of the Company. Mr. Dai is a member of the Expert Committee on Urban Planning of the Ministry of Construction (國家建設部城市規劃專家委員會), a member of the Expert Committee on Living Environment of the China Research Association on Property and Residence (中國房地產及住宅研究會人居環境委員會), and member of various other professional organizations on urban planning and research in the PRC. He is a part-time professor of Huazhong University of Science and Technology and Wuhan University of Technology and is also a fellow of the International Eurasian Academy of Sciences. Mr. Dai has over 40 years of experience in property development, specializing in urban planning, design and related information technology. Since 1985, he has won various prizes in urban planning and application of advanced technology. His achievements were highly recognized by the Ministry of Construction of China. Mr. Dai is an independent non-executive Director of Guangzhou R&F Properties Co. Ltd. which is listed on the Main Board of the Stock Exchange, and is also an independent non-executive Director of Poly Real Estate Group Co. Ltd. and Guangzhou Donghua Enterprises Co. Ltd., both of which are listed on the Shanghai Stock Exchange.

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

Senior Management

Leung Kin, Kenneth, aged 36, is a general manager of business development of the Group. Mr. Leung joined the Group in March 2009 and is responsible for strategy, corporate finance and business development of the Group. Mr. Leung graduated from the Wharton School of the University of Pennsylvania. Prior to joining the Group, Mr. Leung was an investment banker at Credit Suisse and Merrill Lynch.

Law Siu Wo, aged 47, is a vice president of finance of the Group. Mr. Law joined the Group in October 2008 and is responsible for the overall domestic and foreign financial budgets and analysis of the Group. He graduated from University of Wisconsin in the United States and holds a master's degree in business administration from University of California, Los Angeles. Mr. Law had worked for an international firm of certified public accountants for more than six years and another private equity fund for three years. He also had worked as financial controllers of several listed companies in Hong Kong and United States for more than 10 years. Mr. Law is a member of the American Institute of Certified Public Accountants and a member of Hong Kong Institute of Certified Public Accountants.

Luo Guo Qing, aged 47, is a vice president of the Group. He is responsible for the operations and management of the Corporate Strategy and Brand Marketing Division of the Group. Mr. Luo holds a bachelor's degree in civil engineering from South China University of Technology, and a master's degree in business administration from Jinan University, and is a senior engineer in technical management. He has over 25 years of experience in the property industry and joined the Group in November 2008. Prior to joining the Group, Mr. Luo had held the positions of general manager and president at several large real estate development groups in the Southern China Region.

Rao Jun, aged 43, is a vice president of human resources division of the Group. Mr. Rao graduated from Zhongshan University majoring in philosophy. Mr. Rao joined the Group in June 2009 and is responsible for human resources and administration. Prior to joining to the Group, Mr. Rao worked in an internationally recognised U.S. enterprise. He has 20 years of extensive working experiences in human resources and management.

Chen Jie Ping, aged 37, is a director of the hotel and commerce division of the Group. Mr. Chen joined the Group in 2003 and had been responsible for the marketing and planning of the Group's projects. Currently, Mr. Chen is responsible for the planning and operations of hotel and commercial properties of the Group. Prior to joining the Group, Mr. Chen was a deputy general manager of a property agent and is experienced in the sale of properties in the PRC.

Wu Yue Zhao, aged 36, is a director of the product research and development division of the Group. He is responsible for the research, development and design of the products of the Group. Mr. Wu graduated from South China University of Technology with a master's degree in construction and is a registered planning professional. He joined the Group in 2006. Prior to joining the Group, Mr. Wu was the manager of the design department of several well-known property developers.

Luo Xiao Yun, aged 42, is a director of the legal affairs division of the Group and assistant to the Chairman. Ms. Luo joined the Group in November 2009 and is responsible for the overall operations and management of legal affairs. Ms. Luo graduated from Zhongshan University with a bachelor's degree in laws and subsequently was admitted to practise in the PRC as a qualified solicitor. Ms. Luo is a practising solicitor with extensive working experiences in financial investment, Corporate Law as well as Civil and Commerce Law, facilitating her clients which are both newly established companies and listed companies to their growth and success. Prior to joining the Group, Ms. Luo began her legal career in Foreign Economic and Trade Cooperation Committee and was a solicitor in other law firms.

Lin Kai Ping, aged 36, is a general manager of Guangzhou Ningjun Property Management Limited under the Group. Ms. Lin joined the Group in April 2004 and is responsible for the overall property management of the Southern China Region. Ms. Lin graduated from the University of International Business and Economics majoring in administration management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 18 years of extensive working experiences in property management.

Corporate Governance Report

Compliance with the Code on Corporate Governance Practices

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success. The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2009.

Board of Directors

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

As at 31 December 2009, the Board consists of nine members, including six executive directors, Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao, Mr. Kong Jian Nan, Mr. Li Jian Ming, Mr. Tsui Kam Tim and Mr. He Wei Zhi, and three independent non-executive directors, Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng and Mr. Tam Chun Fai. Biographical details of the Directors are set out on pages 33 to 34. Messrs. Kong Jian Min, Kong Jian Tao and Kong Jian Nan are brothers. Save as disclosed, there is no family or other material relationship among members of the Board.

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

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

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

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

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

During the year of 2009, the Board held five meetings. At these board meetings, directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance and internal control system, including financial, operational and compliance controls and risk management systems, and reviewed and approved the interim results.

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

Directors	Meetings Attended/Total
Executive Directors	
Kong Jian Min *(Chairman)*	5/5
Kong Jian Tao	5/5
Kong Jian Nan	5/5
Li Jian Ming	5/5
Tsui Kam Tim	5/5
He Wei Zhi	5/5
Independent Non-Executive Directors	
Lee Ka Sze, Carmelo	5/5
Dai Feng	5/5
Tam Chun Fai	5/5

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

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

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

Chairman and Chief Executive Officer

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

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

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

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code during the financial year ended 31 December 2009.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2009 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

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

Board Committees

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

Audit Committee and Accountability

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

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;

- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;

- reviewing the Group's financial controls, internal control and risk management system;

- reviewing the Group's financial and accounting policies and practices;

- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Broad;
- reviewing and monitoring the integrity of the Groups' financial statements and annual reports and accounts and half-year report.

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

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2009 is set out as follows:

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

For the year ended 31 December 2009, the external auditors' remuneration in respect of audit services provided to the Group amounted to RMB3,800,000 and fees for non-audit services amounted to an aggregate amount of HK$200,000, being the service charge for the review of financial information.

Remuneration Committee

The remuneration committee was established with written terms of reference in accordance with the Code Provisions as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include formulation and making recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. The remuneration committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the remuneration committee.

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

Though the remuneration committee did not hold any committee meeting for the year ended 31 December 2009, members of the remuneration committee have reviewed the remuneration package of the directors and the remuneration policies of the Company, which are determined with reference to the prevailing market practices.

Nomination Committee

The nomination committee was established on 11 June 2007. The nomination committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships. The nomination committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the nomination committee.

During the year ended 31 December 2009, despite of no meeting was held by the nomination committee, members of the nomination committee have reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business.

Internal Control

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

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

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2009. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the audit committee. The Board believes that the existing internal control system is adequate and effective.

Shareholder Relations

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

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

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

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 21 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman of the Board. Vote results are posted on the Company's website.

Report of the Directors

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

Principal Activities

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

Results and Dividends

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 50 to 118.

The Board of the Company has proposed the payment of a final dividend of RMB5 cent per ordinary share for the year ended 31 December 2009. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 9 July 2010 to the shareholders on the Register of Members on 2 June 2010.

Summary Financial Information

A financial summary of the Group is set out on page 120. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 119.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 21 to the financial statements. Further details of the Group's major properties under development are set out on page 119.

Completed Properties held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 22 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 119.

Share Capital and Share Options

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

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2009, the Company repurchased 600,000 shares of HK$0.10 each in the capital of the Company on the Stock Exchange, details of which are as follows:

Date of repurchase	Number of shares repurchased (Note 1)	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate consideration (excluding expenses) (HK$)
30 December 2009	600,000	5.80	5.63	3,453,895.55

Note:

1. Shares were cancelled on 8 January 2010.

The Board believes that the repurchase was made for the benefit of the shareholders as a whole as they enhanced the earnings per share of the Company.

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

Reserves

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

Distributable Reserves

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with articles 146 of the articles of association of the Company, amounted to approximately RMB6,679,727,000, of which approximately RMB144,658,000 has been proposed as a final dividend for the year.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB7,180,000.

Major Customers and Suppliers

For the year ended 31 December 2009, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payment attributable to the Group's largest contractor and five largest contractors amounted to approximately 10.9% and 36.5% respectively, of the total payment under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 9.3% and 29.0% respectively, of the total purchases for the year.

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

Directors

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

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

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

In accordance with articles 86(3), 87(1) and 87(2) of the Company's articles of association, Messrs. Lee Ka Sze, Carmelo, Dai Feng and Tam Chum Fai will retire from office as independent non-executive directors of the Company by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for a period of one year. Mr. Yu Yao Sheng will only hold office as executive director of the Company until the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

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

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 33 to 35 of the annual report.

Changes in Biographical Details of Certain Directors

Mr. Lee Ka Sze, Carmelo, became an independent non-executive director of Ping An Insurance (Group) Company of China Limited in June 2009 and ceased to be a non-executive director of Taifook Securities Group Limited in January 2010.

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

Directors' Service Contracts

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

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

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

Directors' Remuneration

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

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

At 31 December 2009, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Long position/ short position	Nature of interests	Approximate number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long Position	Interest of a controlled corporation	1,714,441,500	59.25%
Kong Jian Tao (Notes 2 and 3)	Long Position	Interest of a controlled corporation	1,687,500,000	58.32%
	Long Position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 2 and 3)	Long Position	Interest of a controlled corporation	1,687,500,000	58.32%
He Wei Zhi	Long Position	Interest of spouse	10,000 (Note 5)	0.00035%

Notes:

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

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

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

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

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

Long positions in shares and underlying shares of associated corporations:

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

Save as disclosed above, as at 31 December 2009, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

At 31 December 2009, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of shares (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	55.72%

Notes:

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

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

Save as disclosed above, as at 31 December 2009, no person, other than the directors or chief executive of the Company, whose interests are set out in the Section "Interests and Short positions of the Directors and Chief Executive in Shares and Underlying Shares" above and the Section "Share Option Scheme" below, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Share Option Scheme

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

During the year ended 31 December 2009, the Company announced that it offered to grant 8,457,000 share options to the grantees, including directors of the Board and certain employees of the Group on 18 December 2009. Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted during the year (Note 1)	Number of options outstanding at the end of the year	Date of grant	Period during which share options are exercisable (Note 1)	Exercise price per share (HK$)
Li Jian Ming	619,000	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
He Wei Zhi	619,000	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Tsui Kam Tim	619,000	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Tam Chung Fai	30,000	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Lee Ka Sze, Carmelo	30,000	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Dai Feng	30,000	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Other employees of the Group	6,510,000	6,510,000	18 December 2009	18 December 2010 – 17 December 2014	6.24

Note:

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

During the year ended 31 December 2009, no share options were exercised, cancelled or lapsed.

Valuation of Share Options

The Company has been using the Black-Scholes Model (the "Model") to value the share options granted. Details of the key parameters used in the Model and the corresponding fair values of the options granted during the year ended 31 December 2009 are set out in note 33 to the financial statements.

Contract of Significance

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

Connected Transactions

During the year ended 31 December 2009, the Company had entered into the following connected transactions, which the Stock Exchange has granted waivers to the independent shareholders' approval, but subject to disclosure in the annual report under Rules 14A.32 of the Listing Rules. Details of these transactions are set out as below:

1) On 12 March 2009, the joint venture between Prime Way Enterprises Limited ("Prime Way"), a wholly owned subsidiary of the Group, Castor Investment, Ltd. and Castor Investment TE Sub, Ltd. (the "Investors") with respect to the property development in Chengdu (the "Development) has been terminated by way of the transfer back to the Company 35 Class A shares in Gain Right Limited ("Gain Right"), a non wholly-owned subsidiary of the Company, for US$101,300,420.22 (the "Termination").

   The Development comprises three parcels of land located in Chengdu, the PRC, namely Plot 3 Land, Plot 9 Land and Plot 10 Land for three separate but related projects which will be developed into residential buildings, commercial buildings and a hotel. Upon completion of the share transfer, the Development will be wholly-owned by the Company and the Company could maximize the benefits from it.

   The Investors are deemed by the Stock Exchange as connected persons under Rule 14A.06 of the Listing Rules by virtue of their influence in Gain Right through the approval power of the directors nominated and appointed by the Investors, as set out in the announcement of the Company dated 22 February 2008, and therefore the Termination constitutes a non-exempted connected transaction for the Company under the Listing Rules.

2) On 30 November 2007, Guangzhou Tianjian Real Estate Co., Ltd ("Tianjian Real Estate"), a wholly-owned subsidiary of the Company, Dongling Holding Co., Ltd ("Dongling Holding"), Guangzhou Huilai Commercial Co., Ltd ("Huilai Commercial"), Guangxin Jiangwan Xincheng ("Guangxin Jiangwan") and Guangzhou Hejing Real Estate Development Ltd ("Hejing Real Estate") entered into the first agreement ("First Agreement"), the agreement in relation to a joint venture arrangement in respect of the development of five parcels of land located in Zengcheng City, the PRC (the "Project"). Pursuant to the First Agreement, Tianjian Real Estate agreed to acquire or procure its nominee to acquire a 63.75% interest in a new company to be incorporated by Dongling Holding. Such company will indirectly hold a 80% interest in Guangzhou Lihe Property Development Limited ("Guangzhou Lihe"), which in turn holds a 100% interest in the Project, comprising residential and commercial projects. Upon completion of the First Agreement, Tianjian Real Estate will hold a 51% interest in Guangzhou Lihe. Notwithstanding the First Agreement was not completed, Guangzhou Lihe is controlled by Tianjian Real Estate and Tianjian Real Estate has been given certain decision-making rights in the daily operation of Guangzhou Lihe pursuant to the First Agreement.

   On 17 September 2009, Tianjian Real Estate, Dongling Holding, Huilai Commercial, Guangxin Jiangwan and Hejing Real Estate entered into the termination agreement, pursuant to which the parties agreed to terminate the First Agreement.

   On the same day, Tianjian Real Estate and Dongling Holding entered into the second agreement ("Second Agreement"), the agreement in respect of the transfer of a 100% interest in Guangzhou Lihe ("Sales Interest") from Dongling Holding to Tianjian Real Estate. Pursuant to the Second Agreement, Tianjian Real Estate would cooperate in good faith with Dongling Holding for the development of the Project through Tianjian Real Estate's acquisition of the Sale Interest. Tianjian Real Estate and Dongling Holding further entered into the assignment of loan, pursuant to which Dongling Holding agreed to assign a loan of RMB1,695,076,020 to Tianjian Real Estate for a consideration of RMB1,695,076,020.

   By virtue of Tianjian Real Estate's control in Guangzhou Lihe, Guangzhou Lihe is regarded as an indirect non-wholly owned subsidiary of the Company. As Dongling Holding is a substantial shareholder of Guangzhou Lihe, the transfer and other transactions aboved constitutes a connected transaction for the Company.

Corporate Governance

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

Sufficiency of Public Float

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

Directors' Interests in a Competing Business

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

Events After the Reporting Period

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

Auditors

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

ON BEHALF OF THE BOARD

Kong Jian Min
Chairman

Hong Kong
24 March 2010

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the financial statements of KWG Property Holding Limited set out on pages 50 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

24 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	5	**4,266,572**	1,574,214
Cost of sales		**(2,650,267)**	(746,413)
Gross profit		**1,616,305**	827,801
Other income and gains	5	**49,265**	150,644
Selling and marketing costs		**(188,494)**	(89,514)
Administrative expenses		**(281,988)**	(170,908)
Other operating expenses, net		**(42,183)**	(1,758)
Fair value gains/(losses) on investment properties, net		**60,587**	(23,569)
Finance costs	7	**(9,024)**	–
Share of profits and losses of:			
An associate		**(10)**	–
Jointly-controlled entities		**65,024**	10,582
PROFIT BEFORE TAX	6	**1,269,482**	703,278
Income tax expenses	10	**(548,025)**	(337,108)
PROFIT FOR THE YEAR		**721,457**	366,170
Attributable to:			
Owners of the parent		**720,078**	368,532
Minority interests		**1,379**	(2,362)
		721,457	366,170
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	13		
Basic		**RMB26 cents**	RMB14 cents
Diluted		**RMB26 cents**	RMB14 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR	**721,457**	366,170
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(32,985)**	(58,242)
Share of other exchange differences on translation of a jointly-controlled entity	**3,071**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(29,914)**	(58,242)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**691,543**	307,928
Attributable to:		
Owners of the parent	**690,184**	324,083
Minority interests	**1,359**	(16,155)
	691,543	307,928

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**981,508**	443,268
Investment properties	15	**3,501,460**	3,546,400
Land use rights	16	**572,833**	549,952
Interest in an associate	18	**1,348,990**	–
Interests in jointly-controlled entities	19	**1,228,036**	20,487
Deferred tax assets	30	**398,325**	168,453
Long term prepayment	20	**–**	1,098,483
Total non-current assets		**8,031,152**	5,827,043
CURRENT ASSETS			
Properties under development	21	**13,951,102**	11,878,560
Completed properties held for sale	22	**2,300,415**	1,534,404
Trade receivables	23	**147,413**	30,713
Prepayments, deposits and other receivables	24	**453,039**	1,069,487
Due from a jointly-controlled entity	19	**46,999**	50,314
Taxes recoverable	25(a)	**24,492**	3,316
Restricted cash	26	**1,069,876**	205,942
Cash and cash equivalents	26	**2,540,698**	1,167,009
Total current assets		**20,534,034**	15,939,745
CURRENT LIABILITIES			
Trade payables	27	**1,415,470**	2,879,007
Other payables and accruals	28	**5,222,361**	2,063,396
Due to an associate	18	**129,956**	–
Interest-bearing bank loans	29	**2,566,628**	1,058,928
Taxes payable	25(b)	**1,418,808**	1,012,289
Total current liabilities		**10,753,223**	7,013,620
NET CURRENT ASSETS		**9,780,811**	8,926,125
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,811,963**	14,753,168

Consolidated Statement of Financial Position *(continued)*

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,811,963**	14,753,168
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	29	**6,078,852**	4,935,253
Deferred tax liabilities	30	**624,788**	626,704
Deferred revenue	31	**700,000**	–
Total non-current liabilities		**7,403,640**	5,561,957
Net assets		**10,408,323**	9,191,211
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**280,538**	254,093
Treasury shares	32	**(3,041)**	–
Reserves	34(a)	**9,982,514**	8,136,797
Proposed final dividends	12	**144,658**	77,813
		10,404,669	8,468,703
Minority interests		**3,654**	722,508
Total equity		**10,408,323**	9,191,211

Kong Jian Min
Director

Kong Jian Tao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

		Attributable to owners of the parent											
	Notes	**Issued capital** RMB'000 (note 32)	**Share premium account** RMB'000 (note 32)	**Treasury shares reserve** RMB'000 (note 32)	**Reserve funds** RMB'000 (note 34(a))	**Exchange fluctuation reserve** RMB'000	**Equity-settled share option reserve** RMB'000	**Capital reserve** RMB'000	**Retained profits** RMB'000	**Proposed final dividends** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total equity** RMB'000
At 1 January 2008		254,093	5,321,931	–	150,344	(39,519)	–	–	2,457,771	389,063	8,533,683	738,663	9,272,346
Total comprehensive income for the year		–	–	–	–	(44,449)	–	–	368,532	–	324,083	(16,155)	307,928
Final 2007 dividend declared		–	–	–	–	–	–	–	–	(389,063)	(389,063)	–	(389,063)
Transfer to reserves	34(a)	–	–	–	39,001	–	–	–	(39,001)	–	–	–	–
Proposed final 2008 dividend	12	–	–	–	–	–	–	–	(77,813)	77,813	–	–	–
At 31 December 2008 and 1 January 2009		254,093	5,321,931*	–	189,345*	(83,968)*	–*	–*	2,709,489*	77,813	8,468,703	722,508	9,191,211
Total comprehensive income for the year		–	–	–	–	(29,894)	–	–	720,078	–	690,184	1,359	691,543
Issue of shares	32(a)	26,445	1,322,250	–	–	–	–	–	–	–	1,348,695	–	1,348,695
Share issue expenses	32(a)	–	(25,469)	–	–	–	–	–	–	–	(25,469)	–	(25,469)
Repurchase of shares	32(b)	–	–	(3,041)	–	–	–	–	–	–	(3,041)	–	(3,041)
Acquisition of minority interests		–	–	–	–	–	–	2,216	–	–	2,216	(718,184)	(715,968)
Share option expenses	33	–	–	–	–	–	1,194	–	–	–	1,194	–	1,194
Dissolution of a subsidiary	36(c)	–	–	–	–	–	–	–	–	–	–	(2,029)	(2,029)
Final 2008 dividend declared		–	–	–	–	–	–	–	–	(77,813)	(77,813)	–	(77,813)
Transfer to reserves	34(a)	–	–	–	74,559	–	–	–	(74,559)	–	–	–	–
Proposed final 2009 dividend	12	–	–	–	–	–	–	–	(144,658)	144,658	–	–	–
At 31 December 2009		280,538	6,618,712*	(3,041)	263,904*	(113,862)*	1,194*	2,216*	3,210,350*	144,658	10,404,669	3,654	10,408,323

* These reserve accounts comprise the consolidated reserves of approximately RMB9,982,514,000 (2008: RMB8,136,797,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,269,482**	703,278
Adjustments for:			
Finance costs	7	**9,024**	–
Share of profit and loss of an associate		**10**	–
Share of profits and losses of jointly-controlled entities		**(65,024)**	(10,582)
Interest income	5	**(7,066)**	(23,537)
(Gain)/loss on disposal of investment properties, net	5, 6	**40,086**	(44,752)
Loss on disposal of items of property, plant and equipment	6	**–**	331
Depreciation	6	**16,716**	8,638
Amortisation of land use rights	6	**810**	618
Changes in fair values of investment properties, net	15	**(60,587)**	23,569
Equity-settled share options expenses	33	**1,194**	–
		1,204,645	657,563
(Increase)/decrease in properties under development		**546,742**	(3,168,278)
Increase in completed properties held for sale		**(766,011)**	(344,775)
(Increase)/decrease in trade receivables		**(116,700)**	3,907
(Increase)/decrease in prepayments, deposits and other receivables		**692,980**	(331,389)
Decrease in trade payables		**(1,165,043)**	(857,469)
Increase in other payables and accruals		**810,448**	307,490
Increase in amount due to an associate		**129,956**	–
(Increase)/decrease in amount due from a jointly-controlled entity		**3,315**	(21,313)
Increase in restricted cash		**(863,934)**	(58,589)
Cash generated from/(used in) operations		**476,398**	(3,812,853)
Interest received		**7,066**	23,537
Interest paid		**(486,963)**	(377,845)
Corporate income tax paid		**(332,235)**	(508,430)
Land appreciation tax paid		**(62,235)**	(36,110)
Net cash flows used in operating activities		**(397,969)**	(4,711,701)

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Net cash flows used in operating activities		**(397,969)**	(4,711,701)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(548,946)**	(222,059)
Acquisition of land use rights		**(61,988)**	(6,882)
Increase in long term prepayment		**–**	(165,124)
Proceeds from disposal of investment properties		**77,254**	125,702
Acquisition of a subsidiary	36(a)	**(94,444)**	–
Dissolution of a subsidiary	36(c)	**(2,029)**	–
Acquisition of minority interests	36(b)	**(715,968)**	–
Proceeds from disposals of property, plant and equipment		**–**	193
Investment in an associate		**(499,000)**	–
Additional investment in a jointly-controlled entity		**–**	(6,000)
Advances to jointly-controlled entities		**(274,281)**	–
Net cash flows used in investing activities		**(2,119,402)**	(274,170)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	32(a)	**1,348,695**	–
Share issue expenses	32(a)	**(25,469)**	–
Repurchase of shares	32(b)	**(3,041)**	–
New bank loans		**5,471,033**	3,816,473
Repayment of bank loans		**(2,788,137)**	(458,512)
Dividend paid		**(77,813)**	(389,063)
Net cash flows from financing activities		**3,925,268**	2,968,898
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,407,897**	(2,016,973)
Cash and cash equivalents at beginning of year		**1,167,009**	3,288,639
Effect of foreign exchange rate changes, net		**(34,208)**	(104,657)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,540,698**	1,167,009
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**2,502,996**	1,156,436
Non-pledged time deposits with original maturity of less than three months when acquired	26	**37,702**	10,573
Cash and cash equivalents		**2,540,698**	1,167,009

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**294**	397
Interests in subsidiaries	17	**7,039,380**	5,685,560
Total non-current assets		**7,039,674**	5,685,957
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**324**	2,072
Cash and cash equivalents	26	**181,433**	61,375
Total current assets		**181,757**	63,447
CURRENT LIABILITIES			
Other payables and accruals	28	**4,172**	1,759
Total current liabilities		**4,172**	1,759
NET CURRENT ASSETS		**177,585**	61,688
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,217,259**	5,747,645
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	29	**260,035**	–
Total non-current liabilities		**260,035**	–
Net assets		**6,957,224**	5,747,645
EQUITY			
Issued capital	32	**280,538**	254,093
Treasury shares	32(b)	**(3,041)**	–
Reserves	34(b)	**6,535,069**	5,415,739
Proposed final dividends	12	**144,658**	77,813
Total equity		**6,957,224**	5,747,645

Kong Jian Min
Director

Kong Jian Tao
Director

Notes to Financial Statements

31 December 2009

1. Corporate Information

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

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

- property development
- property investment
- hotel operation (commenced in current year)
- provision of property management services

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside owners not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 Changes in Accounting Policy and Disclosures

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets (early adopted)*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) – Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 8, HKAS 1 (Revised) and HKAS 40, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

The principal effects of adopting HKFRS 8, HKAS 1 (Revised) and HKAS 40 are as follows:

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKAS 40 Investment Property

HKAS 40 revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendments prospectively from 1 January 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendments, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

As a result of the adoption of this amendment, the Group reclassified properties under development of approximately RMB11.8 million into investment properties. A fair value increase of approximately RMB58.4 million in respect of the investment properties under construction has been recognised in the income statement for the year ended 31 December 2009.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

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

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

Jointly-controlled entities

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Jointly-controlled operations

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

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

Associates

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

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

Impairment of non-financial assets

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Completed properties held for sale

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, an amount due to an associate and interest-bearing bank loans.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair values of financial instruments

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

Treasury shares

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Government grants

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

Revenue recognition

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

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

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

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

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

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

Employee benefits

Share-based payment transactions

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

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

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

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

Pension schemes

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

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. Contributions to the central pension scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

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

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies

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

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

Judgements *(continued)*

Classification between investment properties and properties held for sale

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2009 was approximately RMB23,956,000 (2008: RMB14,023,000). Further details are contained in note 30 to the financial statements.

Estimation uncertainty

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

Corporate income taxes

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

PRC land appreciation taxes

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

Estimation of fair value of investment properties

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

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets

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

Recognition and allocation of construction cost on properties under development

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

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

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

4. Segment Information

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

(a) Property development: Sale of properties

(b) Property investment: Leasing of properties

(c) Hotel operation: Operation of hotel

(d) Property management: Provision of property management services

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

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

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

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

4. Segment Information *(continued)*

Year ended 31 December 2009

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	4,109,986	98,701	10,003	47,882	4,266,572
Segment results	1,351,695	115,921	(837)	8,059	1,474,838
Reconciliations:					
Interest income and unallocated income					49,265
Unallocated expenses					(245,597)
Finance costs					(9,024)
Profit before tax					1,269,482
Tax					(548,025)
Profit for the year					721,457
Other segment information:					
Depreciation and amortisation	16,298	2,437	4,483	74	23,292
Fair value gains on investment properties, net	–	60,587	–	–	60,587
Share of profits and losses of :					
An associate	(10)	–	–	–	(10)
Jointly-controlled entities	65,024	–	–	–	65,024

4. Segment Information *(continued)*

Year ended 31 December 2008

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,471,220	74,526	–	28,468	1,574,214
Segment results	654,924	92,492	–	20,878	768,294
Reconciliations:					
Interest income and unallocated income					105,892
Unallocated expenses					(170,908)
Finance costs					–
Profit before tax					703,278
Tax					(337,108)
Profit for the year					366,170
Other segment information:					
Depreciation and amortisation	9,464	2,437	–	41	11,942
Fair value losses on investment properties, net	–	23,569	–	–	23,569
Share of profits and losses of:					
An associate	–	–	–	–	–
A jointly-controlled entity	10,582	–	–	–	10,582

5. Revenue, Other Income and Gains

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

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

	Group	
	2009	2008
	RMB'000	RMB'000
Revenue		
Sale of properties	**4,109,986**	1,471,220
Gross rental income	**98,701**	74,526
Hotel operation income	**10,003**	–
Property management fees	**47,882**	28,468
	4,266,572	1,574,214
Other income and gains		
Bank interest income	**7,066**	23,537
Gain on disposal of investment properties	**–**	44,752
Foreign exchange differences, net	**24,646**	73,675
Others	**17,553**	8,680
	49,265	150,644

6. Profit Before Tax

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

	Notes	2009 RMB'000	2008 RMB'000
Cost of properties sold		**2,636,989**	738,895
Depreciation	14	**16,716**	8,638
Amortisation of land use rights	16	**6,576**	3,304
Less: Amount capitalised in assets under construction		**(5,766)**	(2,686)
		810	618
Minimum lease payments under operating leases of land and buildings		**4,175**	3,673
Auditors' remuneration		**3,800**	3,500
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**130,409**	89,371
Pension scheme contributions*		**7,680**	5,041
Equity-settled share option expenses		**757**	–
Less: Amount capitalised in assets under construction and properties under development		**(48,948)**	(41,867)
		89,898	52,545
(Gain)/loss on disposal of investment properties, net**		**40,086**	(44,752)
Loss on disposal of items of property, plant and equipment		**–**	331
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**19,057**	13,799

* At 31 December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).

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

7. Finance Costs

	Group 2009 RMB'000	Group 2008 RMB'000
Interest on bank loans	**456,589**	340,008
Less: Interest capitalised	**(447,565)**	(340,008)
	9,024	–

8. Directors' Remuneration

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

	Group	
	2009	2008
	RMB'000	RMB'000
Fees	**2,376**	2,120
Other emoluments:		
Salaries, allowances and benefits in kind	**6,110**	4,442
Equity-settled share option expense	**437**	–
Pension scheme contributions	**224**	188
	6,771	4,630
	9,147	6,750

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

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2009			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	**264**	**74**	**338**
Mr. Dai Feng	**264**	**74**	**338**
Mr. Tam Chun Fai	**264**	**73**	**337**
	792	**221**	**1,013**
2008			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	265	–	265
Mr. Dai Feng	265	–	265
Mr. Tam Chun Fai	265	–	265
	795	–	795

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. Directors' Remuneration *(continued)*

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2009					
Executive directors:					
Mr. Kong Jian Min	**264**	**879**	**–**	**40**	**1,183**
Mr. Kong Jian Tao	**264**	**780**	**–**	**40**	**1,084**
Mr. Kong Jian Nan	**264**	**780**	**–**	**41**	**1,085**
Mr. Li Jian Ming	**264**	**1,104**	**72**	**41**	**1,481**
Mr. Tsui Kam Tim	**264**	**1,145**	**72**	**21**	**1,502**
Mr. He Wei Zhi	**264**	**1,422**	**72**	**41**	**1,799**
	1,584	**6,110**	**216**	**224**	**8,134**
2008					
Executive directors:					
Mr. Kong Jian Min	265	880	–	40	1,185
Mr. Kong Jian Tao	265	755	–	42	1,062
Mr. Kong Jian Nan	265	756	–	42	1,063
Mr. Li Jian Ming	265	905	–	43	1,213
Mr. Tsui Kam Tim	265	1,146	–	21	1,432
	1,325	4,442	–	188	5,955

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

9. Five Highest Paid Employees

All of the five highest paid employees during the year ended 31 December 2008 were the directors of the Company, details of whose remuneration are set out in note 8 above.

The five highest paid employees for the year ended 31 December 2009 included three directors. Details of the remuneration of the remaining two non-directors, highest paid employees for the year are as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Salaries, allowances and benefits in kind	**3,962**	–
Equity-settled share option expense	**285**	–
Pension scheme contributions	**19**	–
	4,266	–

9. Five Highest Paid Employees *(continued)*

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

	Number of employees	
	2009	2008
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	2	–

No emoluments were paid by the Group to the directors or any of the non-director, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

10. Income Tax Expenses

	Group	
	2009	2008
	RMB'000	RMB'000
Current – PRC		
Corporate income tax ("CIT")	**428,578**	208,548
Land appreciation tax ("LAT")	**351,235**	197,594
	779,813	406,142
Deferred	**(231,788)**	(69,034)
Total tax charge for the year	**548,025**	337,108

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	Group			
	2009		2008	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,269,482**		703,278	
At statutory income tax rate of 25% (2008: 25%)	**317,371**	**25.0**	175,820	25.0
Income not subject to tax	**(6,912)**	**(0.5)**	(3,323)	(0.5)
Expenses not deductible for tax	**10,479**	**0.8**	5,906	0.8
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**(17,389)**	**(1.4)**	17,389	2.5
Profit and loss attributable to an associate	**2**	**0.1**	–	–
Profits and losses attributable to jointly-controlled entities	**(16,256)**	**(1.3)**	(2,645)	(0.4)
Land appreciation tax	**351,235**	**27.6**	197,594	28.1
Effect of land appreciation tax	**(87,809)**	**(6.9)**	(49,398)	(7.0)
Others	**(2,696)**	**(0.2)**	(4,235)	(0.6)
Tax charge at the Group's effective rate	**548,025**	**43.2**	337,108	47.9

10. Income Tax Expenses *(continued)*

The share of CIT and LAT attributable to the jointly-controlled entities amounting to approximately RMB21,648,000 (2008: RMB3,527,000) and RMB18,983,000 (2008: RMB4,931,000), respectively, are included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

Hong Kong profits tax
No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2009 and 2008.

PRC corporate income tax
The PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2009 and 2008, based on existing legislation, interpretations and practices in respect thereof.

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

11. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a loss of approximately RMB23,862,000 (2008: profit of RMB321,485,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. Dividends

	2009 **RMB'000**	2008 RMB'000
Proposed final – RMB5 cents (2008: RMB3 cents) per ordinary share	**144,658**	77,813

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

13. Earnings Per Share Attributable to Owners of the Parent

The calculation of the basic earnings per share amount for the year is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of approximately 2,735,117,000 (2008: 2,593,750,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2009 in respect of the share options outstanding during the year as there was no dilutive effect on the basic earnings per share amounts presented with the exercise price of the share options greater than the average market prices of the Company's shares. Diluted earnings per share amount for the year ended 31 December 2008 is the same as the basic earnings per share as no diluting events existed during the year ended 31 December 2008.

13. Earnings Per Share Attributable to Owners of the Parent *(continued)*

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

	2009 RMB'000	2008 RMB'000
Earnings		
Profit attributable to owners of the parent	**720,078**	368,532

	Number of shares 2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**2,735,117,000**	2,593,750,000

14. Property, Plant and Equipment

Group

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

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

Group

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2008							
At 1 January 2008:							
Cost	80,893	1,329	3,188	8,864	23,697	126,727	244,698
Accumulated depreciation	(3,188)	(1,329)	(1,734)	(2,321)	(8,441)	–	(17,013)
Net carrying amount	77,705	–	1,454	6,543	15,256	126,727	227,685
At 1 January 2008, net of accumulated depreciation	77,705	–	1,454	6,543	15,256	126,727	227,685
Additions	–	267	–	11,624	9,097	203,757	224,745
Disposals	–	–	–	–	(524)	–	(524)
Depreciation provided during the year	(3,191)	(99)	(552)	(2,404)	(2,392)	–	(8,638)
At 31 December 2008, net of accumulated depreciation	74,514	168	902	15,763	21,437	330,484	443,268
At 31 December 2008:							
Cost	80,893	1,596	3,188	20,488	31,439	330,484	468,088
Accumulated depreciation	(6,379)	(1,428)	(2,286)	(4,725)	(10,002)	–	(24,820)
Net carrying amount	74,514	168	902	15,763	21,437	330,484	443,268

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

Company

	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2009			
At 1 January 2009:			
Cost	**48**	**482**	**530**
Accumulated depreciation	**(22)**	**(111)**	**(133)**
Net carrying amount	**26**	**371**	**397**
At 1 January 2009, net of accumulated depreciation	**26**	**371**	**397**
Depreciation provided during the year	**(14)**	**(89)**	**(103)**
At 31 December 2009, net of accumulated depreciation	**12**	**282**	**294**
At 31 December 2009:			
Cost	**48**	**482**	**530**
Accumulated depreciation	**(36)**	**(200)**	**(236)**
Net carrying amount	**12**	**282**	**294**
31 December 2008			
At 1 January 2008:			
Cost	47	482	529
Accumulated depreciation	(7)	(23)	(30)
Net carrying amount	40	459	499
At 1 January 2008, net of accumulated depreciation	40	459	499
Additions	1	–	1
Depreciation provided during the year	(15)	(88)	(103)
At 31 December 2008, net of accumulated depreciation	26	371	397
At 31 December 2008:			
Cost	48	482	530
Accumulated depreciation	(22)	(111)	(133)
Net carrying amount	26	371	397

At 31 December 2009, certain of the Group's buildings with an aggregate net carrying amount of approximately RMB46,801,000 (2008: RMB52,001,000) and assets under construction with an aggregate net carrying amount of approximately RMB731,832,000 (2008: 265,906,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2009 the Group was in the progress of obtaining the real estate ownership certificates of the Group's buildings with an aggregate net carrying amount of approximately RMB338,949,000 (2008: Nil) from the relevant government authorities.

15. Investment Properties

Group

	2009 Completed investment properties RMB'000	2009 Investment property under construction RMB'000	2009 Total RMB'000	2008 Completed investment properties RMB'000	2008 Investment property under construction RMB'000	2008 Total RMB'000
Carrying amount at 1 January	**3,546,400**	**–**	**3,546,400**	3,650,919	–	3,650,919
Transfers from properties under development – adoption of improvements to HKFRSs	**–**	**11,813**	**11,813**	–	–	–
Disposals	**(117,340)**	**–**	**(117,340)**	(80,950)	–	(80,950)
Gain/(loss) from a fair value adjustment	**2,200**	**58,387**	**60,587**	(23,569)	–	(23,569)
Carrying amount at 31 December	**3,431,260**	**70,200**	**3,501,460**	3,546,400	–	3,546,400

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

The Group's investment properties were revalued on 31 December 2009 by CB Richard Ellis Limited, independent professionally qualified valuers, at approximately RMB3,501,460,000 (2008: RMB3,546,400,000) on an open market, existing use basis. Certain of the Group's investment properties are leased to third parties under operating lease, further summary details of which are included in note 39(a). The gross rental income received and receivable by the Group and the direct expenses in respect of these investment properties are summarised as follows:

	Group 2009 RMB'000	Group 2008 RMB'000
Gross rental income	**98,701**	74,526
Direct expenses	**(19,057)**	(13,799)
Net rental income	**79,644**	60,727

At 31 December 2009, the Group's investment properties with an aggregate carrying amount of approximately RMB3,046,504,000 (2008: RMB3,047,220,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2009, the Group had not applied for the real estate ownership certificate of the Group's investment property under construction with an aggregate net carrying amount of approximately RMB70,200,000 (2008: Nil) with the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 119 of the annual report.

16. Land Use Rights

	Group 2009 RMB'000	Group 2008 RMB'000
At 1 January	**553,256**	875,873
Additions	**40,171**	28,699
Amortisation recognised during the year	**(6,576)**	(3,304)
Reclassification	**–**	(348,012)
At 31 December	**586,851**	553,256
Current portion included in prepayments, deposits and other receivables	**(14,018)**	(3,304)
Non-current portion	**572,833**	549,952

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

Certain of the Group's land use rights of approximately RMB210,323,000 (2008: RMB79,548,000) were pledged to banks to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2009, the Group is in the progress of obtaining the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB20,319,000 (2008: RMB266,762,000) from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

17. Interests in Subsidiaries

	Company 2009 RMB'000	Company 2008 RMB'000
Unlisted shares, at cost	**300,306**	300,306
Due from subsidiaries	**6,738,406**	5,385,254
Capital contribution in respect of employee share-based compensation	**668**	–
	7,039,380	5,685,560

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Happy Clear Consultants Limited	British Virgin Islands/ Hong Kong	US$1,000	100	–	Investment holding
Reach Luck Consultants Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Boom Faith International Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rising Wave Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Good Excel Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Prime Way Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Hugeluck Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Guangzhou Hejing Real Estate Development Limited ("Guangzhou Hejing")*#	PRC	US$99,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited#	PRC	US$12,930,000	–	100	Property development
Guangzhou Hejing Yingfu Real Estate Development Limited#	PRC	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited*#	PRC	RMB792,000,000	–	100	Property development
Guangzhou Zhongtianying Real Estate Development Limited*#	PRC	US$198,000,000	–	100	Property development
Guangzhou Tianjian Real Estate Co., Ltd*#	PRC	RMB1,485,000,000	–	100	Property development
Guangzhou Fuxin Property Management Limited*#	PRC	RMB7,000,000	–	100	Property management
Guangzhou Ningjun Property Management Limited*#	PRC	RMB7,000,000	–	100	Property management

17. Interests in Subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Junzhao Property Operation Limited*#	PRC	RMB7,000,000	–	100	Property management
Chengdu Zhongtianying Real Estate Development Limited#	PRC	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited#	PRC	RMB30,000,000	–	94.5	Property development
Hainan New World Property Development (HK) Limited*#	PRC	HK$15,000,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited ("Suzhou Hejing")#	PRC	RMB990,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited ("Guangzhou Conghua Hejing")*#	PRC	US$99,000,000	–	100	Property development
Beijing Hejing Real Estate Development Limited#	PRC	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited*#	PRC	HK$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#	PRC	US$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#	PRC	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited#^	PRC	RMB30,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited ("Guangzhou Lihe")	PRC	RMB100,000,000	–	100	Property development

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

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

^ This company was newly established during the year.

The Group acquired Guangzhou Lihe during the year. Further details of this acquisition are included in notes 31 and 36(a) to the financial statements.

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

18. Interest in an Associate/Amount Due to an Associate

	Group 2009 RMB'000	2008 RMB'000
Share of net assets	**1,348,990**	–

The amount due to an associate included in the Group's current liabilities of RMB129,956,000 (2008: Nil) is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due to the associate approximates its fair value.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest attributable to the Group	Principal activity
Suzhou City Kaiyu Real Estate Development Company Limited ("Suzhou Kaiyu")	Registered capital of RMB1 each	PRC	29.94	Property development

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

The above investment in an associate is indirectly held by the Company through a wholly-owned subsidiary.

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

	2009 RMB'000	2008 RMB'000
Assets	**1,694,367**	–
Liabilities	**(194,400)**	–
Revenue	**–**	–
Loss	**(33)**	–

18. Interest in an Associate/Amount Due to an Associate *(continued)*

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

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

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

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

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

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

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

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

19. Interests in Jointly-controlled Entities/Amount Due from a Jointly-controlled Entity

	Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	**88,582**	20,487
Advances to jointly-controlled entities	**1,139,454**	–
	1,228,036	20,487

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

The amount due from a jointly-controlled entity included in the Group's current assets of RMB46,999,000 (2008: RMB50,314,000) is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due from a jointly-controlled entity approximates to its fair value.

Particulars of the jointly-controlled entities are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Guangzhou Weibai Real Estate Development Limited#	Registered capital of RMB1 each	PRC	50	50	50	Property development
Precious Wave Investments Limited	Ordinary shares of US$1 each	British Virgin Islands	50	50	50	Investment holding
Quality Express Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Investment holding
Guangzhou Fujing Real Estate Development Limited#	Registered capital of HK$1 each	PRC	33	33	33	Property development

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

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

19. Interests in Jointly-controlled Entities/Amount Due from a Jointly-controlled Entity

(continued)

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

	2009 RMB'000	2008 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**6,614**	–
Current assets	**1,499,720**	193,154
Current liabilities	**(1,417,752)**	(172,667)
Net assets	**88,582**	20,487
Share of the jointly-controlled entities' results:		
Revenue	**294,544**	57,644
Other income	**375**	264
	294,919	57,908
Total expenses	**(189,264)**	(38,868)
Tax	**(40,631)**	(8,458)
Profit after tax	**65,024**	10,582

20. Long Term Prepayment

At 31 December 2008, the Group's long term prepayment represented partial payment of a parcel of land in Guangzhou, Guangdong Province, the PRC. Pursuant to a joint venture agreement signed by the Group and another two joint venture partners, a joint venture company ("JV Co") is set up to undertake a property development project on the aforementioned parcel of land. The Group and the other two joint venture partners are entitled to equity interests in the JV Co in the respective proportions of 33.33%, 33.33% and 33.34%. As at 31 December 2009, the Group's capital injection into the JV Co had been completed and the amount prepaid by the Group was reclassified to an advance to a jointly-controlled entity included in "interests in jointly-controlled entities" in the consolidated statement of financial position (note 19).

21. Properties Under Development

	Group	
	2009	2008
	RMB'000	RMB'000
Properties under development expected to be recovered:		
Within one year	**13,612,605**	9,142,235
After more than one year	**338,497**	2,736,325
	13,951,102	11,878,560

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

Certain of the Group's properties under development of approximately RMB3,953,230,000 (2008: RMB1,072,890,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

Included in the Group's properties under development as at 31 December 2009 were land costs with an aggregate carrying amount of approximately RMB860,209,000 (2008: RMB4,724,637,000) in which the Group is in the progress of obtaining land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 119 of the annual report.

22. Completed Properties Held for Sale

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

At 31 December 2009, certain of the Group's completed properties held for sale of approximately RMB514,362,000 (2008: RMB273,533,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 119 of the annual report.

23. Trade Receivables

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

	Group	
	2009	2008
	RMB'000	RMB'000
Within 3 months	**114,644**	20,643
4 to 6 months	**12,830**	2,010
7 to 12 months	**12,162**	7,280
Over 1 year	**7,777**	780
	147,413	30,713

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

	Group	
	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	**127,474**	22,653
1 to 6 months past due	**19,939**	8,060
	147,413	30,713

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

24. Prepayments, Deposits and Other Receivables

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**240,892**	60,669	**87**	2
Deposits and other receivables	**212,147**	1,008,818	**237**	2,070
	453,039	1,069,487	**324**	2,072

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

25. Taxes Recoverable/Taxes Payable

(a) Taxes recoverable

	Group	
	2009	2008
	RMB'000	RMB'000
Prepaid CIT	**5,477**	2,513
Prepaid LAT	**19,015**	803
	24,492	3,316

(b) Taxes payable

	Group	
	2009	2008
	RMB'000	RMB'000
CIT payable	**338,660**	239,353
LAT payable	**1,080,148**	772,936
	1,418,808	1,012,289

26. Cash and Cash Equivalents and Restricted Cash

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**3,572,872**	1,362,378	**172,551**	52,480
Time deposits		**37,702**	10,573	**8,882**	8,895
		3,610,574	1,372,951	**181,433**	61,375
Less: Restricted cash	(a)	**(1,069,876)**	(205,942)	**–**	–
Cash and cash equivalents		**2,540,698**	1,167,009	**181,433**	61,375
Denominated in RMB	(b)	**3,362,484**	1,079,811	**–**	–
Denominated in other currencies		**248,090**	293,140	**181,433**	61,375
		3,610,574	1,372,951	**181,433**	61,375

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2009, such guarantee deposits amounted to approximately RMB1,066,876,000 (2008: RMB205,942,000).

At 31 December 2009, certain of the Group's time deposit of RMB3,000,000 (2008: Nil), was pledged to secured general banking facilities granted to the Group (note 38(a)).

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

26. Cash and Cash Equivalents and Restricted Cash *(continued)*

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

27. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Due within one year or on demand	**1,415,470**	2,879,007

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

28. Other Payables and Accruals

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits received and receipts in advance		**3,308,456**	803,682	**–**	–
Other payables and accruals	(a)	**1,710,205**	1,259,714	**4,172**	1,759
Deferred income	(b)	**203,700**	–	**–**	–
		5,222,361	2,063,396	**4,172**	1,759

(a) During the year, the Group prepaid RMB50,000,000 to CCB (Suzhou) for the purchase of the Senior Units, the remaining consideration in the principal amount of RMB850,000,000 was recorded in other payables of the Group as at 31 December 2009. Details of the arrangement are set out in note 18 to the financial statements.

(b) The deferred income is related to a government grant received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC.

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

29. Interest-bearing Bank Loans

	Group					
	2009			2008		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**5.40–8.32**	**2010**	**408,210**	8.59	2009	179,241
Bank loans – unsecured	**4.50–8.32**	**2010**	**1,438,693**	5.67–6.80	2009	139,589
Current portion of long term bank loans						
– secured	**5.13–8.70**	**2010**	**480,246**	5.95–8.69	2009	403,388
– denominated in HK$, secured	**HIBOR+1.25– HIBOR+4.50**	**2010**	**211,244**	HIBOR+1.15– HIBOR+3.50	2009	306,870
– unsecured	**5.13–7.18**	**2010**	**28,235**	7.18	2009	29,840
			2,566,628			1,058,928
Non-current						
Bank loans – secured	**4.86–8.90**	**2011–2019**	**4,745,085**	6.57–8.90	2010–2018	2,171,020
Bank loans – denominated in HK$, secured	**HIBOR+1.25– HIBOR+4.50**	**2011–2014**	**594,107**	HIBOR+1.15– HIBOR+1.25	2010–2014	608,539
Bank loans – unsecured	**5.13–7.18**	**2011**	**479,625**	5.67–8.32	2010–2011	2,155,694
Bank loans – denominated in HK$, unsecured	**HIBOR+3.00**	**2012**	**260,035**	–	–	–
			6,078,852			4,935,253
			8,645,480			5,994,181

	Company					
	2009			2008		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Non-current						
Bank loans – denominated in HK$, unsecured	**HIBOR+3.00**	**2012**	**260,035**	–	–	–

29. Interest-bearing Bank Loans *(continued)*

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**2,566,628**	1,058,928	**–**	–
In the second year	**1,790,408**	2,067,765	**–**	–
In the third to fifth years, inclusive	**3,451,974**	2,683,941	**260,035**	–
Beyond five years	**836,470**	183,547	**–**	–
	8,645,480	5,994,181	**260,035**	–

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

Except for the above mentioned secured bank loans denominated in HK$, all bank loans were denominated in RMB as at the end of reporting period.

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

30. Deferred Tax

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

Deferred tax liabilities

Group

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

Deferred tax assets

Group

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

30. Deferred Tax *(continued)*

Deferred tax liabilities
Group

	2008				
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2008	–	38,214	650,956	–	689,170
Deferred tax charged/(credited) to the income statement during the year (note 10)	11,017	–	(19,661)	17,389	8,745
Gross deferred tax liabilities at 31 December 2008	11,017	38,214	631,295	17,389	697,915

Deferred tax assets
Group

	2008				
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2008	–	161,885	–	–	161,885
Deferred tax credited to the income statement during the year (note 10)	215	49,398	14,023	14,143	77,779
Gross deferred tax assets at 31 December 2008	215	211,283	14,023	14,143	239,664
Net deferred tax recognised at 31 December 2008					(458,251)

30. Deferred Tax *(continued)*

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

	Group	
	2009	2008
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**398,325**	168,453
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(624,788)**	(626,704)
	(226,463)	(458,251)

The Group has unutilised tax losses of approximately RMB110,698,000 (2008: RMB57,355,000) that can be carried forward for five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB14,874,000 (2008: RMB1,263,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31. Deferred Revenue

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

32. Share Capital

Shares

	2009 RMB'000	2008 RMB'000
Authorised:		
8,000,000,000 (2008: 8,000,000,000) ordinary shares of HK$0.10 each	**786,113**	786,113
Issued and fully paid:		
2,893,750,000 (2008: 2,593,750,000) ordinary shares of HK$0.10 each	**280,538**	254,093

During the year, the movements in share capital were as follows:

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

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

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

	Number of ordinary shares	**Nominal value of ordinary shares HK$'000**	**Equivalent nominal value of ordinary shares RMB'000**	**Share premium RMB'000**	**Total RMB'000**
At 1 January 2008 and 31 December 2008	2,593,750,000	259,375	254,093	5,321,931	5,576,024
Issue of shares	300,000,000	30,000	26,445	1,322,250	1,348,695
Share issue expenses	–	–	–	(25,469)	(25,469)
At 31 December 2009	2,893,750,000	289,375	280,538	6,618,712	6,899,250

33. Share Option Scheme

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

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

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

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

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

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

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

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

	Number of shares options
Outstanding at 1 January 2009	–
Granted and accepted during the year	8,457,000
Outstanding at 31 December 2009	**8,457,000**

The exercise price of the outstanding share options is HK$6.24 per share.

The closing price of the Company's shares on 18 December 2009, the date of grant, was HK$6.23 per share.

33. Share Option Scheme *(continued)*

The shares options granted to the executive directors of the Company and employees of the Company and its subsidiaries, associates and jointly controlled entities are exercisable during the following periods:

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

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

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

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

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

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

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

The fair value of the share options determined at the date of grant using the Model was approximately RMB19,938,000 of which the Group recognised a share option expense of approximately RMB1,194,000 during the year ended 31 December 2009.

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

	18 December 2009
Grant date share price	HK$6.23
Exercise price	HK$6.24
Expected life	5 years
Expected volatility	63%-69%
Expected dividend yield	1.48%
Risk-free interest rate	0.72%-1.21%

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

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

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 8,457,000 additional ordinary shares of the Company and additional share capital of approximately HK$846,000 (equivalent to approximately RMB745,000) and share premium of approximately HK$51,926,000 (equivalent to approximately RMB45,720,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 8,457,000 share options outstanding under the Scheme, which represented approximately 0.3% of the Company's shares in issue at that date.

34. Reserves

(a) Group

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

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2009, the Group appropriated approximately RMB74,559,000 to such reserve funds in accordance with relevant law and regulations in the PRC (2008: RMB39,001,000).

(b) Company

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Equity-settled share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2008		5,321,931	308,006	(234,304)	–	93,337	5,488,970
Profit for the year		–	–	–	–	321,485	321,485
Exchange realignment		–	–	(316,903)	–	–	(316,903)
Proposed final 2008 dividend	12	–	–	–	–	(77,813)	(77,813)
At 31 December 2008		5,321,931	308,006	(551,207)	–	337,009	5,415,739
Issue of shares		1,322,250	–	–	–	–	1,322,250
Share issue expenses		(25,469)	–	–	–	–	(25,469)
Share option expenses	33	–	–	–	1,194	–	1,194
Loss for the year		–	–	–	–	(23,862)	(23,862)
Exchange realignment		–	–	(10,125)	–	–	(10,125)
Proposed final 2009 dividend	12	–	–	–	–	(144,658)	(144,658)
At 31 December 2009		6,618,712	308,006	(561,332)	1,194	168,489	6,535,069

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

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

35. Interests in Jointly-controlled Operations

The Group has entered into three (2008: three) joint venture arrangements in the form of jointly-controlled operations with certain parties, to jointly undertake three (2008: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2009, the aggregate amounts of assets and liabilities recognised in respect of these jointly-controlled operations were as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Assets	**964,130**	1,024,521
Liabilities	**(139,665)**	(57,576)

36. Notes to the Consolidated Statement of Cash Flows

(a) Acquisition of a subsidiary

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

The net assets acquired in the acquisition of Guangzhou Lihe are as follows:

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

	RMB'000
Satisfied by:	
Cash	100,000
Transfer Properties	700,000
	800,000

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

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

(a) Acquisition of a subsidiary *(continued)*

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

	RMB'000
Cash consideration	100,000
Cash and bank balances acquired	(5,556)
Net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	94,444

(b) Acquisition of additional interest in Gain Right Limited ("Gain Right")

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

(c) Dissolution of a subsidiary

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

(d) Major non-cash transaction

In connection with the acquisition of Guangzhou Lihe as mentioned in (a) above, the Group and the Vendor further entered into an loan assignment agreement on 17 September 2009, pursuant to which the Vendor agreed to assign a loan of approximately RMB1,695.0 million to the Group for a consideration of the same amount.

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

37. Contingent Liabilities

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

	Notes	**2009 RMB'000**	2008 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	**4,067,148**	1,624,855
Guarantees given to bank in connection with bank loans granted to a third party	(b)	**700,000**	–
		4,767,148	1,624,855

37. Contingent Liabilities *(continued)*

Notes:

(a) As at 31 December 2009 and 2008, the Group provided guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2009 and 2008 for the guarantees.

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

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

As at 31 December 2009, the Company had contingent liabilities not provided for in the financial statements in respect of guarantees given to certain banks for loans granted to subsidiaries amounted to RMB3,088,108,000 (2008: RMB1,100,473,000).

38. Pledge of Assets

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

		Group	
	Notes	**2009 RMB'000**	2008 RMB'000
Buildings	14	**46,801**	52,001
Assets under construction	14	**731,832**	265,906
Land use rights	16	**210,323**	79,548
Investment properties	15	**3,046,504**	3,047,220
Properties under development	21	**3,953,230**	1,072,890
Completed properties held for sale	22	**514,362**	273,533
Time deposit	26	**3,000**	–
		8,506,052	4,791,098

(b) At 31 December 2009, the equity interests of Guangzhou Conghua Hejing and Champ Joyment Limited, which are wholly-owned subsidiaries of the Group and incorporated in the PRC and Hong Kong, respectively, are pledged to certain banks for the loans granted to the Group.

39. Operating Lease Arrangements

(a) As lessor

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

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**108,282**	92,044
In the second to fifth years, inclusive	**199,049**	217,556
After five years	**62,720**	56,685
	370,051	366,285

(b) As lessee

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

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**2,153**	2,535	**749**	–
In the second to fifth years, inclusive	**385**	784	**–**	–
	2,538	3,319	**749**	–

40. Commitments

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

	Group	
	2009	2008
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment – Assets under construction	**451,210**	301,444
Properties being developed by the Group for sale	**2,276,794**	2,146,067
Investment in a jointly-controlled entity	**–**	898,930
	2,728,004	3,346,441

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

41. Related Party Transactions

(a) Outstanding balances with related parties:

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

(b) Compensation of key management personnel of the Group:

	2009 RMB'000	2008 RMB'000
Short term employee benefits	**16,581**	12,305
Equity-settled share option expenses	**685**	–
Post-employment benefits	**406**	483
Total compensation paid to key management personnel	**17,672**	12,788

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

42. Financial Instruments by Category

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

Financial assets – Loan and receivables

	Group	
	2009 RMB'000	2008 RMB'000
Trade receivables (note 23)	**147,413**	30,713
Financial assets included in prepayments, deposits and other receivables (note 24)	**212,147**	1,008,818
Due from jointly-controlled entities (note 19)	**1,186,453**	50,314
Restricted cash (note 26)	**1,069,876**	205,942
Cash and cash equivalents (note 26)	**2,540,698**	1,167,009
	5,156,587	2,462,796

Financial liabilities – Financial liabilities at amortised cost

	Group	
	2009 RMB'000	2008 RMB'000
Trade payables (note 27)	**1,415,470**	2,879,007
Financial liabilities included in other payables and accruals (note 28)	**1,710,205**	1,259,714
Due to an associate (note 18)	**129,956**	–
Interest-bearing bank loans (note 29)	**8,645,480**	5,994,181
	11,901,111	10,132,902

42. Financial Instruments by Category *(continued)*

Financial assets – Loan and receivables

	Company	
	2009	2008
	RMB'000	RMB'000
Due from subsidiaries (note 17)	**6,738,406**	5,385,254
Financial assets included in prepayments, deposits and other receivables (note 24)	**237**	2,070
Cash and cash equivalents (note 26)	**181,433**	61,375
	6,920,076	5,448,699

Financial liabilities – Financial liabilities at amortised cost

	Company	
	2009	2008
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals (note 28)	**4,172**	1,759
Interest-bearing bank loans (note 29)	**260,035**	–
	264,207	1,759

43. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables and advance to/amount due from jointly-controlled entities. The financial liabilities of the Group mainly include trade payables, other payables and accruals, amount due to an associate and bank loans.

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

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

Business risk

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

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

Interest rate risk

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

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

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

		Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2008			
RMB	200	(95,834)	–
Hong Kong dollar	200	(17,615)	–
RMB	(200)	95,834	–
Hong Kong dollar	(200)	17,615	–

* Excluding retained profits

Foreign currency risk

The Group's businesses are located in the PRC and all transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB except for the Hong Kong dollar bank loan and a short term bank deposit in Hong Kong dollars. The Group has not hedged its foreign exchange rate risk.

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

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

Foreign currency risk *(continued)*

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

	Group Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000
2008			
If RMB weakens against Hong Kong dollar	(5)	N/A	(38,300)
If RMB strengthens against Hong Kong dollar	5	N/A	38,300
If RMB weakens against United States dollar	N/A	(5)	7,186
If RMB strengthens against United States dollar	N/A	5	(7,186)

Credit risk

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

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

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

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generating from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expected that the sales in 2010 will be higher than that of 2009 and additional bank loans will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

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

Liquidity risk *(continued)*

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

Group

	2009					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	238,834	2,759,137	5,807,544	956,983	9,762,498
Trade payables	1,415,470	–	–	–	–	1,415,470
Other payables and accruals	860,205	–	850,000	–	–	1,710,205
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	4,067,148	–	–	–	–	4,067,148
Guarantees given to bank in connection with bank loans granted to the Vendor	700,000	–	–	–	–	700,000
	7,042,823	238,834	3,609,137	5,807,544	956,983	17,655,321

	2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	220,473	298,425	952,240	5,215,309	211,167	6,897,614
Trade payables	2,879,007	–	–	–	–	2,879,007
Other payables and accruals	1,259,714	–	–	–	–	1,259,714
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	1,624,855	–	–	–	–	1,624,855
	5,984,049	298,425	952,240	5,215,309	211,167	12,661,190

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

Liquidity risk *(continued)*
Company

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

	2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Other payables and accruals	1,759	–	–	–	–	1,759
Guarantees given to bank in connection with bank loans granted to subsidiaries	1,100,473	–	–	–	–	1,100,473
	1,102,232	–	–	–	–	1,102,232

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 2008.

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

	Group	
	2009	2008
	RMB'000	RMB'000
Net borrowings	**5,034,906**	4,621,230
Total equity	**10,408,323**	9,191,211
Gearing ratio	**48.4%**	50.3%

44. Events After the Reporting Period

On 17 March 2010, KWG Property and Rich Come Enterprises Limited ("Rich Come"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Sun Hung Kai Development (China) Limited ("SHK China") and Lyntondale Holdings Limited ("Lyntondale") pursuant to which Rich Come would cooperate with SHK China for the development of three parcels of land located in Foshan City, PRC, through the subscription of 20 ordinary shares of Lyntondale by Rich Come. Upon completion of the subscription, the issued share capital of Lyntondale will be held as to 80% by SHK China and as to 20% by Rich Come.

On the same day, KWG Property and High Ascent Enterprises Limited ("High Ascent"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with SHK China and Bonserry Investments Limited ("Bonserry") pursuant to which High Ascent would cooperate with SHK China for the development of four parcels of land located in Foshan City, PRC, through the subscription of 20 ordinary shares of Bonserry by High Ascent. Upon completion of the subscription, the issued share capital of Bonserry will be held as to 80% by SHK China and as to 20% by High Ascent.

Details of the above were contained in the Company's announcement dated 17 March 2010.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors of the Company on 24 March 2010.

Project at a Glance

31 December 2009

Property	The Group's interest (%)	Location	Site area ('000 sq.m.)	Total GFA ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
The Cosmos	100	Tianhe District, Guangzhou	23	166	Luxury residential	N/A
Sky Ville	100	Huadu District, Guangzhou	485	357	Town houses and residential	N/A
Waterfront Mansion	100	Conghua District, Guangzhou	228	303	Town houses and residential	N/A
The Apex	100	Tianhe District, Guangzhou	23	77	Luxury residential and serviced apartments	N/A
The City Island	100	Xiangcheng District, Suzhou	196	141	Town houses and residential	N/A
The Emerald	100	Southern High-Tech Zone, Chengdu	14	38	Residential	N/A
Major properties under development						
The Sapphire	100	Xiangcheng District, Suzhou	348	788	Residential, hotel and office building	2010
Chengdu Cosmos	100	South New District, Chengdu	187	873	Residential, serviced apartments, office building, hotel and shopping mall	2010
The Vision of the World	100	Western High-Tech Zone, Chengdu	118	509	Residential	2010
Fragrant Seasons (also known as "Sound of the Soul")	100	Shunyi District, Beijing	455	490	Residential	2010
Zengcheng Summit	100	Zengcheng City, Guangzhou	1,971	2,540	Residential, town houses and commercial properties	2010
International Creative Valley	100	Luogang Development Zone, Guangzhou	150	315	Office building	2010

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

Five Year Financial Summary

Consolidated Results

	Year ended 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Revenue	437,748	654,632	3,868,136	1,574,214	**4,266,572**
Profit before tax	231,521	279,136	4,320,598	703,278	**1,269,482**
Income tax expenses	(98,526)	(121,980)	(1,637,788)	(337,108)	**(548,025)**
Profit for the year	132,995	157,156	2,682,810	366,170	**721,457**
Attributable to:					
Owners of the parent	132,995	157,156	2,683,055	368,532	**720,078**
Minority interests	–	–	(245)	(2,362)	**1,379**
	132,995	157,156	2,682,810	366,170	**721,457**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	N/A	RMB9 cents	RMB120 cents	RMB14 cents	**RMB26 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
ASSETS					
Non-current assets	949,589	1,415,604	5,802,493	5,827,043	**8,031,152**
Current assets	1,895,037	2,990,730	13,172,040	15,939,745	**20,534,034**
Total assets	2,844,626	4,406,334	18,974,533	21,766,788	**28,565,186**
LIABILITIES					
Current liabilities	1,306,481	2,112,422	6,618,127	7,013,620	**10,753,223**
Non-current liabilities	928,870	1,306,885	3,084,060	5,561,957	**7,403,640**
Total liabilities	2,235,351	3,419,307	9,702,187	12,575,577	**18,156,863**
EQUITY					
Equity attributable to owners of the parent	609,275	987,027	8,533,683	8,468,703	**10,404,669**
Minority interests	–	–	738,663	722,508	**3,654**
Total equity	609,275	987,027	9,272,346	9,191,211	**10,408,323**

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

The summary of the consolidated results of the Group for each of the two years ended 31 December 2006 and 2005 and of the assets, liabilities and equity as at 31 December 2006 and 2005 have been extracted from the prospectus issued on 18 June 2007 in connection with the listing of the Company's shares on 3 July 2007.