Annual Report 2009 Fantasia Holdings Group Co., Limited

Stock Code:01777

花样年
FANTASIA

Make Life in Style

让生活更有风格

Make Life in Style

FANTASIA
REPORT 2009

CONTENT

Corporate Information

Shenzhen Meinian Plaza

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

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

COMPANY SECRETARY
Mr. Chan Sze Hon

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

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

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

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

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISOR
Partners Capital International Limited

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

LEGAL ADVISORS
As to Hong Kong Law
Richards Butler
Sidley Austin

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman

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

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

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

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

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

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

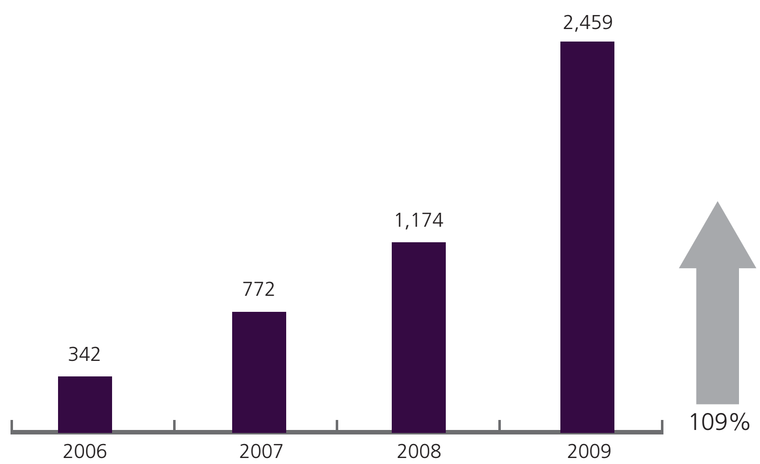
WEBSITE
http://www.cnfantasia.com

Financial Highlights

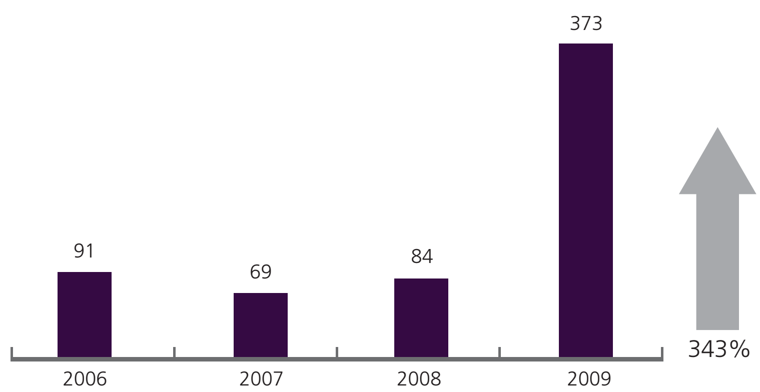
Chengdu Mont Conquerant

For the financial year ended 31 December 2009, the Group recorded operating income of RMB2,459 million, which represents an increase of 109.4% over last year. Net profit attributable to equity holders of the Company during the year was RMB373 million, up 343.2% as compared to last year.

Revenue (in RMB'million)



Profit (in RMB'million)



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

Milestone of Business Development

Yixing Town on the Water

On 28 September 1996, Fantasia had started its business and Shenzhen Xingyan Investment Development Co., Ltd was established.

In February 2000, our subsidiary Shenzhen Xingyan Property Consultancy Co., Ltd. was established, which expanded the property business segments of the Company to include property agency segment in addition to the then existing property development segment.

In December 2000, our subsidiary Shenzhen Fantasia Property Management Co., Ltd. was established. By then, Fantasia has gradually completed its vertical development of real estate industrial chain, which mainly focus on real estate development with property management, planning and design and sales planning serving as complements.

In July 2001, our subsidiary Fantasia (Chengdu) Development Co., Ltd was established and the establishment of a subsidiary in Chengdu marked the beginning of the implementation our strategy of "Blossoming China".

In October 2001, Shenzhen Xingyan Investment Development Co., Ltd officially changed its name to Shenzhen Fantasia Investment Development Co., Ltd. and established our brand principle of "Make Life in Style" through proudly presenting its unique and new image.

In April 2005, our subsidiary Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd. was established and this marked the official venture of Fantasia into the Yangtze River Delta Economic Region.

In January 2006, Fantasia Group (China) Co., Ltd. was incorporated.

In May 2006, Fantasia successfully forayed into Tianjin market and completed the initial stage of development of our "Blossoming China" strategy.

In September 2006, our subsidiary Fantasia Chengdu Ecological Tourism Development Co., Ltd. was set up. The new company adheres to the principle of "promoting the construction of socialist new countryside and facilitating the healthy progress of urbanization" and commits to the protection of ecological resources, development of tourism resources and other constructions.

In December 2006, Fantasia successfully entered the Dongguan market, which demonstrated that the real estate development business of Fantasia in Pearl River Delta Region has realized regionalized development.

In October 2007, Fantasia Holdings Group Co., Limited (the "Company") was established under the laws of the Cayman Islands as an exempted company with limited liability which then became the holding company of the Company and its subsidiaries (the "Group").

In March 2009, the groundbreaking ceremony of the LOFT project of the Meinian International Plaza(美年國際廣場), the largest urban complexes in Chengdu, was held.

On 26 April 2009, Chengdu Hailrun Plaza (成都喜年廣場),the tallest building in Chengdu, topped out.

Milestone of Business Development

On 8 August 2009, the sales of the project Dongguan Mont Conquerant (東莞君山) commenced. On that day, 38 out of 41 units were sold. The units sold were mainly townhouse and semi-detached residential house of low density.

On 4 September 2009, Fantasia acquired a parcel of land in Huiyang District, Huizhou City through auction. The site area of the project is approximately 172,000 square meters and planned gross floor area is approximately 586,000 square meters.

On 17 September 2009, the Company acquired the lot No. B105-11 at Futian Free Trade Zone, Shenzhen in the form of equity interest transfers. The site area of the project is approximately 18,718 square meters. and planned total gross floor area is approximately 67,908 square meters.

On 26 September 2009, Meinian International Plaza (美年國際廣場), the largest urban complex in Chengdu, commenced the sales for the first time. As at the end of 2009, the sales amount of Meinian International Plaza (美年國際廣場) reached RMB 500 million, ranked the top three among the sales of the Southern Region of Chengdu International City (成都市國際城南區域).

On 8 October 2009, Shenzhen Love Forever (深圳花郡) opened for sales, which were sold out within the month of its sales. The remarkable sales achievement was acclaimed as "Sales Miracle of Real Estates in Shenzhen in October (深圳十月的房地產銷售奇跡)" by SouFun.com.

On 25 November 2009, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its selling shareholders raised a total of HK$3,178 million through global offering. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the listing of the Company after the exercise of the over-allotment option) amounted to approximately HK$2,500 million.

On 4 December 2009, the vocational scholarship of "colour life (彩生活)" was formally initiated in the Education College of Zhuhai Campus of Beijing Normal University.

On 9 December 2009, the Group signed a strategic cooperative agreement with China Construction Bank Limited. Pursuant to the agreement, the China Construction Bank Limited Shenzhen Branch would provide credit line of RMB 20 billion over the next five years to Fantasia.

On 10 December 2009, the Group held the signing ceremony of the land use right transfer of the Pengji Times Enterprise Incubation (鵬基時代創業園) project with the Shenye Pengji Holding Company Limited (深業鵬基(集團)有限公司) at the Shenzhen Land and Property Exchange Centre (深圳市土地房產交易中心).

On 15 December 2009, the groundbreaking ceremony of the project of Chengdu Future Plaza (成都香年廣場), occupying an aggregate site area of 20.78Mu, was held.

Honours and Awards

ON THE COMPANY LEVEL

In March 2009, Fantasia Group (China) Co., Ltd. was honored to be one of the "2009 China Top 100 Real Estate Developers" by China Real Estate Top 10 Research Team;

In December 2009, Fantasia Holdings Group Co., Limited was awarded the "Special Contribution Award" and was honored to be the "Leading Sponsor" by Shenzhen Biennale of Urbanism & Architecture Committee;

In December 2009, Fantasia (Chengdu) Development Co., Ltd. was awarded "Golden Prize for Real Estate Business for the Year (年度地產企業金獎)" of the Seventh Golden Hibiscus Prize of Chengdu Real Estate(成都房地產第七屆金芙蓉杯(2009)) jointly by Sichuan Daily Newspaper Group and Chengdu Real Estate Bureau;

In December 2009, Tianjin Songjiang Fantasia Real Estate Co., Ltd. was accredited "Contribution Award for Promoting Perfect Human Habitation in China" (中國完美人居推動貢獻獎) by New Real Estate, House.sina.com.cn and the Committee of Identification of China's Perfect Human Habitation (尋找中國完美人居組委會);

In January 2010, Fantasia Holdings Group Co., Limited received two awards from Soufun.com, namely "Popular Enterprises in Shenzhen Real Estate 2009" (2009年深圳人氣房企) and the "Most Influential Real Estate Enterprise Brand in Shenzhen 2009" (2009年深圳最具影響力的品牌房企);

In January 2010, Fantasia Group (China) Co., Ltd. was awarded to be one of the "2009 Top Ten Brand Developers in Shenzhen" (深圳十大品牌開發商) by Shenzhen Economic Daily;

In January 2010, Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded "2009 Outstanding Contribution Award of Liaobu Town (寮步鎮2009年度突出貢獻獎)" by the People's Government of Liaobu Town, Dongguan City;

In January 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded the highest prestigious award in real estates, Excellent Development Enterprise 2009 (2009年度優秀開發企業獎) "Golden Tripod (金鼎獎)" by Chengdu Real Estate Bureau of the city government of Chengdu;

In January 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded "2009 • Example of China • the Fifth Rank of Top 20 out of Top 50 Non-local Real Estate Company in Western China (Sichuan) Ranking (2009 • 榜樣中國 • 華西TOP 50強四川房地產綜合實力20強(外來品牌)第五名)" jointly by Sichuan Daily Press Group, West China Metropolis Daily Press (華西都市報社) and the Committee for Top 50 Real Estate Company in terms of Comprehensive Strength in Sichuan (四川房地產TOP50強綜合實力排行榜組委會);

In January 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded "Pioneer Brand Enterprise Over 10 Years (地產十年 • 品牌先鋒企業)" jointly by Chengdu Media Group and Chengdu Evening News Press (成都晚報社);

In March 2010, Fantasia (Chengdu) Development Co., Ltd. was awarded "2009 Chengdu Property Market Top Ten Brand Enterprise" (2009成都樓市十大品牌企業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜)of Chengdu Business Daily;

In March 2010, Fantasia Chengdu Ecological Tourism Development Co., Ltd. was awarded "2009 Chengdu Property Market City Operation Prize" (2009成都樓市城市運營大獎) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily;

In October 2009, Shenzhen Fantasia Property Management Co., Ltd. was accredited "In Celebration of the 60th Anniversary of the Founding of the PRC– Recommendation of the Most Responsible and Trustworthy Corporations in Shenzhen Property Management Industry" (慶祝建國六十週年深圳市物管行業社會責任感強、業主信賴企業推介) by Shenzhen Property Management Association, Sunshine Daily, Shenzhen Special Zone Daily, Fangqq.com (騰訊藍房網) and Fwwwd.com (房地網);

In December 2009, Shenzhen Fantasia Property Management Co., Ltd. was awarded "2009 China Top 100 Property Management Companies" by China Real Estate Top 10 Research Team;

In March 2009, Shenzhen Xingyan Property Consultancy Co., Ltd. was honored to be one of the "2009 China Top 100 Real Estate Agencies" by China Real Estate Top 10 Research Team;

In December 2009, Shenzhen Xingyan Property Consultancy Co., Ltd. was awarded "2009 Brand Value TOP 10 of Southern China Real Estate Agencies" (2009中國華南房地產策劃代理公司品牌價值TOP 10) by China Real Estate Top 10 Research Team.

In March 2010, Shenzhen Xingyan Property Consultancy Co., Ltd. Chengdu Branch was awarded "Chengdu Marketing and Planning for Real Estate 2009 (2009成都樓市營銷策劃大獎)" by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily.

ON PROJECT LEVEL

In July 2009, Tianjin Hailrun Plaza won "Popularity Index TOP 10 in the First Half of 2009" (2009上半年網絡人氣指數TOP10) accredited by Tanjin Popularity Property Committee (天津名盤風雲組委會) and Sina Leju;

In October 2009, Grand Valley in Chengdu was awarded "Houses leading Next Decade's Trend (引領未來十年住宅趨勢作品)" by Chengdu Business Daily;

In November 2009, the Shenzhen Future Plaza (深圳香年廣場) was awarded "Office Building Award in 2009 China Property Conference & China Human Habitation 60 Years Summit" (2009中國地產年會暨中國人居60年高峰論壇年度寫字樓大獎) by Peking University and Nanfang Press and Media Group;

In November 2009, Shenzhen Love Forever (深圳花郡) was accredited "Investment Value Award in 2009 China Property Conference & China Human Habitation 60 Years Summit" (2009中國地產年會暨中國人居60年高峰論壇年度投資價值大獎) by Beijing University and Nanfang Media Group;

In December 2009, Grand Valley in Chengdu was awarded "Worth Living • Eco-House (居有所值 • 生態名盤)" by the 34th Real Estate Autumn Fair 2009 of Chengdu (第34屆成都市房地產交易會(2009秋季));

In December 2009, Meinian International Plaza (美年國際廣場) in Chengdu was awarded "Property Project that serves as the Driving Force for the Region of the Year (年度區域推動力樓盤)" of the Seventh Golden Hibiscus Prize of Chengdu Real Estate 2009 (成都房地產第七屆金芙蓉杯(2009)) jointly by Sichuan Daily Newspaper Group and Chengdu Real Estate Bureau;

In December 2009, Tianjin Hailrun Plaza won "2009 Tianjin Most Investment Worthy Property Project" (2009年天津地產最具投資價值樓盤獎) accredited by E-House, Sina.com and China Real Estate Information Corporation;

In January 2010, Shenzhen Future Plaza (深圳香年廣場) was awarded "2009 Shenzhen Best Base for Entrepreneurial Headquarters" (2009深圳最佳企業總部基地) by Shenzhen Commercial Press;

In January 2010, Shenzhen Love Forever (深圳花郡) was accredited "2009 Shenzhen TOP 20 Housing Brand" (2009深圳二十大品牌樓盤) by Shenzhen Commercial Press;

In January 2010, Shenzhen Love Forever Phase II (Hua Xiang) (深圳花郡二期花鄉) was awarded "The Most Expected Property Project in Shenzhen 2010" (2010年深圳最受期待樓盤) by Soufun.com;

In January 2010, Chengdu Meinian International Plaza (美年國際廣場) was awarded "Most Influential City Complex 2009 (2009年度最具影響力城市綜合體)" jointly by Sichuan Daily Press Group, West China Metropolis Daily Press (華西都市報社) and the Committee for Top 50 Real Estate Company in Sichuan in terms of Comprehensive Strength (四川房地產TOP50強綜合實力排行榜組委會);

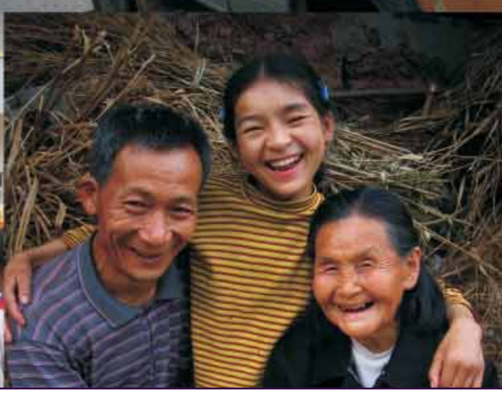
In January 2010, Chengdu Hailrun Plaza (成都喜年廣場) was awarded the highest prestigious award in real estates, Chengdu Real Estate Excellent Project 2009 (2009年成都房地產優秀項目) "Golden Tripod (金鼎獎)" by Chengdu Real Estate Bureau of the city government of Chengdu;

In March 2010, Meinian International Plaza in Chengdu was awarded "2009 Chengdu Property Market Most Investment Worthy Property" (2009成都樓市最具投資價值物業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily;

In March 2010, Chengdu Hailrun Plaza (成都喜年廣場) was awarded "2009 Chengdu Property Market Most Investment Worthy Property" (2009成都樓市最具投資價值物業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily;

In March 2010, Chengdu Mont Conquerant Project (成都君山項目) was awarded "2009 Most Influential High-end Property in Chengdu Property Market" (2009成都樓市最具影響力高端物業) by 2009 China (Chengdu) Property Market Overall Ranking List (2009中國(成都)樓市總評榜) of Chengdu Business Daily.

Social Responsibility



SOCIAL RESPONSIBILITY

While continuously pursuing business expansion, Fantasia also puts great emphasis on understanding the relationship between art, real estate and the society, and has proactively participated in social and community services, such as providing generous sponsorship support to Hong Kong & Shenzhen Bi-city Biennale of Urbanism \ Architecture for the third time, making donation for the construction of Hope Primary Schools in the old revolutionary base in Jiangxi and the earthquake stricken area in Sichuan, as well as organizing community art activity, i.e. the "Fantasia – Voyage to Happiness (花樣年 • 發現幸福之旅)."

Biennale of Urbanism \ Architecture

In 2009, by acting as the lead sponsor of Hong Kong & Shenzhen Bi-city Biennale of Urbanism \ Architecture, Fantasia sponsors the Hong Kong & Shenzhen Bi-city Biennale of Urbanism \ Architecture ever since the birth of the event for the third year in a row, and the total contribution for all three sponsorships amounted to RMB3 million, and through which special contribution was made to the development of public art in Shenzhen.

Donations for running schools

Since 2006, Fantasia has donated over RMB2 million for the building and running of the Hope Primary School in the old revolutionary base in Ji'an County, Jiangxi. In 2009, Fantasia contributed funds to the digging of a deep well in the school, thereby improving the infrastructure of the school. In order to improve the quality of teaching in the school, a teacher incentive fund was also established for the school so as to implement a "Future Pillars (新棟梁)" scheme for the fresh graduates joining Fantasia to participate in and support the teaching at the school. Fantasia dispatched a total of 12 Future Pillars to teach at the Hope Primary School in 2009, thus providing practical opportunities for its staff to serve and contribute to the community.

Daxing School in Pujiang County which is located in the area affected by the 512 Earthquake, for the building of which Fantasia has contributed approximately RMB4 million, was put into use on August 2009. To acknowledge the selfless contribution made by Fantasia, the local government renamed the school as "Fantasia Qixiang School (花樣年其相學校)."

Voyage to Happiness (幸福之旅)

"Fantasia – Voyage to Happiness" is a large scale community art activity organized by Fantasia since 2006, which explores the meaning of "Happiness" within the contemporary Chinese society through artistic creation and exchanges of idea with the collaborating of a young artist each year.

In 2009, Fantasia invited Jiang Jie, the sculptor, to be the chief operator of "Fantasia – Voyage to Happiness." In a series of art programs entitled "Different Faces with Different Views (千百張面孔的千百個方向)," Jiang Jie focused his artistic creation on elite scholars from various disciplines with certain achievements as well as unique insights into the meaning of happiness. Jiang interviewed numerous elites in the cultural and art circle, including Ouyang Jianghe and Di Yongming, the poets, Meng Jinghui, the theatre director, and Guo Wenjing, the composer.

Chairman's Statement

Chairman's Statement

We would like to show our sincere gratitude to our shareholders, investors, partners and customers for their continued trust and support. My heartfelt gratitude would also extend to all staff of the Group for their contribution and devotion. We expect to achieve brighter results with our business partners and share fruitful rewards with them and aim at higher goals in 2010.

Dear shareholders,

2009 was a meaningful year in which Fantasia has passed a significant milestone. Under the guidance of our strategy of "Blossoming China" and with 14 years of experience earned and accumulated, the Company has achieved encouraging growth, and was successfully listed on the Main Board of the Stock Exchange on 25 November 2009, and this realized our long term goal of becoming a well managed listed company. In 2009, in view of the turbulent capital market, Fantasia, with its focus of business in the four most economically prosperous and vibrant regions in China, while targeting at the integrated housing demand of the more affluent middle to upper class individuals and families and high-growth small and medium sized enterprises, has been highly recognized by investors under capital market turbulence and this was reflected by the over-subscription level of our Hong Kong Public Offer of 159 times. Such an enthusiastic response has put us under the limelight among real estate companies, which floated on the Hong Kong capital market in 2009, and fully revealed the uniqueness and attractiveness of Fantasia.

The successful listing of the Company has turned a new and historic chapter for our future development. In particular, we put our strategic plan of "Blossoming China" on a faster track with more confidence on the basis of a stronger and more extensive international capital platform. We will continue to sharpen the business edges of Fantasia in the four economically booming regions in China with an aim to enhancing the brand recognition of Fantasia and offering better products and services, while at the same time, delivering more fruitful rewards to our shareholders and investors.

Results and dividends

For the financial year ended 31 December 2009, the Group recorded operating income of RMB2,459 million, which represents an increase of 109.4% over last year. Net profit attributable to equity holders of the Company during the year was RMB373 million, up 343.2% as compared to last year. Excluding the revenue contributed by the movement of fair value of investment properties and net of the effect on relevant taxation and minority interests, the net profit contributed by the core business of the Group reached RMB361 million.

Chairman's Statement

In order to respond to the support by the shareholders, the board of directors of the Company proposed a final dividend of HK 1.75 cents per share in respect of the year 2009, subject to shareholders' approval at the annual general meeting.

Market and Business Review

From 2007 to 2009, China's real estate market was subject to serious fluctuations under the turbulence in the global economy, and this has highlighted the uncertainties relating to the process of urbanization of China. Although the prospect of China's real estate market is indisputably bright, it is inevitably plagued with challenges and fluctuation.

In 2009, China was the first country to show the "green shoots" of recovery after the unprecedented financial crisis, and the pace of recovery of the real estate market has also surprised many observers. The area sold and turnover of the commodity houses segment of the country were 937.13 million square meters and RMB 4,399.5 billion, up 42.1% and 75.5% respectively and this scaled a new height in the record. Real estate is a significant pillar of China's economy, which could be seen by the fact that in 2009, the sales volume of commodity houses alone represented over 13% of the GDP of China.

The main reasons for the dramatic growth of China's real estate market in 2009 are the further strengthening of economic stimulus measures and the adoption of active fiscal policies and loose monetary policies by the Chinese government while the increased scale of credit facilities has promoted the market liquidity. However, these are not factors that could maintain sustainable development of the industry.

With the skyrocketing prices of the land parcels tendered during the year, and the surging of housing prices in many large and medium cities in China to an unprecedented level, the ratio of house price to income continued to develop in an irrational manner and China's real estate market plunged again into a sizzling state and speculation. With the concern of asset bubbles and inflation, the central government implemented a string of new macro-economic regulation measures in the end of 2009.

2009 was a meaningful year in which Fantasia has passed a significant milestone. Under the guidance of our strategy of "Blossoming China" and with 14 years of experience earned and accumulated, the Company has achieved encouraging growth, and was successfully listed on the Main Board of the Stock Exchange on 25 November 2009, and this realized our long term goal of becoming a well managed listed company.

During the reporting period, in the face of the rapidly developing and ever changing real estate market, the Group has taken an active role to grasp market opportunities and continued to focus our business development in the four thriving and most economically vibrant regions in China, consolidating our leading position in the Pearl River Delta and the Chengdu-Chongqing Economic Zone, enhancing our business strength and scale in the Yangtze River Delta Region and the Beijing-Tianjin metropolitan region and promoting our sales and the overall development of the company through our high quality products, superior services and competitive edge in sales with particular focuses on the following aspects:

Upgrade the standard of corporate culture, brand recognition and product development of Fantasia at regional level and strengthen our development capability through further optimizing the three-tier professional and vertical management system which covers the group, region and project aspects, establishing clearer management and control standards and procedures with respect to different professional segments, smoothing the communication between the Group and our regional entities, nurturing our staff team of companies in different cities and boosting our localized marketing experience and competence;

The Group has further extended its strategic coverage and forayed into the market of Suzhou, which is an important city in Yangtze River Delta. On the other hand, we have adhered to our scientific, prudent, responsive and diversified land acquisition strategy with an aim to maintaining the competitive strength of the Company by acquiring land at low cost. During the year, the gross floor area of our newly acquired premium land bank amounted to 2.09 million square meters;

Continue to consolidate our superior competitive strength with respect to the two major products of Urban Complexes and Boutique Upscale Residences. Our sales performance in regions such as Shenzhen, Dongguan, Chengdu, Tianjin and Yixing was outstanding with our contract sales income for the year rising 248% as compared with the corresponding period last year;

Leveraging on our excellent reputation, quality project resources and reliable professional development capability, the Company has established good cooperative relations with certain major domestic banking institutions and became the client of several banks, including the Agricultural Bank of China, China Construction Bank and China Everbright Bank, at the headquarters or strategic level and such relationships have provided wider and more flexible financing sources for the business development of the Company;

Enhance the synergy between products and services in respect of property development, property agency and property management. Such business segments recorded significant growth;

The setting up of a professional hotel management company, a business management company and a construction engineering company will further improve Fantasia's capability to serve high-end customers and boost the attractiveness and value of our properties.

Prospect and Development Targets

Although the policy adjustment concerning China's real estate market, which was implemented by the central government in the end of 2009 has triggered concern about the possibility of China's withdrawing its stimulus policies that serve as remedial measures of the global financial crisis, we have, at the same time, noticed that the recovery of global economy, especially that of the US, remains fragile, while at the same time, China is facing the difficult and complicated task of "preventing inflation, maintaining growth and adjusting economic structures". The working conference of the central government held at the end of 2009, has continued to highlight the basic policies of "securing the continuity and stability of macro policies and implementing active fiscal policies and relatively loose monetary polices incessantly". Under such basic policies, we expect that in 2010, the development of China's real estate market will be affected by relatively tighter policies. However, the real estate market of the People's Republic of China (the "PRC") will return to the path of rational and healthy development in view of the overall relatively loose economic policies of China.

The overheated market conditions witnessed in 2009 will not repeat in 2010, yet a relatively rational and healthy market is in fact necessary for the sustainable development of a quality real estate enterprise. For a company like Fantasia, which adheres to the principle of steady operation and has strong cash flows, year 2010 will be a new start for the Company to pursue the goal of sustainable development and to realise higher ambitions.

Chairman's Statement

It is always the target of Fantasia to become a top and well-respected real estate enterprise and we have determined to achieve our target, notwithstanding the ever-changing and turbulent market conditions over the past 14 years. At the very initial stage of our development, we strongly believed that China was on the path of grandeur and historic revival and we are now well positioned to grasp the enormous business opportunities offered by the rapid urbanization of China and the pace of which is not expected to slow down in the next two decades. It is believed that some domestic real estate enterprises, which are competitive to the best international peers, are set to emerge in China. With the determination of pursuing perfection in terms of self-improvement and our customer-oriented approach, Fantasia will definitely become one of the most outstanding enterprises in China. The current short-term rational and healthy market adjustment is indeed necessary for the positive long-term development of the real estate industry.

Fantasia has evolved into a more mature company after undergoing the severe market tests over the past 14 years. We have also learned to cope with the fluctuation and changes of the market with our persistent strategic principles and flexibility in the adjustments to our operation. In the face of the market uncertainties in 2010, we will continue to resort to the above successful measures.

Achieve rapid business growth through efficient implementation
Fantasia will continue to grow in 2010 while the scale of business and organization will also expand immensely and rapidly. We will continue to promote efficient corporate culture and enhance the execution efficiency of the Group, regional and project companies in order to achieve better operating results through the efficient establishment of goals, incentive schemes and optimization of operating procedures.

Remain flexible in the face of changes and spare no effort to promote sales
The Group will continue to leverage on our rock-solid strengths in terms of agency planning and sales and closely monitor market changes. We will take proactive stance to grasp favourable marketing opportunities and adjust our sales strategy flexibly in order to promote our sales rapidly.

Continue to extend our strategic coverage and increase premium land bank
In 2010, we will continue to identify land acquisition opportunities in the four major strategic areas in a prudent manner and through the adoption of scientific and disciplined approach as to land selection and assessment. We aim at expanding the Company's business coverage in the four major strategic regions and expanding the diversity of locations and the project quantity and size, and increasing premium land bank through this approach.

Enhance high-end services and operating capacity and establish long-term competitive strengths
To maintain and increase the value of high-end properties, it is essential to provide corresponding high-end services and to be equipped with outstanding operating capacity. We believe that with the increasing service demand from high-end consumers in China, and the gradual transformation of Chinese society into a

consuming society, high-end real estate developers will be differentiated in terms of their high-end services and operating capacity in the future. We foresee that though large-scale urbanization in China in the next decade, the single mode of residential development will gradually come to an end. Since 2009, Fantasia has formulated its planning on boutique hotel business, and this business segment will be critical in our future strategy. In 2010, we expect that about 3 to 4 hotels will commence operation and this will further improve our capacity of services to high-end customers and enhance our capability to cope with future market changes.

Strengthen cash flow management and maintain steady and healthy financial and operating positions

The Group maintained a healthy cash position due to our strong sales performance and our successful listing. As at 31 December 2009, the Company had cash and cash equivalents amounting to RMB3,886 million and a net cash position, which demonstrated that the Company maintained sound gearing ratio. In 2010, the Group will continue to strengthen the cash flow management of its projects and the development proposals of our projects will be formulated on the basis of securing balanced cash flow of each single project. We will also maintain a minimum and well-secured lead cash held and strengthen our analysis and alertness with respect to the variations from budget of cash revenue and expenditure while endeavoring to guarantee the stable operation of the Company.

Acknowledgement

We would like to show our sincere gratitude to our shareholders, investors, partners and customers for their continued trust and support. My heartfelt gratitude would also extend to all staff of the Group for their contribution and devotion. We expect to achieve brighter results with our business partners and share fruitful rewards with them and aim at higher goals in 2010.

Pan Jun
Chairman
20 March 2010

Chengdu Grand Valley

Management Discussion and Analysis

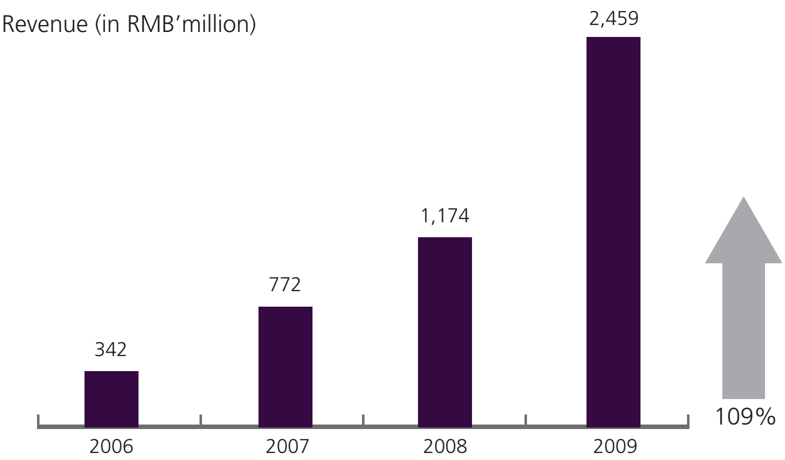
Shenzhen Future Plaza

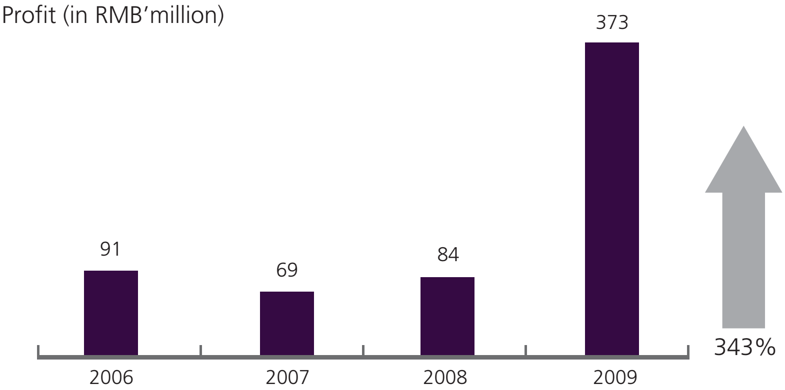
Corporate Reorganization

The Company was incorporated in the Cayman Islands on 17 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The companies comprising our Group underwent a reorganization (the "Reorganization") to rationalize our Group's structure in preparation for the listing of the Company's shares on the Stock Exchange. As a result, the Company became the holding company of the Group. Details of the Reorganization are set out in the appendix VIII of the prospectus of the Company issued on 12 November 2009.

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the year ended 31 December 2009, turnover of the Group amounted to approximately RMB2,459 million, representing an increase of 109.4% from approximately RMB1,174 million in 2008. Profit and total comprehensive income for the year attributable to the equity holders of the Company was approximately RMB373 million, representing an increase of 343.2% from approximately RMB84 million in 2008.





Financial Review

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, which is when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 118.1% to approximately RMB2,322 million in 2009 from approximately RMB1,065 million in 2008. This increase was due primarily to an increase in total gross floor area ("GFA") and an increase in the average selling price of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in 2009 and 2008.

	2009			2008		
	Total Revenue	GFA sold	Average Selling Price	Total Revenue	GFA sold	Average Selling Price
	RMB'000	Sq. m.	RMB	RMB'000	Sq. m.	RMB
Flower Harbor (花港家園)	135,792	12,540	10,829	64,402	7,640	8,430
Shenzhen Future Plaza (深圳香年廣場)	571,340	29,122	19,619	432,495	22,618	19,122
Chengdu Love Forever (成都花郡)	1,054,296	161,879	6,513	281,628	56,396	4,994
Grand Valley (大溪谷)	298,837	67,987	4,396	106,155	27,881	3,807
Fantasia Town (花樣城)	261,772	81,468	3,213	–	–	–
Chengdu My Place (成都花好園)	–	–	–	179,924	42,601	4,223
	2,322,037	352,996	6,578	1,064,604	157,136	6,775

Property Investment

Revenue generated from property investment remained stable at approximately RMB11 million in 2009 (2008: approximately RMB11 million). There was increase in the investment properties near the end of 2009 and it would contribute to the revenue in 2010.

Property Agency Services

Revenue derived from property agency services increased by 43.6% to approximately RMB58 million in 2009 from approximately RMB40 million in 2008. The increase was due primarily to an increase in the aggregate sale price of the properties that our property agency services business sold in 2009 as a result of an increase in general real estate activities in 2009 as compared to that in 2008.

Management Discussion and Analysis

Property Operation Services

Revenue derived from property operation services increased by 10.4% to approximately RMB64 million in 2009 from approximately RMB58 million in 2008. This increase was due primarily to an increase in the GFA of properties that we managed during 2009.

Hotel Services

Revenue derived from hotel services increased by 767.4% to approximately RMB4 million in 2009 from approximately RMB0.5 million in 2008. This increase was due primarily to an increase in occupancy rate of the hotel during 2009.

Gross Profit and Margin

Gross profit increased by 118.7% to approximately RMB1,027 million in 2009 from approximately RMB469 million in 2008, while our gross margin increased to 41.8% in 2009 from 40.0% in 2008. This increase was in line with the increase in the total revenue in 2009 and our change in proportion in product mix.

Other Income, Gain and Losses

Other income, gain and losses decreased by 55.0% to approximately RMB27 million in 2009 from approximately RMB59 million in 2008. This decrease was due primarily to approximately RMB35.6 million in exchange gain in 2008, while it was a loss of approximately RMB1.3 million in 2009. The exchange gain was due to the appreciation of Renminbi ("RMB") against the U.S. dollar related to the US$100 million pre-IPO bond, which was denominated in U.S. dollars.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 61.5% to approximately RMB80 million in 2009 from approximately RMB50 million in 2008. This increase was due primarily to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2009 as compared to that in 2008.

Administrative Expenses

Our administrative expenses increased by 8.9% to approximately RMB177 million in 2009 from approximately RMB163 million in 2008. This increase was due primarily to an increase in professional fee to approximately RMB49 million and other relevant expenses relating to the listing in the Stock Exchange in November 2009.

Finance Costs

Our finance costs decreased by 25.9% to approximately RMB52 million in 2009 from approximately RMB70 million in 2008. This decrease was due primarily to an increase in interests capitalized in properties for sales, which was partially offset by an increase in interest expenses as a result of an increase in borrowing.

Income Tax Expenses

Our income tax expenses increased by 160.0% to approximately RMB407 million in 2009 from approximately RMB157 million in 2008. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold in 2009 as compared to that in 2008.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 343.2% to approximately RMB373 million in 2009 from approximately RMB84 million in 2008. This increase was due primarily to an increase in properties sold in 2009 as compared to that in 2008. Our net profit margin increased to 15.2% in 2009 from 7.2% in 2008.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2009, the Group's bank balances and cash was approximately RMB3,886 million (2008: approximately RMB341 million), representing an increase of 1,040.0% as compared to that as at 31 December 2008.

A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2009, the Group's restricted cash was approximately RMB190 million (2008: approximately RMB38 million), representing an increase of 401.2% as compared to that as at 31 December 2008.

Current Ratio and Gearing Ratio

As at 31 December 2009, the Group has current ratio (being current assets over current liabilities) of approximately 1.87 compared to that of 1.39 as at 31 December 2008. The Group was in a net cash positions as at 31 December 2009 while the gearing ratio was 0.93 as at 31 December 2008. The gearing ratio was measured by net debt (aggregated bank borrowings and loans from shareholders net of bank balances and cash and restricted cash) over the equity attributable to owners of the Company. The total debt (being aggregated bank borrowings and loans from shareholders) over total assets ratio continued to be healthy, maintaining at 30.0% (2008: 28.4%) as of 31 December 2009.

Borrowings and Charges on the Group's Assets

As at 31 December 2009, the Group had an aggregate bank borrowings of approximately RMB3,440 million, of which approximately RMB1,266 million will be repayable within 1 year, approximately RMB2,149 million will be repayable between 2 and 5 years and approximately RMB25 million will be repayable after 5 years.

As at 31 December 2009, the substantial part of the bank borrowings are secured by land use rights and properties of the Group.

Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits and bank borrowings, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings.

During 2009, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company (the "Directors") expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Commitments

As at 31 December 2009, the Group had no committed payment for the land premium on land acquisitions (2008:nil).

Contingent Liabilities

As at 31 December 2009, the Group had provided guarantees amounting to approximately RMB1,626 million (2008: approximately RMB719 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the Directors, no provision for the guarantee contracts is recognized in the financial statement for the year ended 31 December 2009 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2009, the Group has approximately 2,962 employees, of which 470 employees involved in the property development sector, 415 in the property agency services sector, 2,038 in the property operation services sector and 39 in the hotel services sector. Total staff costs, including directors' emoluments, for the year ended 31 December 2009 amounted to approximately RMB118 million (2008: approximately RMB112 million). Remuneration is determined by reference to their performance, skill, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

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

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

The Company was listed on the Stock Exchange on 25 November 2009. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the listing of the Company after the exercise of the over-allotment option) amounted to approximately HK$2,500 million. The Company had applied approximately HK$233 million for the general working capital purposes, which is in compliance with the intended use of proceeds set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. The remaining balances have been temporarily placed as bank deposits.

Business Review

The Group is a leading property developer and property related services provider in the PRC and is the only enterprise in the PRC which was elected as the top 100 enterprise in the three business segments of real estate development, real estate consultancy and agency and property management services by China Real Estate Top 10 Research Team. As China's economy has first shown the "green shoots" of recovery and the real estate market has rebounded rapidly, the Group, leveraging on its significant competitive edges, which included: (1) the strategic locations of our property development projects in the four most economically prosperous regions in the PRC; (2) the capability to acquire land at low cost; (3) our superior and repeatable business models: (4) our renowned brands with considerable added value in terms of real estate development and service capacity; (5) our experienced and stable management and execution team, has achieved outstanding growth in 2009.

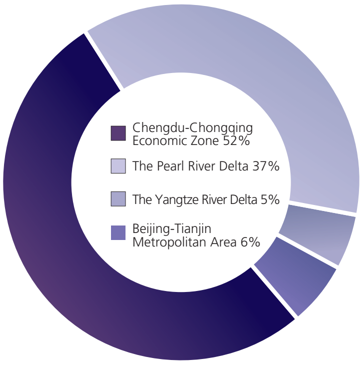
Contract Sales and Project Development

During the year, the area of newly launched and completed projects were 689,673 square meters and 506,566 square meters respectively, while the total gross floor area of projects under construction (including projects under construction and projects completed in 2009) was 1,805,300 square meters. During the year, the total saleable area was approximately 766,159 square meters.

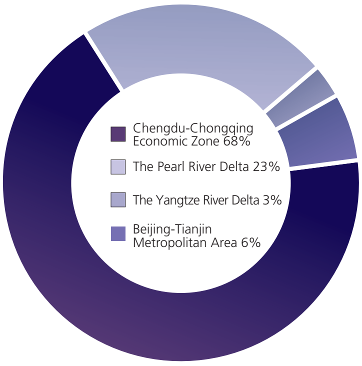
During the year, the Group has achieved a total contract sales area of 433,078 square meters, while contract sales amounted to approximately RMB3,746.75 million, representing year-on-year growth of 266% and 248% respectively. In years 2007 to 2009, the Company achieved compound annual growth rate of 47% in terms of contract sales and its business growth remains strong and rapid.

In terms of the geographical distribution of our projects, we have extended the business coverage of the Group and pursued a more balanced approach of development. In 2009, the Group's real estate contract sales were derived from 14 projects spreading across 5 cities, as compared with 8 projects in 3 cities in 2008, and we newly acquired 6 projects in 2 cities, namely Dongguan and Tianjin. In addition, business contribution from various geographical segments continued to increase and this has further extended the strategic coverage of the Group.

The breakdown of the Company's contract sales in the four major regions is as follows:



The breakdown of the Company's contract sale area in the four major regions is as follows:



The breakdown of the Company's sales in the four major regions is as follows:

Region	Contract Sales (RMB'million)	Contract sales area (square meters)
Chengdu-Chongqing Economic Zone	1,960.39	295,949
The Pearl River Delta	1,376.54	97,830
The Yangtze River Delta	174.60	14,456
Beijing-Tianjin Metropolitan Area	235.22	24,843
Total	3,746.75	433,078

Chengdu-Chongqing Economic Zone

Chengdu-Chongqing Economic Zone, which is the most economically developed area in Western China, accounts for approximately 30% of the total economic value of Western China. As one of the two major cities in the Chengdu-Chongqing Economic Zone, Chengdu has developed into the third largest real estate market in the PRC. Being the leader among second-tier cities, it is expected that Chengdu will see enormous room for increase in property prices.

Driven by our insight into the huge development potential of Chengdu as a core city in the greater Southwestern region, the Group has, since its entrance into Chengdu's market in 2001, unremittingly enhanced and strengthened its leading position in the local market, and now ranks fifth among developer brands from outside and is currently one of the top ten developers in the city.

Management Discussion and Analysis

Shenzhen Love Forever

The Group has established its position as a leading developer of urban complexes in the market of Chengdu. Our Chengdu Hailrun Plaza was, at the time of completion, the tallest landmark building in Chengdu, while Meinian International Plaza in Chengdu Hi-tech Development Zone is one of the most gigantic urban complexes in the city. During the reporting period, the Group's contract sale area of offices was the second largest in Chengdu. The commencement of sale of the Group's large-scale boutique upscale residences projects, such as Grand Valley and Chengdu Mont Conquerant, has demonstrated the Group's superior development capacity as well as outstanding sales performance in Chengdu market. In 2009, the Group recorded a contract sales area of approximately 296,000 square meters and a contract sales amounting to approximately RMB1,960.4 million in Chengdu area, representing a year-on-year growth of 268% and 347% respectively, while contract sales represented 52% of the Group's total real estate contract sales.

As at the end of 2009, the Group had five projects in Chengdu with an aggregate planned gross floor area of approximately 850,000 square meters. Such projects will offer a saleable area of 823,000 square meters, of which the pre-sales permits for approximately 287,000 square meters were obtained, while 88,000 square meters were pre-sold. In addition to projects under development, the Group had a land bank with an aggregate planned gross floor area of approximately 2.64 million square meters in Chengdu, which involved four projects to be developed in phases. Furthermore, the Group and the local government of Pixian, Chengdu entered into a primary land development project in relation to a site area of approximately 0.98 million square meters with an estimated planned gross floor area of approximately 3.92 million square meters. The primary land development project is expected to commence formally in 2010. The Group will continue to expand its land bank in Chengdu and further reinforce its leading position in Chengdu market.

The Group is a leading property developer and property related services provider in the PRC and is the only enterprise in the PRC which was elected as the top 100 enterprise in the three business segments of real estate development, real estate consultancy and agency and property management services by China Real Estate Top 10 Research Team.

The Pearl River Delta

Looking forward, the Pearl River Delta is set to become one of the most competitive metropolises in the world, and its economic and social development will enter into a new era with vast potential. Shenzhen is a core economic center in the PRC and has a prominent role in the Pearl River Delta. The consolidation and cooperation of the three cities of Shenzhen, Dongguan and Huizhou has further intensified, while Dongguan and Huizhou have already jointly developed a "Greater Shenzhen" market with a brighter prospect of market development.

During the year, the Group recorded a contract sales area of approximately 98,000 square meters and contract sales of approximately RMB1,376.54 million in the Pearl River Delta, representing a year-on-year growth of approximately 261% and 219%, respectively and accounted for 23% and 37% of the Group's aggregate real estate contract sales area and aggregate contract sales, respectively.

As at the end of 2009, the Group had six projects in the Pearl River Delta which were either under development or pending construction or available for sale, with an aggregate planned gross floor area of approximately 1.19 million square meters and an estimated saleable area of approximately 985,000 square meters. The Group, with 14 years of proven track record and experience in development in Shenzhen, has set up its China's headquarters in the city. In view of the vigorous economic development of the region, the Group has great confidence in the growth potential of the real estate market in the Pearl River Delta and Shenzhen and will spare no effort to capture opportunities to acquire suitable land reserve in order to secure the leading position of the Group in the Pearl River Delta and Shenzhen.

The Yangtze River Delta

With the strongest comprehensive strength among different regions in the PRC, the economy of the Yangtze River Delta will probably maintain its growth momentum in the future and will certainly provide immense room for development to the real estate industry.

Wuxi is an important city in the Yangtze River Delta and the first target city selected for implementing the Group's development strategy in the region. Located in the Yunhu Lake environmental resort area of Yixing, Wuxi, the Town on the Water project enjoys cultural and natural heritage such as the green mountains, Yunhu Lake and Dajue Temple and is a symbolic high end residential product in Yixing. During the year, this project realized satisfactory sales result with contract sales of approximately RMB174.6 million, representing a year-on-year growth of 2,197%.

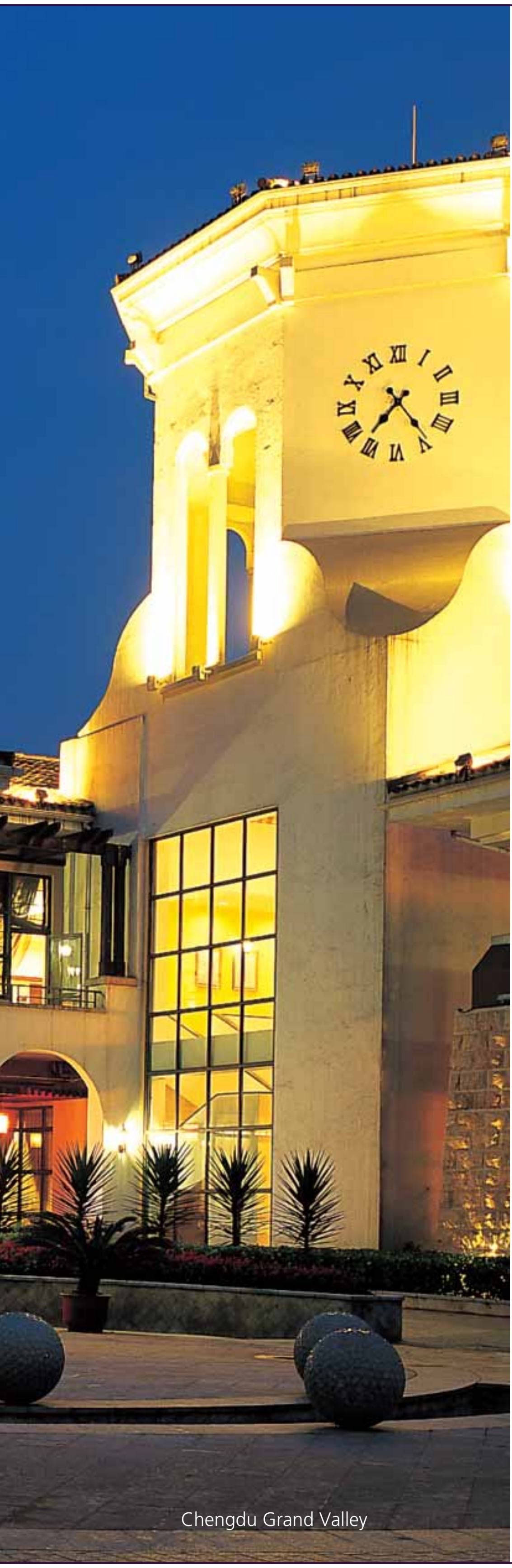
Beijing-Tianjin Metropolitan Area

The Beijing-Tianjin Metropolitan Area represents the third focal region in the PRC in terms of economic growth, and is one of the Chinese metropolitan areas with the greatest development potential in the 21st century.

Based on our judgment of the prospect of the economic development and real estate market in the Beijing-Tianjin Metropolitan Area, the Group strategically entered into the Tianjin market in 2006. As at the end of 2009, the Group had two projects in Tianjin, namely Tianjin Hailrun Plaza, a project under construction located in the high-end real estate area in south Meijiang, and the Yingcheng Lake project, which is to be developed in the Sino-Singapore Eco-city (中新生態城) with stupendous development prospect. The planned gross floor area of these two projects is approximately 300,000 square meters.

Leveraging on our strength in developing urban complexes, the Group commenced the sales of the first batch of flats at Tianjin Hailrun Plaza in April 2009 and achieved an outstanding first-day subscription rate of 80%. During the year, this project contributed contract sales of approximately RMB235.2 million to the Group.

Management Discussion and Analysis



Chengdu Grand Valley

New Development Projects

In 2009, the Group has 4 projects or phases of projects which were newly developed, with total gross floor area of 689,673 square meters.

Serial number	Project name	Project location	Nature of land	Company's interest	Planned gross floor area (square meters)
Chengdu					
1	Phases 1.1 to 1.3 of Meinian International Plaza	Cheng Nan High-Technology Zone	Office building, commercial, hotel and car park spaces	100%	424,440
2	Phase 2 of Fantasia Town	Wen Jiang District	Residential, commercial and car park spaces	100%	105,469
3	Phase 2.1.1 of Grand Valley	Pujiang County	Residential, commercial and ancilliary	100%	16,836
Sub-total					546,745
Dongguan					
1	Dongguan Mont Conquerant	Huangkeng Village Liaobu Town Dongguan City	Residential and Commercial	100%	142,928
Sub-total					142,928
Total					689,673

Completed projects

In 2009, the Group had 5 completed projects or phases of projects in Chengdu and Shenzhen, with a total gross floor area of approximately 507,000 square meters and provided approximately 435,000 square meters of saleable area. So far, the Group has achieved contract sales area of approximately 285,000 square meters with respect to the above projects and annual contract sales area clinched in 2009 was approximately 200,000 square meters. Approximately 57,000 square meters would be held by the Group for investment purpose, while the remaining 93,000 square meters were held for sales.

The breakdown of projects completed in 2009 is as follows:

				Area held for sale			
Serial number	Project name	Gross floor area (square meters)	Gross saleable area (square meters)	Area for sale (square meters)	Contract sales area (square meters)	Area held for investment or hotel development (square meters)	Contract sales area in 2009 (square meters)
Shenzhen							
1	Meinian Plaza	87,638	73,466	36,733	0	36,733	0
Chengdu							
1	Phase 4 and 5 of Love Forever	115,187	79,253	0	79,253	0	21,799
2	Phase 1.1 of Fantasia Town	109,892	105,962	24,493	81,469	0	66,189
3	Hailrun Plaza	132,218	114,788	24,494	69,963	20,331	68,293
4	Phase 1.2 of Grand Valley	61,631	61,616	7,763	53,853	0	44,347
Total		506,566	435,085	93,483	284,538	57,064	200,628

Note1: Completed projects refer to projects or phases of projects completed in 2009;

Note 2: Contract sales area refers to the accumulated area subject to signed sales contracts as at 31 December 2009.

Projects under construction

As at 31 December 2009, the Group had a total of 9 projects or phases of projects under construction, with a total planned gross floor area of approximately 1,299,000 square meters, planned gross saleable area was approximately 1,160,000 square meters. So far, the Group has achieved contract sales of approximately 192,000 square meters with respect to the above projects and annual contract sales area clinched in 2009 was approximately 191,000 square meters. Approximately 7,100 square meters were held by the Group for investment and hotel development purpose, while the remaining 961,000 square meters were held for sales, which provided the driving force for the rapid development of the sales of the Group for the next 1 to 2 years.

Urban complex developments and boutique upscale residence developments are the core products of the Group. At present, the Group held 3 urban complex developments under construction, namely Meinian International Plaza in Chengdu, Chengdu Future Plaza and Tianjin Hailrun Plaza , with an aggregate planned gross floor area of approximately 801,000 square meters, representing about 62% of the gross floor area of projects under construction. The Group also owned 4 boutique upscale residence developments under construction, namely Grand Valley in Pujiang County, Chengdu, Chengdu Mont Conquerant , Town on the Water in Yixing and Dongguan Mont Conquerant , with an aggregate gross floor area of about 252,000 square meters, representing approximately 19% of the gross floor area of projects under construction.

Management Discussion and Analysis

As of 31 December 2009, the total area of the Group's land bank amounted to approximately 10.43 million square meters.

Chengdu Mont Conquerant

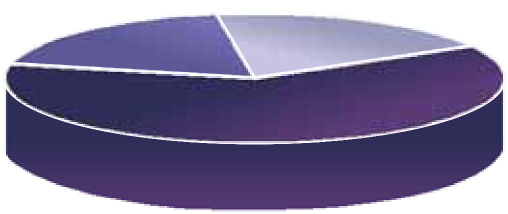
The breakdown of projects under construction in 2009

Serial number	Project name	Project location	Nature of land	Proportion of interest	Estimated completion date	Gross floor area (square meters)	Gross saleable area (square meters)	Area held for sale: Area for sale (square meters)	Area held for sale: Contract sales area (square meters)	Area held for investment or hotel development (square meters)	Contract sales area in 2009 (square meters)	Product category
Shenzhen												
1	Love Forever	Xincheng Avenue, Baoan Central District	Residential	52%	March 2011	132,336	100,441	55,422	45,019	0	45,019	Mid-to-high end residential
Chengdu												
1	Future Plaza	Jianshe Road, Shuangtu and Minle Villages High-technology Zone	Commercial and service	100%	May 2012	245,248	235,246	235,246	0	0	0	Urban complex
2	Phase 2.1.1 of Grand Valley	Intersection of Jinhua and Qixin Villages, Heshan Town, Pujiang County	Residential, commercial and ancillary	100%	December 2010	16,836	16,836	16,004	832	0	832	Boutique upscale residence
3	Phase 1 of Mont Conquerant	Yongshang Town, Xinjin County	Residential, commercial	100%	August 2010	50,560	48,176	38,619	9,557	0	9,673	Boutique upscale residence
4	Phase 1.2 and 2 of Fantasia Town	Jinma Town, Wenjiang District	Residential and associated commercial	100%	May 2011	113,613	110,368	106,674	3,694	0	3,694	Mid-to-high end residential
5	Meinian International Plaza (Phase 1.1–1.3)	Fuhepang, High-technology District	Residential, Commercial	100%	October 2011	424,440	412,793	338,446	74,347	0	74,347	Urban complex
Tianjin												
1	Hailrun Plaza	Jiefang South Road, Jinnan District	Construction purpose (including office building and commercial purpose)	60%	December 2010	131,341	79,051	54,208	24,843	0	24,843	Urban complex
Yixing												
1	Town on the Water	Lianyi Village, Xizhu Town, Yixing City, Jiangsu Province	Residential, commercial	60%	June 2010	41,432	40,240	17,817	15,328	7,095	14,456	Boutique upscale residence
Dongguan												
1	Mont Conquerant	Huangkeng Village, Liaobu Town, Dongguan City	Residential and commercial	100%	June 2011	142,928	116,899	98,804	18,095	0	18,095	Boutique upscale residence
Total						1,298,734	1,160,050	961,240	191,715	7,095	190,959	

Note 1: Contract sales area refers to the accumulated area subject to signed sales contracts as at 31 December 2009.
Note 2: We are applying for the renewal of construction commencement permit with respect to Chengdu Future Plaza.

Pie chart showing the proportions of different categories of projects under construction

Unit: thousand square meters



- Urban complex (801/62%)
- Boutique upscale residence (252/19%)
- Mid-to-high end residential (246/19%)

Management Discussion and Analysis

Future development projects

As at 31 December 2009, the Group had 9 future development projects or phases of projects, with a planned gross floor area of approximately 4.17 million square meters, of which, the total planned gross floor area of 4 projects in Chengdu was approximately 2.64 million square meters, with a proportion of approximately 63.4%, while the 3 projects in Pearl River Delta had a total planned gross floor area of approximately 822,000 square meters, with a proportion of approximately 19.7%.

The Group will continue to expand its business coverage in Yangtze River Delta Region. The Group has entered into a framework agreement with CITIC Shenzhen (Group) Co., Ltd 中信深圳(集團)有限公司 and CITIC Shenzhen Real Estate Development Co., Ltd 中信深圳集團房地產開發有限公司 with respect to the Suzhou Taihu Project and acquired 6 parcels of land in Suzhou CITIC Taihu City (蘇州中信太湖城) through listing process on 21 February 2010. Such parcels of land had a site area of 376,371 square meters and a planned gross floor area of approximately 533,121 square meters. At the same time, the "Transfer Framework Agreement of the Project of No.2 Parcel of Land of CITIC Taihu City (蘇州中信太湖城)" entered into between the Group and Suzhou CITIC Investment Co., Ltd 蘇州中信投資有限公司 became effective. The No.2 parcel of land had a site area of approximately 70,317.2 square meters with a plot ratio of 0.8 and with the purpose of use as a five star hotel.

Table of projects held for future development

Serial Number	Name of the project	Location of the project	Nature of land use	Our interest in the project	Total GFA (square meters)	Average price of floor area (RMB/ square meter)
Chengdu						
1	Meinian International Plaza (all remaining phases)	High-Technology Zone, South of Chengdu	Office, commercial, hotel	100%	449,845	669
2	Fantasia Town (all remaining phases)	Wenjiang District	Residential, commercial	100%	370,149	81
3	Mont Conquerant (all remaining phases)	Laojun Mountain, Xin Jin County	Residential, commercial, hotel	100%	296,383	825
4	Grand Valley (all remaining phases)	Pu Jiang County	Residential and commercial	100%	1,525,251	296
Subtotal					2,641,628	
Shenzhen						
1	Funian Plaza	Futian Free Trade District	Warehouse	100%	67,908	2,179
Subtotal					67,908	
Huizhou						
1	Endless Blue	Huangyuyong, Daya Bay	Residential, commercial	100%	168,545	312
2	Huiyang Fantasia Special Town	Adjacent to Huiyang bus terminus at Huinan Avenue	Residential, commercial	100%	586,000	423
Subtotal					754,545	
Tianjin						
1	Yingcheng Lake Project	The south of Yingcheng Reservoir in Hangu District	Residential, office, commercial	100%	168,339	766
Subtotal					168,339	
Suzhou (Note)						
1	Taihu Lake Project	Suzhou Taihu National Tourism Vacation Zone	Residential	100%	533,121	1,473
Subtotal					533,121	
Total					**4,165,541**	

Note: We obtained the Suzhou Taihu Lake Project through a listing-for-sale in February 2010.

Management Discussion and Analysis

Chengdu Hailrun Plaza

Our Land Bank

Notwithstanding the overheated real estate market in 2009, the Group adhered to its policy of prudently considering and analyzing every land acquisition opportunity, and selecting premium land with sharp insight under our diversification strategy, so as to maintain our advantage in acquiring land at low cost. In 2009, the Group acquired a total of 26 land plots in Chengdu-Chongqing Economic Zone and the Pearl River Delta with an aggregate planned gross floor area of approximately 2.09 million square meters, which is expected to provide a saleable area of approximately 1.97 million square meters. 23 of the above land lots with a planned gross floor area of approximately 1.35 million square meters were acquired as additional land for the Grand Valley project in the Chengdu area so that the planned gross floor area of the Grand Valley project reached 1.64 million square meters and this has further enhanced the value of Grand Valley as a long term strategic project with development period of over 10 years. We acquired three more land plots or projects with a planned gross floor area of approximately 7,400 million square meters in the Pearl River Delta, thereby consolidating our leading position in the Pearl River Delta.

As of 31 December 2009, the total area of the Group's land bank amounted to approximately 10.43 million square meters. Included in the above were properties with a planned gross floor area of approximately 5.46 million square meters and the land use right certificates of which have been granted or pending, while framework agreements in respect of properties with a planned gross floor area of approximately 4.97 million square meters have been entered into with local governments or relevant third parties, which will be enough to satisfy the future business development requirement of the Group in the next 3 to 5 years.

Besides strengthening our leading positions in the Pearl River Delta and the Chengdu-Chongqing Zone, the Group will also continue to enhance its leading positions in the Yangtze River Delta and Beijing-Tianjin Area and achieve relatively balanced development in the four major geographical segments in 2010. The acquisition and development plans of the Company with respect to Beijing-Tianjin Metropolitan Area and the Yangtze River Delta will serve as complements to its geographical development strategies, and therefore enhance the economies of scale and strength of the Company in the relevant core areas.

Table of our land bank in 2009

Region	Projects under construction (square meters)	Projects for future development: Area with land use rights certificates (square meters)	Projects for future development: Area pending the issuance of land use rights certificates (square meters)	Projects under framework agreements (square meters)	Aggregate gross floor area of land bank (square meters)	Proportion
Chengdu-Chongqing Economic Zone					**7,409,657**	71.0%
Chengdu	850,697	2,641,628		3,917,332	7,409,657	
Pearl River Delta Region					**1,097,717**	10.5%
Shenzhen	132,336	67,908			200,244	
Dongguan	142,928				142,928	
Huizhou		754,545			754,545	
Beijing-Tianjin metropolitan region					**354,680**	3.4%
Tianjin	131,341	168,339			299,680	
Beijing				55,000	55,000	
Yangtze River Delta region					**574,553**	5.5%
Yixing	41,432				41,432	
Suzhou			533,121		533,121	
Others					**996,531**	9.6%
Yunnan				996,531	996,531	
Total	**1,298,734**	**3,632,420**	**533,121**	**4,968,863**	**10,433,138**	**100.0%**

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

Property management business

The Group provides property management services to the Group and other real estate companies through Fantasia Property Management Co., Ltd (深圳市花樣年物業管理有限公司) ("Fantasia Property Management") , a subsidiary of Shenzhen Fantasia Colour Life Technology Co., Ltd (深圳市花樣年彩生活科技有限公司). Fantasia Property Management has obtained ISO9001 international quality management certificate and has been granted the qualification as a first class property management company (the highest qualification in the PRC property management industry) by the Ministry of Construction of the PRC. With strengths in terms of leading management scale and quality services, Fantasia Property Management has been consecutively named as one of the "Top 100 Property Management Companies" in 2008 and 2009 in a brand value research conducted by the Research Institute of Statistics of the PRC of China's Real Estate Industry (中國房地產中國指數研究所).

As of 31 December 2009, the Group's property management business has forayed into 4 cities and regions, namely Shenzhen, Chengdu, Huizhou and Dongguan, and the number of projects under its management reached 185, with an accumulated property area contracted and under management amounting to 13.79 million square meters, representing a year-on-year growth of approximately 22%.

The Group is well received by the industry and clients for its quality property management services and was awarded the title of "Shenzhen Property Management Enterprises with Strong Sense of Social Responsibility that are Relied on and Recommended by Owners" (深圳市物管行業社會責任感強、業主信賴推薦企業).

Management Discussion and Analysis

Shenzhen Self Life

With respect to the property management business, the Group advocates the service concept of "Providing Handy Services and Delivering Colorful Life" (服務無所不在，生活多姿多彩) and has established a service platform which based on community life, the comprehensive value-added services of which include online ordering of daily accessories, bulk commodity purchases, ordinary services, provision of comprehensive value-added services, which encompass the supply of information in the real estate market as well as leasing and selling services, with a view to better cater for the needs of the clients. Currently, the Group provides such services to approximately 120,000 residents in various communities.

Property agency business

The Group develops its property agency business through Shenzhen Xingyan Property Consultancy Co., Ltd (深圳市星彥地產顧問有限公司) ("Xingyan Property Consultancy"), a subsidiary. During the year, the area covered by the agency business of Xingyan Property Consultancy extended to numerous cities such as Chengdu, Shenzhen, Dongguan, Huizhou as well as Hebei Province, Henan Province and Anhui Province. The accumulated number of projects under its agency services amounted to 36 with an aggregate saleable area of approximately 890,000 square meters. In markets like Shenzhen, Chengdu and Dongguan, Xingyan Property Consultancy has secured its leading business position. For instance, its sales amount ranked top three in Chengdu market.

Capitalizing on its significant professional ability, Xingyan Property Consultancy was given the title of "Real Estate Planning and Agency Companies in Southern China with Top 10 Brand Value, 2009" (2009中國華南房地產策劃代理公司品牌價值TOP10) by the Research Group of Top 10 in the PRC Real Estate Market (中國房地產TOP10研究組) in 2009.

Hotel management business

With a view to developing our ability to provide high-end property services and building up our comprehensive competitive strength in respect of the high-end property development industry in the future, the Group has strategically entered into the hotel industry during the year. The hotel management business of the Group will be established on the basis of the Group's development of high-end properties, and we will develop all-rounded commercial auxiliary services and secure continuous value increment for our high-end property developments. The hotel management business of the Group will combine the cultural and geographical characteristics of different regions and focus on the development of boutique hotels with diversified architectural and design styles and characters. These boutique hotels will mainly comprise of highly profitable suite, while minimizing the scale of low profitability facilities, which dominate traditional hotels.

Within the next three years, the Group planned to develop boutique hotels with a planned gross floor area of approximately 103,000 square meters and a total of about 1,015 rooms in our boutique upscale residences and urban complexes projects.

The hotel projects which the Group planned to commence operation within the next three years are as follows:

Project	City	Positioning	Estimated hotel floor area (square meters)	Number of rooms	Type of premises	Management Company	Estimated opening date
Cai Yue Hotel	Shenzhen	Economic	13,305	257	Rental	Shenzhen Caiyue Hotel Management Company Limited	Current
Chengdu Hailrun Plaza	Chengdu	Boutique	20,000	185	Self-owned Premise	Rhombus (HK) Management Ltd	2010
Town on the Water	Yixing	Boutique	7,000	50	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	2010
Shenzhen Meinian Plaza	Shenzhen	Boutique	8,000	100	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	2010
Chengdu Mont Conquerant	Chengdu	Boutique	10,000	100	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	2011
Tianjin Hailrun Plaza	Tianjin	Boutique	10,000	120	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	2013
Meinian International Plaza	Chengdu	Boutique	8,000	100	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	2012
Suzhou Taihu Lake	Suzhou	5 star	30,000	260	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	2012
Chengdu Future Plaza	Chengdu	Boutique	10,000	100	Self-owned Premise	Shenzhen Fantasia Hotel Management Company Limited	2012
Total			116,305	1,272			

Directors' Profile

Mr. PAN Jun (潘軍), aged 39, is the chairman of our board, an executive Director, the chief executive officer, and a member of each of our Company's remuneration committee and nomination committee, respectively. He joined our Group in 1999 and is responsible for the overall operation of our Group's projects, the formulation of our development strategies, as well as supervising the project planning, business and operation management of our Group. He is also currently the president of Fantasia Group (China) Co., Ltd. ("Fantasia Group (China)"), the chairman of Shenzhen Xingyan Property Consultancy Co., Ltd ("Xingyan Property Consultancy"), the general manager of Shenzhen Fantasia Investment Development Co., Ltd ("Shenzhen Fantasia Investment") and the director of a number of the Group's subsidiaries. Mr. Pan has over 14 years of experience in the real estate development industry in China and prior to joining our Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Ms. ZENG, Jie (曾寶寶), aged 39, is an executive Director. She is also the Chairlady of our Company's nomination committee. She has been involved in the property industry since 1995. After her 14 years of experience in senior management, entrepreneurship and management, she was recognized as one of "the leading figures of artistic property" (藝術地產掌門人) in 2001. From 1994 to 1996, Ms. Zeng was the general manager of Shenzhen Kingkey Property Development Company Limited (深圳京基房地產開發有限公司) and was responsible for the overall operations of property projects and the management of the company. In 1996, Ms. Zeng established Fantasia Group (China), and gradually became involved in property development, property management and agency services businesses. Since 2006, Ms. Zeng has been the chairlady of Fantasia Group (China) and Shenzhen Fantasia Investment. She is also the director of a number of the Group's subsidiaries. She is one of the Controlling Shareholders and the largest Shareholder of the Company. Ms. Zeng is currently studying for an EMBA degree with Cheung Kong Graduate School of Management (長江商學院).

Executive Directors

Mr. FENG Hui Ming (馮輝明), aged 39, is an executive Director. He is also the vice president of Fantasia Group (China) and the director of a number of the Group's subsidiaries. Mr. Feng joined our Group in 2005 as a deputy general manager of Shenzhen Fantasia Investment and is primarily responsible for the investment management of our Group. Prior to joining our Group, he was the manager of the investment department and later the chief financial officer of Jia Zhao Ye Properties (Shenzhen) Co., Ltd. (佳兆業地產(深圳)有限公司) from 2003 to 2004 and the general manager of Suzhou Fuyin Investment Development Co., Ltd. (蘇州市富銀投資發展有限公司) from 2004 to 2005. Mr. Feng received a Bachelor's degree in forestry economics and management from Northeast Forestry University (東北林業大學) in 1993 and a Master's degree in economics from Zhongnan University of Economics and Law (中南財經大學) in 1996.

Mr. CHAN Sze Hon (陳思翰), ACCA, CPA, aged 36, is an executive Director and the chief financial officer of our Group. Mr. Chan joined our Group in March 2008 and is responsible for supervising the financial reporting, corporate finance, treasury, tax and other finance related matters of our Group. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. He has over 14 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years. He is currently a non-executive director of Greater China Holdings Limited (中華實業控股有限公司) ("Greater China"), a company listed on the Main Board of the Stock Exchange. During the period from 18 July 2005 to 12 October 2008, Mr. Chan was an executive director of Greater China. Mr. Chan is also an independent non-executive director of China Mining Resources Group Limited (中國礦業資源集團有限公司), a company listed on the Main Board of the Stock Exchange, and an independent non-executive director of each of China AU Group Holdings Limited (中國金豐集團控股有限公司) and ERA Holdings Global Limited (年代國際控股有限公司) respectively, both of which are listed on the Growth Enterprise Market of the Stock Exchange.

Directors' Profile

Mr. HO Man (何敏), aged 40, is an independent non-executive Director. He is also the chairman of our Company's audit committee and a member of each of our Company's remuneration committee and nomination committee, respectively. Mr. Ho holds an EMBA degree from Tsinghua University, a Master of Science degree in Finance from the London Business School and is a Chartered Financial Analyst and Certified Public Accountant. Mr. Ho has over 13 years of experience in private equity and financial industry. He joined Chepstow Capital Advisers Limited, a HK based mid-market private equity house, as Managing Director in January 2010 and is responsible for deal sourcing, evaluation and structuring, negotiation, post investment monitoring and realization, with particular emphasis on Hong Kong and the PRC. Prior to this, Mr. Ho joined CLSA Capital Partners (HK) Limited ("CLSA") in August 1997 and until October 2009 was the Managing Director, Head of China Growth and Expansion Capital of CLSA. Mr. Ho was a non-executive director and a member of the audit committee of SCUD Group Limited (飛毛腿集團有限公司), a company listed on the Main Board of the Stock Exchange, and a non-executive director and an audit committee member of Shanghai Tonva Petrochemical Co., Ltd. (上海棟華石油化工股份有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange, until October 2009.

Mr. LIAO Martin Cheung Kong, JP (廖長江), aged 52, is an independent non-executive Director. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Mr. Liao was appointed a Justice of the Peace in 2004. He is also a Deputy (representing Hong Kong) to the 11th National People's Congress of the People's Republic of China and a Member of the 11th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference. In Hong Kong, Mr. Liao serves as Vice Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Mr. Liao chairs the Appeal Board (Amusement Game Centres) and serves as a Council member of the University of Hong Kong and a member of the board of directors of the Hong Kong Sports Institute Limited. He also sits on a number of other statutory and advisory bodies set up by the Hong Kong SAR Government and is active in community service. Mr. Liao graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr. Liao was Called to the Bar in England and Wales in 1984 and was Called to the Bar in Hong Kong in 1985 and has been a practising barrister in Hong Kong since 1985. Mr. Liao is also an advocate and solicitor admitted to the Supreme Court of Singapore since1992.

Independent Non-executive Directors

Mr. HUANG Ming (黃明), aged 45, is an independent non-executive Director. He is also the chairman of the Company's remuneration committee and a member of each of our Company's audit committee and nomination committee, respectively. He has been a Professor of Finance at the Johnson Graduate School of Management at Cornell University since July 2005 and the Head of School of Finance of Shanghai University of Finance & Economics from 2006 to April 2009. Mr. Huang was an Assistant Professor of Finance at Stanford University, Graduate School of Business from 1998 to 2002. Mr. Huang was also the Associate Dean and visiting Professor of Finance and the Professor of Finance at the Cheung Kong Graduate School of Business (長江商學院) from 2004 to 2005 and since 2008 respectively. Mr. Huang graduated from Peking University in 1985 majoring in Physics. Mr. Huang then obtained a Ph.D in Physics and a Ph.D in Business from Cornell University and Stanford University respectively. Mr. Huang is a non-executive director of the Annuity Fund Management Board of China National Petroleum Corporation (中國石油天然氣集團年金理事會) and Aegon-Industrial Fund Management Co., Ltd. (興業全球人壽基金管理有限公司) since 2007 and 2008 respectively. Mr. Huang is currently on the editorial board of the American Economics Review (美國經濟評論).

Mr. XU Quan (許權), aged 67, is an independent non-executive Director. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Mr. Xu is a qualified real estate senior engineer and real estate valuer. Mr. Xu had later obtained a Postgraduate Programme Diploma in Shenzhen Real Property at Jinan University (暨南大學) in 1992. In 1993, Mr. Xu qualified as a real estate senior engineer (房地產高級工程師) and later in 1995, obtained his qualification as an individual member (個人會員) in the Guangdong Real Property Valuer Association (廣東省房地產估價師學會). Since 2003, Mr. Xu has been the Chairman of Shenzhen Real Estate Association (深圳市房地產業協會).

Senior Managements' Profile

Mr. WANG Liang (王亮), aged 40, is the chief financial officer of Fantasia Group (China). Mr. Wang joined our Group in 2006 and is primarily responsible for financial reporting, corporate financial administration, tax and other financial related affairs of the Group, except for Hong Kong subsidiaries. Prior to joining our Group, he was the director of the financial management department of Huafu HK Co. Limited (香港華孚集團) and the general manager of the financial management department of one of its subsidiaries from 2005 to 2006, the assistant to general manager of the financial management department of Shenzhen Feishang Industry Group Co., Ltd. (深圳市飛尚實業發展(集團)有限公司) in 2005 and the deputy manager of the finance department of Shenzhen Southern Zhongji Containers Manufacture Co. Ltd. (深圳南方中集集裝箱製造有限公司) from 1994 to 2001. Mr. Wang received a Bachelor's degree in business economics (商業經濟學) from Yangzhou Normal University (揚州師範學院) in 1992.

Mr. TANG Xue Bin (唐學斌), aged 41, is the general manager of Shenzhen Fantasia Property Management Co., Ltd ("Shenzhen Fantasia Management"). Mr. Tang joined our Group in 2002 and is responsible for the operation of Shenzhen Fantasia Property Management Co., Ltd . Prior to joining our Group, he was the deputy general manager of China Overseas Property Management Ltd. (中海物業管理有限公司) from 1997 to 2001. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in 1993. Mr. Tang is currently studying for an EMBA degree in China Europe International Business School (中歐國際工商學院).

Ms. LU Ying (路瑩), aged 54, is the general manager of Xingyan Property Consultancy. Ms. Lu joined our Group in 2002 and is responsible for the operation of Xingyan Property Consultancy. Prior to joining our Group, she was the operation director of Shenzhen Centaline Property Consultancy Limited (深圳中原物業顧問有限公司) from 1997 to 2002. Ms. Lu received a Bachelor's degree in computer science from Jilin University (吉林大學) in 1980. Ms. Lu is currently studying for an EMBA degree with China Europe International Business School (中歐國際工商學院).

Senior Management

Mr. LIU Zongbao (劉宗保), aged 41, is the general manager of Chengdu Tonghe Real Estate Development Co., Ltd ("Chengdu Tonghe"). Mr. Liu joined our Group in 2005 and is responsible for the operation of Chengdu Tonghe. Prior to joining our Group, he was the deputy general manager of Shenzhen Zhonglian Real Estate Development Co., Ltd. (深圳市中聯房地產企業發展有限公司) from 2004 to 2005 and the manager of the marketing and sales department of Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發公司) from 2001 to 2003. Mr. Liu received his Bachelor's degree in construction management engineering from Southeast University (東南大學) in 1991.

Mr. JIN Jianglin (金江林), aged 45, is the general manager of Dongguan Fantasia Real Estate Investment Co., Ltd. Mr. Jin joined our Group in 2001 and is currently responsible for the operation of Dongguan Fantasia Real Estate Investment Co., Ltd. From 2001 to 2006, he was the manager of the engineering division, manager of the business division and an assistant to the general manager of Shenzhen Fantasia Investment. Prior to joining our Group, he was a chief supervisor of Shenzhen Huaxi Construction Supervision Co., Ltd. (深圳市華西建設監理有限公司) from 1993 to 2001. Mr. Jin received his Bachelor's degree in conservancy and hydropower engineering from Jiangxi Industrial University (江西工業大學) in 1987.

Ms. SONG Xiangmei (宋湘梅), aged 39, is the general manager of Fantasia Chengdu Ecological Tourism Development Co., Ltd. Ms. Song joined our Group in 2001 and is primarily responsible for the operation of Fantasia Chengdu Ecological Tourism Development Co., Ltd. Prior to joining our Group, she was the director of sales department and the manager of development department of Chengdu Sinde Enterprises Ltd. (成都信德實業有限公司) from 1996 to 2001 and a designer of Chengdu Seamless Steel Pipe Factory (currently known as Chengdu Pancheng Steel Metallurgical Engineering Technology Co., Ltd.) (成都無縫鋼管廠設備設計研究所 (currently known as (成都攀成鋼冶金工程技術有限公司)) from 1992 to 1996. Ms. Song obtained her Bachelor's degree in civil engineering from Chengdu University of Technology and Science (成都科技大學) in 1992. Ms. Song is currently studying for an EMBA degree with Tsinghua University.

Senior Managements' Profile

Mr. FENG Zhe (馮哲), aged 39, joined our Group in 2008 as the vice president of Fantasia Group (China) and the deputy executive general manager of Shenzhen Fantasia Investment and was redesignated as the general manager of Tianjin Songjiang-Fantasia Real Estate Co., Ltd in March 2009. Prior to joining our Group, he was a partner of Adfaith Management Consulting Inc. (北京正略鈞策管理諮詢有限公司) from 2002 to 2007, a vice president of Beijing Landsky Engineering Co., Ltd. (北京良業照明工程有限公司) from 2001 to 2002, and an engineer of China Architecture Design & Research Group (中國建築設計研究院) from 1993 to 2001. Mr. Feng received a Bachelor's degree in industrial electrical automation from Tongji University (同濟大學) in 1993 and an MBA degree from the School of Business of Renmin University of China (中國人民大學商學院) in 2002.

Mr. CHEN Geng (陳耕), aged 39, is the operational manager of Shenzhen Fantasia Investment. Mr. Chen joined our Group in 2001 and is currently responsible for the operation of Shenzhen Fantasia Investment. From 2001 to 2008, he was the manager of business division, assistant to the general manager and deputy general manager of Chengdu Tonghe, and from 2008 to 2009 the manager of construction management division of Shenzhen Fantasia Investment. Prior to joining our Group, he was an engineer of Sichuan Water Conservation and Hydropower Survey and Design Institute (四川省水利水電勘測設計研究院) from 1992 to 2001. Mr. Chen obtained his Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in 1992.

Directors' Report

The directors have pleasure in presenting their first annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 59.

DIVIDENDS DISTRIBUTION

The Directors recommend the declaration of a final dividend at the rate of HK 1.75 cents per share payable to all persons registered as holders of shares on 20 May 2010. The aggregate amount shall be paid out of the Company's share premium account. The Register of Members will be closed from Friday, 14 May 2010 to Thursday, 20 May 2010, both days inclusive. In order to be qualified for the dividend and attending the Annual General Meeting ("AGM") to be held on Thursday, 20 May 2010, shareholders should submit share certificates together with transfer documents to Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to be registered on the Register of Members on or before 4:30 pm on Thursday, 13 May 2010.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately RMB881,000.

SHARE CAPITAL

Details of change during the year in the share capital of the Company are set out in note 38 to the consolidated financial statements.

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

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2009, calculated under the Cayman Islands Companies Law, amounted to RMB2,389,056,000 (2008: RMB682,256,000) representing share premium of RMB2,556,336,000, setting off by accumulated losses of RMB167,280,000.

Directors' Report


Dongguan Mont Conquerant

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:	
Mr. Pan Jun (Chairman)	
Ms. Zeng Jie	
Mr. Feng Hui Ming	
Mr. Chan Sze Hon	
Ms. Hong Xiao Bo	(resigned on 10 October 2009)
Independent non-executive directors:	
Mr. Ho Man	(appointed on 12 October 2009)
Mr. Liao Martin Cheung Kong, JP	(appointed on 12 October 2009)
Mr. Huang Ming	(appointed on 12 October 2009)
Mr. Xu Quan	(appointed on 12 October 2009)

In accordance with the provisions of the Company's Articles of Association, Mr. Pan Jun, Ms. Zeng Jie and Mr. Chan Sze Hon will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual meeting of the Company. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates and the notice of annual general meeting will be sent to Shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION SHARES

As of 31 December 2009, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Director	Long/short position	Nature of interests	Number of issued ordinary shares held	Approximate percentage of shareholding
Ms. Zeng Jie	Long position	Interest of controlled corporation	3,174,795,000	65.14%
	Short position	Interest of controlled corporation	470,205,000	9.65%

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

Long Positions in Association Corporation

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

Notes:

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

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

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

On 27 October 2009, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company. Eligible participants of Scheme include, without limitation, Directors and employees of the Group. Details of the Scheme are provided in the prospectus of the Company dated 12 November 2009. Up to 31 December 2009, no share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme.

Directors' Report

Chengdu Mont Conquerant

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the period from the Company's Global Offering to 31 December 2009.

DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS

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

MANAGEMENT CONTRACT

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

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2009, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/ or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of Interest	Number of shares	Approximate percentage of interest in our Company as at 31 December 2009
Fantasy Pearl	Beneficial interest(1) Short Position	3,174,795,000 470,205,000	65.14% 9.65%
Ice Apex	Interest of controlled corporation(2) Short Position	3,174,795,000 470,205,000	65.14% 9.65%
Ms. Zeng Jie	Interest of controlled corporation Short Position	3,174,795,000 470,205,000	65.14% 9.65%
Fantasia (Cayman) Ltd ("Fantasia (Cayman)")	Beneficial interest(3) Security Interest(3)	170,403,750 470,205,000	3.50% 9.68%
Goldman Sachs RE Investments Holdings Limited	Interest of controlled corporation(4)	640,608,750	13.18%
The Goldman Sachs Group, Inc ("Goldman Sachs")	Interest of controlled corporation	639,311,438	13.12%
Fantasia Holding (Cayman) Ltd	Interest of controlled corporation(5)	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A	Interest of controlled corporation(6)	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Coopertief U.A	Interest of controlled corporation(7)	640,608,750	13.18%

SUBSTANTIAL SHAREHOLDERS (continued)

Name of shareholder	Nature of Interest	Number of shares	Approximate percentage of interest in our Company as at 31 December 2009
Goldman Sachs Developing Markets Real Estate Company	Interest of controlled corporation[8]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Company Voteco, LLC	Interest of controlled corporation[9]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US), L.P	Interest of controlled corporation[10]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC	Interest of controlled corporation[11]	640,608,750	13.18%
Goldman, Sachs & Co	Interest of controlled corporation[12]	640,608,750	13.18%
Wellluck Properties Ltd ("Wellluck")	Beneficial Interest[13] Security Interest[13]	56,801,250 470,205,000	1.16% 9.68%
Rich Fame Investments Ltd	Interest of controlled corporation[14]	527,006,250	10.84%
HSBC NF China Real Estate Fund L.P.	Interest of controlled corporation[15]	527,006,250	10.84%
HSBC NF China Investors Limited	Interest of controlled corporation[16]	527,006,250	10.84%
HSBC NF China Holdings Limited	Interest of controlled corporation[17]	527,006,250	10.84%
HSIL Investments Limited	Interest of controlled corporation[18]	527,006,250	10.84%
HSBC Property Funds (Holdings) Limited	Interest of controlled corporation[19]	527,006,250	10.84%
HSBC Specialist Investments Limited	Interest of controlled corporation[20]	527,006,250	10.84%
HSBC Global Asset Management Limited	Interest of controlled corporation[21]	527,006,250	10.84%
HSBC Investment Bank Holdings plc	Interest of controlled corporation[22]	527,006,250	10.84%
HSBC Holdings plc	Interest of controlled corporation	527,006,250	10.84%
Nan Fung Consolidated Investments Ltd	Interest of controlled corporation[23]	527,006,250	10.84%
Nan Fung China Development Holdings Limited	Interest of controlled corporation[24]	527,006,250	10.84%
Nan Fung Enterprises Limited	Interest of controlled corporation[25]	527,006,250	10.84%
Crosby Investment Holdings Inc	Interest of controlled corporation[26]	527,006,250	10.84%
CHEN Wai Wai Vivien	Interest of controlled corporation	527,006,250	10.84%
Golden Success Profits Limited	Interest of controlled corporation[27]	527,006,250	10.84%
Sheng Fung Company Limited	Interest of controlled corporation[28]	527,006,250	10.84%
CHEN Din Hwa	Interest of controlled corporation	527,006,250	10.84%
CHEN Yang Foo Oi	Family interest[29]	527,006,250	10.84%

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

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

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

(3) Fantasia (Cayman) is owned as to 46.67% by Fantasia Holding (Cayman) Ltd and as to 53.33% by Goldman Sachs RE Investments Holdings Limited. Fantasia Holding (Cayman) Ltd and Goldman Sachs RE Investments Holdings Limited are each deemed to be interested in the shares in which Fantasia (Cayman) is interested for the purpose of Part XV of the SFO.

(4) Goldman Sachs RE Investments Holdings Limited is a wholly owned subsidiary of Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs RE Investments Holdings Limited is interested for the purpose of Part XV of the SFO.

(5) Fantasia Holding (Cayman) Ltd is owned as to 36.0508% by Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. and as to 57.8879% by Goldman Sachs Developing Markets Real Estate Coopertief U.A.. Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. and Goldman Sachs Developing Markets Real Estate Coopertief U.A. are each deemed to be interested in the shares in which Fantasia Holding (Cayman) Ltd is interested for the purpose of Part XV of the SFO.

(6) Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. is owned as to more than one-third by Goldman Sachs Developing Markets Real Estate Partners (US), L.P. and as more than one-third by Goldman Sachs. Each of Goldman Sachs Developing Markets Real Estate Partners (US), L.P. and Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. is interested for the purpose of Part XV of the SFO.

(7) Goldman Sachs Developing Markets Real Estate Coopertief U.A. is owned as to more than one-third by Goldman Sachs Developing Markets Real Estate Company and as to more than one-third by Goldman Sachs. Each of Goldman Sachs Developing Markets Real Estate Company and Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Coopertief U.A. is interested for the purpose of Part XV of the SFO.

(8) All of the voting shares of Goldman Sachs Developing Markets Real Estate Company are owned by Goldman Sachs Developing Markets Real Estate Company Voteco, LLC. Goldman, Sachs & Co, a wholly-owned subsidiary of Goldman Sachs held by Goldman Sachs directly and indirectly through intermediate subsidiaries, is the investment manager to Goldman Sachs Developing Markets Real Estate Company. Each of Goldman Sachs Developing Markets Real Estate Company Voteco, LLC and Goldman, Sachs & Co is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Company is interested for the purpose of Part XV of the SFO.

(9) Goldman Sachs Developing Markets Real Estate Company Voteco, LLC is wholly owned by Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Company Voteco, LLC is interested for the purpose of Part XV of the SFO.

(10) The general partner of Goldman Sachs Developing Markets Real Estate Partners (US), L.P. is Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC. Goldman, Sachs & Co., a wholly-owned subsidiary of Goldman Sachs, held by Goldman Sachs directly and indirectly through intermediate subsidiaries, is the investment manager to Goldman Sachs Developing Markets Real Estate Partners (US), L.P.. Each of Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC. and Goldman, Sachs & Co. is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US), L.P. is interested for the purpose of Part XV of the SFO.

(11) Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC is wholly owned by Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC is interested for the purpose of Part XV of the SFO.

(12) Goldman, Sachs & Co., is a wholly-owned subsidiary of Goldman Sachs, held by Goldman Sachs directly and indirectly through intermediate subsidiaries. Goldman Sachs is deemed to be interested in the shares in which Goldman, Sachs & Co., is interested for the purpose of Part XV of the SFO.

(13) Wellluck is wholly owned by Rich Fame Investment Ltd. Rich Fame Investment Ltd is deemed to be interested in the shares in which Wellluck is interested for the purpose of Part XV of the SFO.

Directors' Report

SUBSTANTIAL SHAREHOLDERS (continued)

Notes: (continued)

(14) Rich Fame Investment Ltd is owned as to 80% by HSBC NF China Real Estate Fund LP. HSBC NF China Real Estate Fund LP is deemed to be interested in the shares in which Rich Fame Investment Ltd is interested for the purpose of Part XV of the SFO.

(15) The general partner of HSBC NF China Real Estate Fund LP is HSBC NF China Investors Ltd. HSBC NF China Investors Ltd is deemed to be interested in the shares in which HSBC NF China Real Estate Fund LP is interested for the purpose of Part XV of the SFO.

(16) HSBC NF China Investors Ltd is wholly owned by HSBC NF China Holdings Ltd. HSBC NF China Holdings Ltd is deemed to be interested in the shares in which HSBC NF China Investors Ltd is interested for the purpose of Part XV of the SFO.

(17) HSBC NF China Holdings Ltd is owned as to 50% by HSIL Investments Ltd and as to 50% by Nan Fung Consolidated Investments Ltd. Each of HSIL Investments Ltd and Nan Fung Consolidated Investments Ltd is deemed to be interested in the shares in which HSBC NF China Holdings Ltd is interested for the purpose of Part XV of the SFO.

(18) HSIL Investments Ltd is wholly owned by HSBC Property Funds (Holding) Ltd. HSBC Property Funds (Holdings) Ltd is deemed to be interested in the shares in which HSIL Investments Ltd is interested for the purpose of Part XV of the SFO.

(19) HSBC Property Funds (Holdings) Ltd is wholly owned by HSBC Specialist Investments Ltd. HSBC Specialist Investments Ltd is deemed to be interested in the shares in which HSBC Property Funds (Holdings) Ltd is interested for the purpose of Part XV of the SFO.

(20) HSBC Specialist Investments Ltd is wholly owned by HSBC Global Asset Management Ltd. HSBC Global Asset Management Ltd is deemed to be interested in the shares in which HSBC Specialist Investments Ltd is interested for the purpose of Part XV of the SFO.

(21) HSBC Global Asset Management Ltd is wholly owned by HSBC Investment Bank Holdings plc. HSBC Investment Bank Holdings plc is deemed to be interested in the shares in which HSBC Global Asset Management Ltd is interested for the purpose of Part XV of the SFO.

(22) HSBC Investment Bank Holdings plc is wholly owned by HSBC Holdings plc. HSBC Holdings plc is deemed to be interested in the shares in which HSBC Investment Bank Holdings plc is interested for the purpose of Part XV of the SFO.

(23) Nan Fung Consolidated Investments Ltd is owned by 50% by Nan Fung China Development Holdings Ltd and as to 50% by Golden Success Profits Ltd. Each of Nan Fung China Development Holdings Ltd and Golden Success Profits Ltd is deemed to be interested in the shares in which Nan Fung Consolidated Investments Ltd is interested for the purpose of Part XV of the SFO.

(24) Nan Fung China Development Holdings Ltd is wholly owned by Nan Fung Enterprises Ltd. Nan Fung Enterprises Ltd is deemed to be interested in the shares in which Nan Fung China Development Holdings Ltd is interested for the purpose of Part XV of the SFO.

(25) Nan Fung Enterprises Ltd is wholly owned by Crosby Investment Holdings Inc. Crosby Investment Holdings Inc is deemed to be interested in the shares in which Nan Fung Enterprises Ltd is interested for the purpose of Part XV of the SFO.

(26) Crosby Investment Holdings Inc is wholly owned by CHEN Wai Wai Vivien. CHEN Wai Wai Vivien is deemed to be interested in the shares in which Crosby Investment Holdings Inc is interested for the purpose of Part XV of the SFO.

(27) Golden Success Profits Ltd is wholly owned by Sheng Fung Co. Ltd. Sheng Fung Co. Ltd is deemed to be interested in the shares in which Golden Success Profits Ltd is interested for the purpose of Part XV of the SFO.

(28) Sheng Fung Co. Ltd is wholly owned by CHEN Din Hwa. CHEN Din Hwa is deemed to be interested in the shares in which Sheng Fung Co. Ltd is interested for the purpose of Part XV of the SFO.

(29) CHEN Yang Foo Oi is the spouse of CHEN Din Hwa and is deemed to be interested in the shares in which CHEN Din Hwa is interested for the purpose of Part XV of the SFO.

Save as disclosed above, as of 31 December 2009, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

During the reporting period, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers amounted to approximately 27.6% and 68.4% of the Group's total purchases, respectively.

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

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 46 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. During the year ended 31 December 2009, the Group carried out certain business transaction with the following connected persons:

(a) Shenzhen Cube Architecture Designing Consultants Company Limited ("Cube Architecture") provides design services to the subsidiaries of the Company namely Shenzhen Kangnian Technology Company Limited, Shenzhen Zhifu Real Estate Development Company Limited, Tianjin Songjiang Fantasia Real Estate Company Limited and Chengdu Huabaili Real Estate Company Limited. During the year ended 31 December 2009, there was no provision of such design services by Cube Architecture to the Group (2008: approximately RMB 2,451,000) .

(b) The Group provides management services to Huidong Dayawan San Jiao Zhou Recreation Company Limited ("San Jiao Zhou") commencing on 1 January 2008. During the year ended 31 December 2009, provision of such management services by Shenzhen Colour Life Network Services Company Limited to San Jiao Zhou amounted to approximately RMB500,000 (2008: approximately 400,000).

(c) During the year ended 31 December 2009, the Group received properties rental income from Shenzhen Xi Fu Hui Club Management Company Limited of approximately RMB301,000 (2008: RMB301,000).

The transactions are defined by the Listing Rules as "continuing connected transactions" and are exempt from the independent shareholders' approval requirements. The transactions has complied with the reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions entered into by the members of the Group and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or, on terms no less favourable to the members of the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions entered into by the members of the Group and confirmed to the Company that they:

(1) are in accordance with the pricing policies of the Company;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the cap as disclosed in the prospectus of the Company dated 12 November 2009.

Directors' Report

INTERESTS IN COMPETITORS

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

EMOLUMENT POLICY

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

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

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2009.

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors at the latest practicable date (i.e. 7 April 2010) prior to the issue of the Annual Report, the Company has maintained a sufficient public float throughout the period from 25 November 2009, being the date of Listing to 31December 2009.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 48 to the consolidated financial statements.

USE OF PROCEEDS FROM THE PUBLIC OFFERING

The Company was listed on the Stock Exchange on 25 November 2009. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the listing of the Company after the exercise of the over-allotment option) amounted to approximately HK$2,500 million. The Company had applied approximately HK$233 million for the general working capital purposes, which is in compliance with the intended use of proceeds set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. The remaining balances have been temporarily placed as bank deposits.

AUDITOR

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

On behalf of the Board

Pan Jun
Chairman

Hong Kong, 20 March 2010

Corporate Governance Report

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

– Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the period from 25 November 2009, the date on which the trading of the shares of the Company commenced on the Stock Exchange, up to 31 December 2009 and all Directors confirmed that they have complied with the Model Code.

THE BOARD

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

The Board comprises four executive Directors, being Mr. Pan Jun (Chairman), Ms. Zeng Jie, Mr. Feng Hui Ming and Mr. Chan Sze Hon, and four independent non-executive Directors, being Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan. Biographical details of each Directors is set out on pages 36 to 39.

All executive Directors have entered into service contracts with the Company for a specific term of three years while all independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years. One third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

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

THE BOARD (continued)

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

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

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

BOARD MEETING

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

Directors	Number of attendance
Executive Directors:	
Mr. Pan Jun	4/4
Ms. Zeng Jie	4/4
Mr. Feng Hui Ming	4/4
Mr. Chan Sze Hon	4/4
Ms. Hong Xiao Bo(1)	2/2
Independent non-executive Directors:	
Mr. Ho Man(2)	1/1
Mr. Liao Martin Cheung Kong, JP(2)	1/1
Mr. Huang Ming(2)	1/1
Mr. Xu Quan(2)	1/1

(1) Resigned on 10 October 2009
(2) Appointed on 12 October 2009

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

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

Corporate Governance Report

AUDIT COMMITTEE

The Company has established an audit committee on 12 October 2009 in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. Since the Company was only listed on the Stock Exchange on 25 November 2009, no audit committee meeting has been held for the year ended 31 December 2009.

The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the audit committee.

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

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 12 October 2009 in compliance with the Listing Rules. Since the Company was only listed on the Stock Exchange on 25 November 2009, no remuneration committee meeting has been held for the year ended 31 December 2009.

The remuneration committee currently comprises an executive Director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the committee. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

NOMINATION COMMITTEE

The Company has established a nomination committee on 12 October 2009 in compliance with the Listing Rules. Since the Company was only listed on the Stock Exchange on 25 November 2009, and the present Directors were appointed before listing, no nomination committee meeting has been held for the year ended 31 December 2009.

The nomination committee currently comprises two executive Directors, Ms. Zeng Jie and Mr. Pan Jun, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong JP, Mr. Huang Ming and Mr. Xu Quan, while Ms. Zeng Jie is the chairman of the committee. The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

AUDITORS' REMUNERATION

During the year, the total remuneration in respect of statutory audit services and non-audit services paid to the Company's auditors, Messrs Deloitte Touche Tohmatsu, amounted to approximately RMB2,202,000 and RMB4,052,000, respectively. Total service charges are as follows:

	RMB'000
Statutory audit services	2,202
As reporting accountants in respect of the issue of prospectus dated 12 November 2009	4,052
Total	6,254

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group. During the year ended 31 December 2009, the Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. Besides, the audit committee of the Company and the Board also will perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on page 58 of the "Independent Auditor's Report" in this annual report.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that it is necessary to maintain effective communication with our shareholders and investors, and the Company understands the importance of transparency of the Company. During 2009 and up to the date of this report, we also held various meetings with investors, organized site visit to our projects and participated in various investor conferences. In order to provide up-to-date information to our shareholders and investors, the press releases and newsletters are available at the Company's website http://www.cnfantasia.com. Being constantly updated in a timely manner, our website also contains a wide range of additional information relating to our businesses and our projects.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 119, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 of the consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and the true and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	7	2,458,673	1,174,211
Cost of sales		(1,431,812)	(704,734)
Gross profit		1,026,861	469,477
Other income, gains and losses	8	26,566	59,034
Gain on fair value changes of investment properties	16	34,476	13,807
Recognition of change in fair value of completed properties for sales upon transfer to investment properties	26	–	302
Selling and distribution expenses		(80,480)	(49,837)
Administrative expenses		(177,229)	(162,677)
Finance costs	9	(51,800)	(69,941)
Impairment loss recognised in respect of goodwill	24	–	(2,305)
Share of results of associates		(1,899)	(3,789)
Profit before taxation	10	776,495	254,071
Income tax expense	11	(407,050)	(156,550)
Profit and total comprehensive income for the year		369,445	97,521
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		373,469	84,259
Minority interests		(4,024)	13,262
		369,445	97,521
Earnings per share – Basic (RMB)	14	0.10	0.02

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	163,530	50,504
Investment properties	16	581,368	476,079
Interests in associates	17	12,941	11,248
Advance to an associate	18	72,396	58,240
Prepaid lease payments	19	164,457	1,561
Premium on prepaid lease payments	20	45,794	–
Prepayment	7	70,586	–
Deposits paid for acquisition of subsidiaries	21	423,000	–
Deposits paid for acquisition of a property project	22	352,056	–
Deferred tax assets	25	88,818	41,531
		1,974,946	639,163
CURRENT ASSETS			
Properties for sales	26	4,576,936	3,769,841
Prepaid lease payments	19	4,704	112
Premium on prepaid lease payments	20	1,428	–
Trade and other receivables	27	987,961	145,739
Amount due from a shareholder	28	–	21
Amounts due from customers for contract works	29	3,808	1,349
Amounts due from related parties	30	–	26,856
Held-for-trading investments	31	–	3,000
Tax recoverable		17,503	30,346
Restricted bank deposits	32	189,712	37,849
Bank balances and cash	32	3,696,488	303,046
		9,478,540	4,318,159
CURRENT LIABILITIES			
Trade and other payables	33	873,797	566,116
Deposits received for sale of properties		2,380,242	1,092,459
Amounts due to directors	34	–	54,012
Amount due to a related party	35	1,519	99,340
Loans from shareholders	36	–	683,460
Tax payable		544,877	229,787
Borrowings – due within one year	37	1,266,320	373,050
		5,066,755	3,098,224
NET CURRENT ASSETS		4,411,785	1,219,935
TOTAL ASSETS LESS CURRENT LIABILITIES		6,386,731	1,859,098

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	32,280	58,991
Amount due to a related party	35	99,340	–
Borrowings – due after one year	37	2,173,750	353,750
		2,305,370	412,741
		4,081,361	1,446,357
CAPITAL AND RESERVES			
Share capital	38	429,389	9
Reserves		3,340,870	1,145,955
Equity attributable to owners of the Company		3,770,259	1,145,964
Minority interests		311,102	300,393
		4,081,361	1,446,357

The consolidated financial statements on pages 59 to 119 were approved and authorised for issue by the Board of Directors on 20 March 2010 and are signed on its behalf by:

Pan Jun
Chairman

Chan Sze Hon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note i)	Contribution reserve RMB'000 (note ii)	Statutory reserves RMB'000 (note iii)	Discretionary reserves RMB'000 (note iii)	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	9	734,890	(595)	37,889	27,857	1,477	257,467	1,058,994	342,809	1,401,803
Profit and total comprehensive income for the year	–	–	–	–	–	–	84,259	84,259	13,262	97,521
Acquisition of additional equity interests in subsidiaries	–	–	–	396	–	–	–	396	(56,185)	(55,789)
Capitalisation of shareholder loans	–	–	–	2,315	–	–	–	2,315	1,543	3,858
Transfer	–	–	–	–	1,151	–	(1,151)	–	–	–
Dividend paid to a minority shareholder	–	–	–	–	–	–	–	–	(1,036)	(1,036)
At 31 December 2008 and 1 January 2009	9	734,890	(595)	40,600	29,008	1,477	340,575	1,145,964	300,393	1,446,357
Profit and total comprehensive income for the year	–	–	–	–	–	–	373,469	373,469	(4,024)	369,445
Capitalisation issue of shares	321,115	(321,115)	–	–	–	–	–	–	–	–
Issue of shares	108,265	2,251,911	–	–	–	–	–	2,360,176	–	2,360,176
Share issue expenses	–	(109,350)	–	–	–	–	–	(109,350)	–	(109,350)
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	16,000	16,000
Transfer	–	–	–	–	2,112	–	(2,112)	–	–	–
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(1,267)	(1,267)
At 31 December 2009	429,389	2,556,336	(595)	40,600	31,120	1,477	711,932	3,770,259	311,102	4,081,361

Notes:

(i) Special reserve arising from the acquisition of additional equity interests represents the difference between the consideration paid and the carrying amount of net assets acquired and the goodwill or discount on acquisition.

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	776,495	254,071
Adjustments for:		
Gain on fair value changes of investment properties	(34,476)	(13,807)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	–	(302)
Share of results of associates	1,899	3,789
Release of prepaid lease payments	845	149
Release of premium on prepaid lease payments	357	–
Depreciation of property, plant and equipment	8,902	8,940
Loss on disposal of property, plant and equipment	72	1,727
Allowance on bad and doubtful debts, net	225	2,495
Interest income	(6,038)	(7,951)
Imputed interest income on non-current interest-free advance to an associate	(9,349)	–
Finance costs	51,800	69,941
Net foreign exchange loss (gain)	1,334	(35,586)
Impairment loss recognised in respect of goodwill	–	2,305
Loss on disposal of a subsidiary	–	89
Operating cash flows before movements in working capital	792,066	285,860
Increase in properties for sales	(832,836)	(1,358,250)
(Increase) decrease in trade and other receivables	(842,377)	89,313
Increase in prepayment	(70,586)	–
(Increase) decrease in amounts due from customers for contract works	(2,459)	4,792
Decrease (increase) in held-for-trading investments	3,000	(3,000)
Increase in trade and other payables	167,938	223,856
Increase (decrease) in deposits received for sale of properties	1,287,783	(33,873)
Cash generated from (used in) operations	502,529	(791,302)
Enterprise income tax ("EIT") paid, net	(124,048)	(101,239)
Land appreciation tax ("LAT") paid	(29,067)	(17,643)
Interest paid	(188,628)	(127,232)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	160,786	(1,037,416)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Deposit paid for acquisition of subsidiaries		(423,000)	–
Deposit paid for acquisition of a property project		(352,056)	–
Increase in restricted bank deposits		(151,863)	(19,817)
Purchases of property, plant and equipment		(49,341)	(26,192)
Increase in investment properties		(55,444)	(2,521)
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	39(a)	(9,999)	(157,760)
(Advance to) repayment from an associate		(8,399)	1,750
Repayment from (advance to) related parties		26,856	(1,402)
Interest received		6,038	7,951
Proceeds from disposal of investment properties		5,953	–
Proceeds from disposal of property, plant and equipment		767	296
Repayment from (advance to) a shareholder		21	(13)
Acquisition of additional equity interests in subsidiaries		–	(241,783)
Prepaid lease payments paid		–	(15,139)
Capital contribution in an associate		–	(3,000)
Acquisition of business (net of cash and cash equivalents acquired)	39(b)	–	(2,498)
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	40	–	(119)
NET CASH USED IN INVESTING ACTIVITIES		(1,010,467)	(460,247)
FINANCING ACTIVITIES			
New borrowings raised		3,485,256	800,000
Issue of shares		2,360,176	–
Contribution from a minority shareholder		16,000	–
Advance from a related party		1,519	98,558
Repayment of borrowings		(771,986)	(440,868)
Repayment of loans from shareholders		(682,680)	–
Share issue expenses		(109,350)	–
(Repayment to) advance from directors		(54,012)	35,017
Dividend paid to minority shareholders		(1,267)	(1,036)
NET CASH FROM FINANCING ACTIVITIES		4,243,656	491,671
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,393,975	(1,005,992)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		303,046	1,320,657
Effect of foreign exchange rate changes		(533)	(11,619)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		3,696,488	303,046

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. General

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 47.

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

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

The Group has applied all the new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2009.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. Significant Accounting Policies

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

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

Basis of consolidation

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

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

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

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

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

Acquisition of additional interest in subsidiaries

On acquisition of additional interests in subsidiaries, the excess of the cost of the acquisition over the fair values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to goodwill, while discount arising on the excess of the fair values of the underlying assets and liabilities attributable to the additional interest in the subsidiaries over the cost of the acquisition credited to consolidated statement of comprehensive income.

The difference between the cost of the acquisition and the goodwill/discount on acquisition and the carrying amount of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to special reserve.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies (continued)

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

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

Investment properties

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

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

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

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

Interests in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. Where the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. Significant Accounting Policies (continued)

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent periods.

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

Properties for sale

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

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

Installation contracts

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Financial instruments

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

Financial assets

The Group's financial assets are generally classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL are classified as financial assets held for trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL, are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Trade and other payables, amounts due to directors and a related party, loans from shareholders and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

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

Derecognition

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

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

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

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

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

3. Significant Accounting Policies (continued)

Revenue recognition

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

Sales of properties

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

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

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

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

Contract revenue

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

Hotel operation

Revenue from hotel operation is recognised upon provision of services.

Interest income

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

Government grants

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

Borrowing costs

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. Significant Accounting Policies (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Taxation

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

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

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

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

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

Retirement benefit costs

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

Foreign currencies

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

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

4. Key Sources of Estimation Uncertainty

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

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

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

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

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with aggregate carrying amount of approximately RMB4,576,936,000 (2008: RMB3,769,841,000). Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale and completed properties for sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

4. Key Sources of Estimation Uncertainty (continued)

Land appreciation tax ("LAT")

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

Deferred tax assets

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

Recognition and allocation of construction costs on properties under development

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

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of debt, which includes amounts due to directors disclosed in note 34, amount due to a related party disclosed in note 35, loans from shareholders disclosed in note 36, borrowings disclosed in note 37, cash and cash equivalents disclosed in note 32 and equity attributable to owners of the Company, comprising share capital and reserves.

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

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

6. Financial Instruments

(a) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,924,001	505,571
Held-for-trading investments	–	3,000
Financial liabilities		
Amortised cost	4,362,204	2,058,888

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for acquisition of subsidiaries and a property project, trade and other receivables, advance to an associate, amounts due from a shareholder and related parties, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to directors and a related party, loans from shareholders and borrowings. Details of these financial instruments are disclosed in respective notes.

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

(c) Foreign currency risk management

The Group have bank balances, loans from shareholders and borrowings which are denominated in foreign currencies of the relevant group entities, hence expose to exchange rate fluctuations.

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

	2009 RMB'000	2008 RMB'000
Assets		
United States Dollars ("USD")	1,413	1,125
Hong Kong Dollars ("HKD")	1,868,114	3,616

	2009 RMB'000	2008 RMB'000
Liabilities		
USD	682,820	683,460

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. Financial Instruments (continued)

(c) Foreign currency risk management (continued)

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in the RMB against the relevant foreign currencies. 5% (2008: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2008: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, loans from shareholders and borrowings. A positive number indicates an increase in profit for the year where the RMB strengthens against the relevant currencies. For a 5% (2008: 5%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit for the year.

	2009 RMB'000	2008 RMB'000
USD		
Increase in profit for the year	34,070	34,117

	2009 RMB'000	2008 RMB'000
HKD		
Decrease in profit for the year	(93,406)	(181)

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

(d) Interest rate risk management

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

The Group is also exposed to fair value interest rate risk which relates primarily to its balance with a related party, loans from shareholders and fixed-rate borrowings (see notes 35, 36 and 37). The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the above-mentioned non-derivative instruments at the end of the reporting period. A 50 basis points (2008: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher/lower by 50 basis points (2008: 50 basis points) and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would increase/decrease by approximately RMB5,481,000 (2008: decrease/increase of approximately RMB1,755,000).

6. Financial Instruments (continued)

(e) Other price risks

The Group is exposed to equity price risk through its investments in listed mutual funds whose investments as at 31 December 2008 comprised a portfolio of equity instruments issued by entities operating in manufacturing industry sector quoted in the Shenzhen Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of reporting period.

If the prices of the mutual funds had been 5% higher/lower, the Group's profit for the year ended 31 December 2008 would increase/decrease by approximately RMB150,000 (2009: nil).

(f) Credit risk management

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

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

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 45.

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

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

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

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

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

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For the year ended 31 December 2009

6. Financial Instruments (continued)

(g) Liquidity risk management

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

The Group relies on borrowings and amount due to a related party as a significant source of liquidity after the shares of the Company listed on the SEHK with effect from 25 November 2009. As at 31 December 2009, the Group has total available unutilised overdraft and bank loan facilities of RMB272,000,000 (2008: nil).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2009								
Non-derivative financial liabilities								
Trade and other payables	–	286,330	407,675	115,171	12,099	–	821,275	821,275
Amount due to a related party	7.02	2,100	1,162	5,230	101,084	–	109,576	100,859
Borrowings								
– fixed rate	5.36	2,902	5,803	317,991	375,649	–	702,345	650,000
– variable rate	4.57	693,093	41,596	345,719	1,943,231	25,950	3,049,589	2,790,070
Financial guarantee contracts	–	1,626,282	–	–	–	–	1,626,282	–
		2,610,707	456,236	784,111	2,432,063	25,950	6,309,067	4,362,204
As at 31 December 2008								
Non-derivative financial liabilities								
Trade and other payables	–	140,942	187,043	162,866	4,425	–	495,276	495,276
Amounts due to directors	–	54,012	–	–	–	–	54,012	54,012
Amount due to a related party	–	99,340	–	–	–	–	99,340	99,340
Loans from shareholders	12	–	–	744,971	–	–	744,971	683,460
Borrowings								
– fixed rate	8.96	–	–	36,303	–	–	36,303	35,000
– variable rate	8.36	3,893	10,786	376,441	374,870	38,980	804,970	691,800
Financial guarantee contracts	–	719,325	–	–	–	–	719,325	–
		1,017,512	197,829	1,320,581	379,295	38,980	2,954,197	2,058,888

6. Financial Instruments (continued)

(g) Liquidity risk management (continued)

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

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

(h) Fair value

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

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

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue and Segment Information

	2009 RMB'000	2008 RMB'000
Sales of properties	2,322,037	1,064,604
Rental income from investment properties	10,806	11,029
Property agency services	57,775	40,224
Property operation services	63,900	57,875
Hotel services	4,155	479
	2,458,673	1,174,211

Included in revenue, which is under property development segment, is an amount of RMB107,919,000 (2008: nil) in respect of completed properties sold in exchange for the advertising spaces provided by the customers. The prepaid advertising spaces of RMB70,586,000 and RMB33,599,000 are recorded in prepayment under non-current assets and trade and other receivables under current assets, respectively for such arrangement.

Included in revenue from property operation services is an amount of RMB21,043,000 (2008: RMB31,131,000) in respect of the installation contract revenue.

The Group has adopted HKFRS 8 Operating Segments to report segment information for the years ended 31 December 2009 and 2008.

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7. Revenue and Segment Information (continued)

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors, the chief operating decision maker, for the purposes of resource allocation and assessment of performance.

Inter-segment revenue are eliminated on consolidation.

The Group has five reportable operating segments as follows:

Property development	–	developing and selling of properties in the PRC
Property investment	–	leasing of investment properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management and other related services
Hotel services	–	provision of hotel management and other related services

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, imputed interest income on non-current interest-free advance to an associate, exchange difference and loss on disposal of a subsidiary as set out in note 8, share of results of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker also reviews the segment assets attributable to each operating segment, which comprises assets other than interests in associates, advance to an associate, amounts due from a shareholder and related parties, held-for-trading investments, restricted bank deposits, bank balances and cash and other corporate assets.

7. Revenue and Segment Information (continued)

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

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

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

Inter-segment revenues are charged at prevailing market rate.

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7. Revenue and Segment Information (continued)

Segment revenues, results, assets and other material items for 31 December 2008:

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel services RMB'000	Total RMB'000
External revenues	1,064,604	11,029	40,224	57,875	479	1,174,211
Inter-segment revenues	–	–	17,767	5,989	70	23,826
Segment result	296,010	23,765	(9,255)	17,600	(2,656)	325,464
Segment assets	3,901,890	481,310	14,347	36,732	8,026	4,442,305
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	5,162	3,233	10,061	4,901	8,386	31,743
Gain on fair values changes of investment properties	–	13,807	–	–	–	13,807
Impairment loss recognised in respect of goodwill	–	–	–	2,305	–	2,305
Release of prepaid lease payments	113	–	–	–	–	113
Depreciation of property, plant and equipment	4,816	–	2,579	940	495	8,830
Loss on disposal of property, plant and equipment	–	–	577	–	–	577
Allowance on bad and doubtful debts, net	81	–	1,777	637	–	2,495

Inter-segment revenues are charged at prevailing market rate.

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

7. Revenue and Segment Information (continued)

Reconciliation:

	2009 RMB'000	2008 RMB'000
Revenue:		
Total revenue for reportable segments	2,483,795	1,198,037
Elimination of inter-segment revenues	(25,122)	(23,826)
Group's total revenues	2,458,673	1,174,211
Profit or loss:		
Segment result	868,040	325,464
Elimination of inter-segment result	(1,650)	(2,826)
Unallocated amounts:		
Unallocated income	15,387	43,537
Unallocated corporate expenses	(51,583)	(35,980)
Finance costs	(51,800)	(69,941)
Impairment loss recognised in respect of goodwill	–	(2,305)
Loss on disposal of a subsidiary	–	(89)
Share of results of associates	(1,899)	(3,789)
Profit before taxation	776,495	254,071
Assets:		
Total assets for reportable segments	7,375,171	4,442,305
Unallocated assets:		
Interests in associates	12,941	11,248
Advance to an associate	72,396	58,240
Amount due from a shareholder	–	21
Amounts due from related parties	–	26,856
Restricted bank deposits	189,712	37,849
Bank balances and cash	3,696,488	303,046
Held-for-trading investments	–	3,000
Corporate assets	106,778	74,757
Group's total assets	11,453,486	4,957,322

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7. Revenue and Segment Information (continued)

Reconciliation: (continued)

	2009 RMB'000	2008 RMB'000
Other material items:		
Release of prepaid lease payments		
Reportable segment totals	845	113
Unallocated amount	357	36
Group's total	1,202	149
Depreciation of property, plant and equipment		
Reportable segment totals	8,786	8,830
Unallocated amount	116	110
Group's total	8,902	8,940
Additions to non-current assets		
Reportable segment totals	408,305	31,743
Unallocated amount	32	37
Group's total	408,337	31,780
Loss on disposal of property, plant and equipment		
Reportable segment totals	72	577
Unallocated amount	–	1,150
Group's total	72	1,727
Allowance on bad and doubtful debt, net		
Reportable segment totals	124	2,495
Unallocated amount	101	–
Group's total	225	2,495

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

During the years ended 31 December 2009 and 2008, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

8. Other Income, Gains and Losses

	2009 RMB'000	2008 RMB'000
Interest income	6,038	7,951
Imputed interest income on non-current interest-free advance to an associate	9,349	–
Forfeiture income on deposits received	384	1,040
Government grant (note)	10,448	14,052
Exchange (loss) gain	(1,334)	35,586
Loss on disposal of a subsidiary (note 40)	–	(89)
Others	1,681	494
	26,566	59,034

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

9. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest on:		
– borrowings wholly repayable within five years	111,086	40,787
– borrowings not wholly repayable within five years	1,485	4,224
– amount due to a related party	5,153	–
– loans from shareholders	70,904	82,221
Less: Amount capitalised in properties for sales under development	(131,233)	(57,291)
Amount capitalised in construction in progress	(5,595)	–
	51,800	69,941

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.65% (2008: 10.14%) per annum to expenditure on qualifying assets.

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10. Profit Before Taxation

	2009 RMB'000	2008 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	5,380	4,675
Other staff costs	101,887	97,251
Retirement benefit scheme contributions	10,435	10,069
Total staff costs	117,702	111,995
Less: Amount capitalised to properties for sales under development	7,131	–
	110,571	111,995
Auditor's remuneration	2,503	237
Release of prepaid lease payments	845	149
Release of premium on prepaid lease payments	357	–
Depreciation of property, plant and equipment	8,902	8,940
Loss on disposal of property, plant and equipment	72	1,727
Allowance on bad and doubtful debts, net	225	2,495
Cost of properties recognised as an expense	1,338,646	549,543
Contract cost recognised as an expense	14,163	17,312
Rental expenses in respect of rented premises under operating leases	7,065	7,317
Gross rental income from investment properties	(10,806)	(11,029)
Less: direct operating expenses from investment properties that generated rental income	1,303	1,373
	(9,503)	(9,656)

11. Income Tax Expense

	2009 RMB'000	2008 RMB'000
Current tax:		
PRC taxes		
EIT	217,833	76,831
LAT	263,215	104,237
	481,048	181,068
Deferred tax (note 25)		
Current year	(69,237)	(23,383)
Underprovision of deferred tax assets	(4,761)	(1,135)
	(73,998)	(24,518)
	407,050	156,550

11. Income Tax Expense (continued)

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

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

Under the Provisional Regulations on LAT of the PRC promulgated on 27 January 1995, the PRC subsidiaries are also subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from transfers of properties in the PRC effective from 1 January 1994.

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

	2009 RMB'000	2008 RMB'000
Profit before taxation	776,495	254,071
Tax at PRC enterprise income tax rate of 25% (note i)	194,124	63,518
Tax effect of share of results of associates	474	947
Tax effect of income not taxable for tax purposes	(2,337)	(85)
Tax effect of expenses not deductible for tax purposes (note ii)	35,373	22,831
Tax effect of tax losses not recognised	6,324	7,219
Utilisation of tax losses previous not recognised	(4,026)	–
Tax effect of different tax rates on subsidiaries	(12,519)	(14,359)
LAT	263,215	104,237
Effect of LAT on enterprise income tax	(65,804)	(26,059)
Underprovision of deferred tax assets	(4,761)	(1,135)
Others	(3,013)	(564)
Income tax expense for the year	407,050	156,550

Notes:

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

(ii) The amount for the years ended 31 December 2009 and 2008 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on loans from shareholders, legal and professional fees in connection with the listing of the Company's share in the SEHK and impairment loss recognised in respect of goodwill.

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12. Directors' and Employees' Remuneration

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

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note)	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2009					
Executive director:					
Pan Jun (潘軍)	–	819	504	21	1,344
Zeng Jie (曾寶寶)	–	1,322	–	19	1,341
Feng Hui Ming (馮輝明)	–	773	548	21	1,342
Chan Sze Hon (陳思翰)	–	1,057	73	11	1,141
Independent non-executive director:					
Ho Man (何敏)	53	–	–	–	53
Liao Martin Cheung Kong (廖長江)	53	–	–	–	53
Huang Ming (黃明)	53	–	–	–	53
Xu Quan (許權)	53	–	–	–	53
	212	3,971	1,125	72	5,380
For the year ended 31 December 2008					
Executive director:					
Pan Jun (潘軍)	–	1,130	94	20	1,244
Zeng Jie (曾寶寶)	–	1,323	–	20	1,343
Feng Hui Ming (馮輝明)	–	1,093	86	21	1,200
Chan Sze Hon (陳思翰)	–	879	–	9	888
	–	4,425	180	70	4,675

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

Employees' emoluments

The five individuals with the highest emoluments in the Group included 3 directors for both years. Details of their emoluments are set out above. The emoluments of the remaining 2 (2008: 2) of the five highest paid individuals are as follows:

	2009 RMB'000	2008 RMB'000
Salaries and allowances	1,395	2,155
Discretionary bonus	1,102	47
Retirement benefit scheme contributions	41	34
	2,538	2,236

12. Directors' and Employees' Remuneration (continued)

Employees' emoluments (continued)

Their emoluments were within the following band:

	2009 Number of employee	2008 Number of employee
HK$1,000,000 to HK$1,500,000	2	2

During the years ended 31 December 2009 and 2008, no remuneration was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration for the years ended 31 December 2009 and 2008.

13. Dividends

A final dividend of HK1.75 cents in respect of the year ended 31 December 2009 (2008: nil) per share has been proposed by the directors and is subject to approval by the shareholders in forthcoming annual general meeting.

14. Earnings Per Share

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

	2009 RMB'000	2008 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	373,469	84,259

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,768,544,897	3,645,000,000

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

For the year ended 31 December 2009, the weighted average number of ordinary shares reflect the weighted average effect of the 100,000 shares in issue before the capitalisation issue, 3,644,900,000 shares issued pursuant to the capitalisation issue as more fully described in note 38(1) and 1,228,888,750 shares issued in the global offering.

For the year ended 31 December 2008, the weighted average number of ordinary shares has been adjusted to reflect the capitalisation issue as more fully described in note 38(1).

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15. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000 (note)	Total RMB'000
COST						
At 1 January 2008	17,825	11,014	18,893	9,742	–	57,474
Acquisition of business (note 39(b))	–	–	45	5	–	50
Additions	8,142	10,436	6,837	777	–	26,192
Disposals	(2,357)	(392)	(1,462)	(213)	–	(4,424)
At 31 December 2008 and 1 January 2009	23,610	21,058	24,313	10,311	–	79,292
Transfer from properties for sales under development	–	–	–	–	66,999	66,999
Additions	636	150	2,667	1,009	51,306	55,768
Disposals	–	(57)	(2,381)	(571)	–	(3,009)
At 31 December 2009	24,246	21,151	24,599	10,749	118,305	199,050
DEPRECIATION						
At 1 January 2008	3,110	6,375	7,491	4,317	–	21,293
Provided for year	770	3,092	3,594	1,484	–	8,940
Eliminated on disposal	(240)	(99)	(950)	(156)	–	(1,445)
At 31 December 2008 and 1 January 2009	3,640	9,368	10,135	5,645	–	28,788
Provided for the year	1,159	2,400	3,801	1,542	–	8,902
Eliminated on disposals	–	(30)	(1,750)	(390)	–	(2,170)
At 31 December 2009	4,799	11,738	12,186	6,797	–	35,520
CARRYING AMOUNTS						
At 31 December 2009	19,447	9,413	12,413	3,952	118,305	163,530
At 31 December 2008	19,970	11,690	14,178	4,666	–	50,504

Note: During the year ended 31 December 2009, RMB66,999,000 was transferred from properties for sales under development as a result of change in intended use to operate hotel business.

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

Buildings	Over the shorter of the term of lease or 50 years
Leasehold improvements	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 10 years

At 31 December 2009, certain of the Group's buildings and construction in progress with carrying amounts of RMB11,122,000 (2008: RMB11,860,000) and RMB80,273,000 (2008: nil) respectively, were pledged to banks to secure certain banking facilities granted to the Group.

16. Investment Properties

	Completed RMB'000	Under development RMB'000	Total RMB'000
FAIR VALUE			
At 1 January 2008	431,686	27,353	459,039
Additions	–	2,521	2,521
Transfer from completed properties for sales	712	–	712
Net change in fair value recognised in profit or loss	(24,739)	38,546	13,807
Transfers upon completion of construction work	68,420	(68,420)	–
At 31 December 2008 and 1 January 2009	476,079	–	476,079
Additions	–	76,766	76,766
Disposals	(5,953)	–	(5,953)
Net change in fair value recognised in profit or loss	26,870	7,606	34,476
At 31 December 2009	496,996	84,372	581,368

At 31 December 2009, the fair values of the Group's completed investment properties of approximately RMB496,996,000 (2008: RMB476,079,000) and under development of approximately RMB26,602,000 (2008: nil) at the date of transfer and at the end of the reporting period were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited. Jones Lang LaSalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate.

At 31 December 2009, the Group has concluded the fair value of the remaining investment properties under development of approximately RMB57,770,000 (2008: nil) cannot be measured reasonably, therefore, the Group's investment properties under development continued to be measured at cost until such time as fair value can be determined or construction is completed.

At 31 December 2009, investment properties with fair value of RMB164,470,000 (2008: RMB158,908,000) represents completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there was no special provisions to obtain any title certificates, according to the relevant laws and regulations in Shenzhen and Chengdu areas.

At 31 December 2009, certain of the Group's investment properties with an aggregate fair value of approximately RMB301,535,000 (2008: RMB281,850,000) were pledged to banks to secure the banking facilities granted to the Group.

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

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17. Interests in Associates

	2009 RMB'000	2008 RMB'000
Cost of investment, unlisted	6,750	6,750
Share of post-acquisition results	(6,750)	(4,851)
Deemed capital contributions	12,941	9,349
	12,941	11,248

Included in interests in associates are fair value adjustments of RMB12,941,000 (2008: RMB9,349,000) on interest-free non-current advance to an associate. For details, please refer to note 18.

As at 31 December 2009 and 2008, the Group had interests in the following associates:

Name of associate	Registered capital	Equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
東莞市歐普泰建築技術有限公司 Dongguan Ouputai Architecture Technology Company Limited	RMB3,000,000	30%	30%	Property consulting
Dongguan Zuoting Youyuan	RMB18,000,000	37.5%	37.5%	Property development

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

	2009 RMB'000	2008 RMB'000
Total assets	266,577	223,032
Total liabilities	270,695	219,349
Net (liabilities) assets	(4,118)	3,683
Group's share of net assets of associates	–	1,382

	2009 RMB'000	2008 RMB'000
Revenue	–	–
Loss and total comprehensive expense for the year	(7,802)	(10,104)
Group's share of results of associates (note)	(1,899)	(3,789)

Note: During the year ended 31 December 2009, the unrecognised share of loss of associates was approximately RMB1,027,000 (2008: nil). In the opinion of directors, there are no significant unrecognised share of capital commitment and contingent liabilities at the end of the reporting period.

18. Advance to an Associate

	2009 RMB'000	2008 RMB'000
Dongguan Zuoting Youyuan	72,396	58,240

The amount represents the advance to an associate which are non-trade nature and will not be recoverable within one year from the end of respective reporting period and therefore considered as a non-current asset. The amount is unsecured and measured at amortised cost using the effective interest method at the borrowing rate of 4.96% (2008: 8.66%) per annum.

19. Prepaid Lease Payments

The Group's prepaid lease payments comprise:

	2009 RMB'000	2008 RMB'000
Leasehold land in the PRC under medium-term lease	169,161	1,673
Analysed for reporting purposes as:		
Current asset	4,704	112
Non-current asset	164,457	1,561
	169,161	1,673

During the year ended 31 December 2008, the Group disposed of the prepaid lease payment amounting to approximately RMB7,486,000 (2009: nil) to Ms. Zeng Jie, a director of the Company.

During the year ended 31 December 2008, Pujiang Daxigu Ecological Tourism Development Company Limited ("Pujiang Daxigu"), a subsidiary of the Company, acquired prepaid lease payments of approximately RMB15,139,000. On 28 February 2008, the Group disposed of its equity interest in Pujiang Daxigu to Shenzhen Tiankuo Investment Company Limited ("Shenzhen Tiankuo"), a company in which Ms. Zeng Jie and Mr. Pan Jun have beneficial interests. The assets of Pujiang Daxigu included the prepaid lease payment of approximately RMB15,139,000. No such arrangement occurred in 2009.

During the year ended 31 December 2009, the Group acquired prepaid lease payment of approximately RMB100,512,000 (2008: nil) through the acquisition of a subsidiary as disclosed in note 39(a).

During the year ended 31 December 2009, prepaid lease payments of approximately RMB68,653,000 were transferred from property for sales as a result of change in intended use to operate hotel business. Amortisation charge of RMB832,000 provided for the leasehold land is capitalised into construction in progress. The capitalisation of amortisation charge will cease when the assets are ready for their intended use. No such transfer was made during the year ended 31 December 2008.

At 31 December 2009, certain of the Group's prepaid lease payments with a carrying amount of approximately RMB67,643,000 (2008: RMB1,673,000) were pledged to banks to secure the banking facilities granted to the Group.

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20. Premium on Prepaid Lease Payments

Premium on prepaid lease payments of the Group represent the excess of the fair value over the principal amount of the prepaid lease payments in respect of a leasehold land in the PRC under medium-term lease acquired through purchase of a subsidiary during the year ended 31 December 2009 and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2008, 31 December 2008 and 1 January 2009	–
Acquisition of asset and liabilities through acquisition of a subsidiary (note 39(a))	47,579
At 31 December 2009	47,579
AMORTISATION	
At 1 January 2008, 31 December 2008 and 1 January 2009	–
Amortised for the year	357
At 31 December 2009	357
CARRYING AMOUNTS	
At 31 December 2009	47,222
At 31 December 2008	–

	2009 RMB'000	2008 RMB'000
Analysed for reporting purposes as:		
Current asset	1,428	–
Non-current asset	45,794	–
	47,222	–

21. Deposits Paid for Acquisition of Subsidiaries

During the year ended 31 December 2009, the Group has made deposits of approximately RMB423,000,000 (2008: nil) in relation to the acquisition of Suzhou Huawanli Real Estate Company Limited 蘇州市花萬里房地產開發有限公司 ("Suzhou Huawanli") and Suzhou LKN Real Estate Company Limited 蘇州林甲岩房地產發展有限公司 ("Suzhou LKN") from independent third parties. The aforesaid companies are principally engaged in the PRC property development. At the date of this report, the acquisition is still not yet completed. Details are disclosed in note 48.

22. Deposits Paid for Acquistion of a Property Project

During the year ended 31 December 2009, the Group has made deposits of approximately RMB704,112,000 (2008: nil) in relation to the acquisition of a property project from an independent property developer. Included in the deposits, the amount of approximately RMB352,056,000 relates to investment properties under development and therefore classified as non-current assets. The remaining amount of approximately RMB352,056,000 relates to properties under development for future sales and therefore included in trade and other receivables and classified as current assets. The acquisition was subsequently completed in January 2010.

23. Goodwill

	RMB'000
COST	
At 1 January 2008	22,515
Arising on acquisition of business (note 39(b))	2,305
At 31 December 2008, 1 January 2009 and 31 December 2009	24,820
IMPAIRMENT	
At 1 January 2008	22,515
Impairment loss recognised for the year	2,305
At 31 December 2008, 1 January 2009 and 31 December 2009	24,820
CARRYING AMOUNTS	
At 31 December 2009	–
At 31 December 2008	–

During the year ended 31 December 2008, the Group acquired 70% equity interest in Shenzhen Liantang Property Management Company Limited ("Shenzhen Liantang") from an independent third parties, of which the goodwill amounted to approximately RMB2,305,000. The Group acquired the above interests for the purpose of expansion of property operation services business.

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

24. Impairment Testing on Goodwill

During the year ended 31 December 2008, the Group recognised an impairment loss of RMB2,305,000 in relation to goodwill arising on acquisition of Shenzhen Liantang. For the purposes of impairment testing, goodwill set out in note 23 has been allocated to one individual CGU, which is engaged in provision of property management services. The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2009 and 2008 allocated to this CGU is nil.

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25. Deferred Taxation

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

	Fair value adjustment of investment properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Others (note) RMB'000	Total RMB'000
At 1 January 2008	63,826	(4,322)	(14,560)	(2,966)	41,978
Charge (credit) to profit or loss	3,527	130	(8,336)	(18,704)	(23,383)
Underprovision of deferred tax assets	–	(315)	(6)	(814)	(1,135)
At 31 December 2008 and 1 January 2009	67,353	(4,507)	(22,902)	(22,484)	17,460
Charge (credit) to profit or loss	10,556	(2,427)	(22,870)	(54,496)	(69,237)
Underprovision of deferred tax assets	–	–	(1,977)	(2,784)	(4,761)
At 31 December 2009	77,909	(6,934)	(47,749)	(79,764)	(56,538)

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

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

	2009 RMB'000	2008 RMB'000
Deferred tax assets	(88,818)	(41,531)
Deferred tax liabilities	32,280	58,991
	(56,538)	17,460

At 31 December 2009, the Group had unutilised tax losses of approximately RMB306,595,000 (2008: RMB208,385,000). A deferred tax asset has been recognised in respect of approximately RMB198,930,000 (2008: RMB96,016,000) of such tax losses . No deferred tax asset has been recognised in respect of the remaining tax losses of RMB107,665,000 (2008: RMB112,369,000) due to the unpredictability of future profits streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2009 RMB'000	2008 RMB'000
2009	–	4,513
2010	7,640	14,279
2011	2,683	6,407
2012	40,113	51,606
2013	22,162	26,465
2014	20,145	–
No expiry	14,922	9,099
	107,665	112,369

At 31 December 2009, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB721,481,000 (2008: RMB272,504,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

26. Properties for Sales

	2009 RMB'000	2008 RMB'000
Completed properties for sales	319,132	432,142
Under development	4,257,804	3,337,699
	4,576,936	3,769,841

At 31 December 2009, certain of the Group's properties for sales with a carrying amount of RMB2,522,991,000 (2008: RMB818,751,000) were pledged to secure certain banking facilities granted to the Group.

At 31 December 2008, the Group was in the process of obtaining the land use right certificates for certain properties with an aggregate carrying amount of approximately RMB90,956,000 (2009: nil).

At 31 December 2009, prepaid lease payment with an aggregate carrying amount of approximately RMB1,945,522,000 (2008: RMB2,412,936,000) were held for the purpose of property development for sale and included in the carrying amounts of properties for sales.

During the year ended 31 December 2008, completed properties for sales with an aggregate carrying amount of approximately RMB410,000 (2009: nil) were transferred to investment properties upon the signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amount, amounting to approximately RMB302,000 (2009: nil) were recognised in the consolidated statement of comprehensive income.

During the year ended 31 December 2009, RMB66,999,000 and RMB68,653,000 were transferred to construction in progress under property, plant and equipment and prepaid lease payments, respectively, as a result of change in intended use to operate hotel business, and no such transfer were made in the year ended 31 December 2008.

Included in the amount are properties under development for sales of approximately RMB2,060,976,000 (2008: RMB1,601,632,000) in relation to property development projects that are expected to complete after one year from the end of the reporting periods.

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27. Trade and Other Receivables

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

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

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

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

Hotel operation income is in the form of cash sales.

	2009 RMB'000	2008 RMB'000
Trade receivables	105,301	45,085
Other receivables	85,048	34,474
Deposits for the auction in respect of the sale of land (note i)	143,000	–
Deposits for the acquisition of properties for sales (note 22)	352,056	–
Prepayments and other deposits	99,591	8,553
Prepayments for construction materials	143,433	289
Deposits for the acquisition of land use right	–	19,432
Other tax prepayment (note ii)	59,532	37,906
	987,961	145,739

Notes:

(i) The amount represents the deposits paid for the auction in respect of the acquisition of land in Shanghai. Subsequent to 31 December 2009, the Group has not won the auction and the relevant deposits have been refunded to the Group in January 2010.

(ii) During the year ended 31 December 2009, the Group is required to prepay business tax amounting to approximately RMB116,381,000 (2008: RMB38,377,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. As at 31 December 2009, amount of approximately RMB57,948,000 (2008: RMB35,224,000) has been prepaid and included in other tax prepayment.

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

	2009 RMB'000	2008 RMB'000
0 to 30 days	86,481	14,189
31 to 90 days	10,634	28,876
91 to 180 days	4,082	1,740
181 to 365 days	1,465	260
Over 1 year	2,639	20
	105,301	45,085

27. Trade and Other Receivables (continued)

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

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

At 31 December 2009, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB13,199,000 (2008: RMB2,789,000) which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2009 RMB'000	2008 RMB'000
31 to 90 days	5,031	769
91 to 180 days	4,064	1,740
181 to 365 days	1,465	260
Over 1 year	2,639	20
	13,199	2,789

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

	2009 RMB'000	2008 RMB'000
Balance at beginning of the year	2,513	5,651
Impairment losses reversed	(223)	(144)
Impairment losses written off	(1,218)	(5,633)
Impairment losses recognised	448	2,639
Balance at end of the year	1,520	2,513

As at 31 December 2009, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB1,520,000 (2008: RMB2,513,000) of which the debtors have been in dispute with the Group.

28. Amount Due from a Shareholder

The amount was unsecured, interest-free and was repayable on demand. The balance was fully settled during 2009.

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29. Amounts Due from Customers for Contract Works

	2009 RMB'000	2008 RMB'000
Contract costs incurred plus recognised profits less recognised losses	32,173	30,678
Less: Progress billings	(28,365)	(29,329)
	3,808	1,349

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

No advance had been received during the years ended 31 December 2009 and 2008.

30. Amounts Due from Related Parties

			Maximum balance outstanding during the year	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
深圳喜福會會所管理有限公司 Shenzhen Xi Fu Hui Club Management Company Limited ("Xi Fu Hui") (note a)	–	9,550	–	9,550
Ice Apex Limited (note a)	–	12	–	12
Graceful Star Overseas Limited (note a)	–	12	–	12
Palace Place Limited (note a)	–	13	–	13
Pujiang Daxigu (note a)	–	16,669	–	16,669
Tang Xue Bin唐學斌 (note b)	–	–	–	64
Lu Ying路瑩 (note c)	–	600	–	678
Jin Jiang Lin金江林 (note d)	–	–	–	50
天津松江集團有限公司 Tianjin Songjiang Group Company Limited "Songjiang Group" (note e)	–	–	–	12,000
	–	26,856		

Notes:

(a) Entities where the directors of the Company, Ms. Zeng Jie and Mr. Pan Jun, have controlling and beneficial interests.

(b) Tang Xue Bin is a director of a subsidiary of the Company.

(c) Lu Ying is the minority shareholder of a subsidiary of the Company.

(d) Jing Jiang Lin is a director of a subsidiary of the Company.

(e) Songjiang Group held 40% equity interests in a subsidiary of the Company.

The amounts represented the advances to related parties which were non-trade nature.

The amounts were interest-free, unsecured and were repayable on demand. The balances were fully settled during 2009.

31. Held-for-trading Investments

	2009 RMB'000	2008 RMB'000
Mutual funds listed in the PRC	–	3,000

The fair values of the held-for-trading investments were determined based on quoted market prices. The investments were disposed of in 2009.

32. Restricted Bank Deposits/Bank Balances and Cash

Restricted bank deposits

The deposits carry interest rates ranging from 0.36% to 0.72% per annum (2008: 0.72% to 0.94%). The restricted bank deposits will be released upon the buyers obtaining the individual property ownership certificate.

Bank balances and cash

The bank balances carry variable interest rates ranging from 0.36% to 0.76% (2008: 0.76% to 0.78%) per annum.

At 31 December 2009, bank balances of the Group denominated in USD, foreign currency of the relevant group entities, are approximately RMB1,413,000 (2008: RMB1,125,000).

At 31 December 2009, bank balances of the Group denominated in HKD, foreign currency of the relevant group entities, are approximately RMB1,868,114,000 (2008: RMB3,616,000).

33. Trade and Other Payables

	2009 RMB'000	2008 RMB'000
Trade payables	652,710	325,534
Other payables	111,253	139,096
Other tax payables	34,906	21,218
Payroll payable	26,503	17,001
Welfare payable	2,813	2,817
Retention payable	27,996	10,828
Accruals	17,616	49,622
	873,797	566,116

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

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33. Trade and Other Payables (continued)

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

	2009 RMB'000	2008 RMB'000
0 to 60 days	536,031	313,334
61 to 180 days	50,392	5,827
181 to 365 days	66,287	6,373
1 – 2 years	26,283	715
2 – 3 years	275	9,865
Over 3 years	1,438	248
	680,706	336,362

At 31 December 2009, the balances of approximately RMB27,996,000 (2008: RMB10,828,000) with age over 1 year represent the retention money of approximately 5% to 10% of the construction contract price.

34. Amounts Due to Directors

The amounts were interest-free, unsecured and were repayable on demand. The balances were fully settled in 2009.

35. Amount Due to a Related Party

	2009 RMB'000	2008 RMB'000
Songjiang Group (note)	100,859	99,340
Analysed for reporting purposes as:		
Current liabilities	1,519	99,340
Non-current liabilities	99,340	–
	100,859	99,340

Note: Pursuant to the agreement entered into between the Group and Songjiang Group in April 2009, the full amount with Songjiang Group has changed to interest bearing which carried fixed interest rate at 7.02% per annum with effect from 10 April 2009 and is fully repayable on 9 April 2011, accordingly, this amount has been reclassified as non-current liability as at 31 December 2009.

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

36. Loans from Shareholders

	2009 RMB'000	2008 RMB'000
Fantasia (Cayman) Limited	–	512,595
Wellluck Properties Limited	–	170,865
	–	683,460

The amounts were denominated in USD, foreign currency of the group entity and carried fixed interest rate at 12% per annum.

The Group had pledged all shares, interests, participations or other equivalents in equity, registered capital or other ownership interest of certain subsidiaries of the Group to secure the shareholders' loans granted to the Group.

The balances were fully settled in 2009 and the respective pledges had been released.

37. Borrowings

	2009 RMB'000	2008 RMB'000
Bank loans	2,994,070	726,800
Other loans	446,000	–
	3,440,070	726,800
Secured	3,044,070	460,550
Unsecured	396,000	266,250
	3,440,070	726,800
The amount is repayable as follows:		
Within one year	1,266,320	373,050
More than one year, but not exceeding two years	1,422,000	37,000
More than two years, but not exceeding five years	726,750	279,750
More than five years	25,000	37,000
	3,440,070	726,800
Less: Amounts due within one year shown under current liabilities	1,266,320	373,050
	2,173,750	353,750

At 31 December 2009, all borrowings are denominated in RMB except for secured borrowings amounting to approximately RMB682,820,000 (2008: nil) are denominated in USD, foreign currency of relevant group entities.

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37. Borrowings (continued)

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

	2009 RMB'000	2008 RMB'000
Fixed-rate borrowings:		
Within one year	300,000	35,000
More than two years, but not exceeding five years	350,000	–
	650,000	35,000

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

	2009 RMB'000	2008 RMB'000
Variable-rate borrowings:		
Within one year	966,320	338,050
More than one year, but not exceeding two years	1,422,000	37,000
More than two years, but not exceeding five years	376,750	279,750
More than five years	25,000	37,000
	2,790,070	691,800

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

	2009	2008
Effective interest rate:		
Fixed-rate borrowings	5.36% per annum	8.96% per annum
Variable-rate borrowings		
LIBOR	+1% per annum	N/A
Benchmark Rate	-0.27% to +1.08% per annum	+0.76% to 1.51% per annum

At 31 December 2008, the borrowings with the carrying amounts of RMB157,000,000 were guaranteed by Ms. Zeng Jie and Mr. Pan Jun, the directors of the Company. The guarantees had been released during 2009.

38. Share Capital

	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2008, 31 December 2008 and 1 January 2009	1,000,000	100,000	90
Increase on 27 October 2009 (note 1)	7,999,000,000	799,900,000	703,918
On 31 December 2009	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2008, 31 December 2008 and 1 January 2009	100,000	10,000	9
Capitalisation issue (note 1)	3,644,900,000	364,490,000	321,115
Issue of new shares (note 2)	1,228,888,750	122,888,875	108,265
On 31 December 2009	4,873,888,750	487,388,875	429,389

Notes:

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

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

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

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39. Acquisition of Subsidiaries

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

For the year ended 31 December 2009

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

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

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

For the year ended 31 December 2008

The Group acquired a property project and its related assets and liabilities from independent third parties in two stages. On 18 June 2008, the Group acquired 60% equity interests in Chengdu Jiurong Real Estate Development Limited ("Chengdu Jiurong") at a consideration of approximately RMB94,856,000 and resulted in the minority interests of approximately RMB63,236,000. On 11 September 2008, the Group acquired the remaining 40% equity interests in Chengdu Jiurong at a consideration of approximately RMB63,236,000 and Chengdu Jiurong became a wholly owned subsidiary of the Group.

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

	RMB'000
Net assets acquired	
Properties for sales under development	140,863
Trade and other receivables	17,892
Bank balances and cash	332
Trade and other payables	(850)
Tax payable	(145)
	158,092
Total consideration satisfied by cash	158,092
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid	(158,092)
Bank balances and cash acquired	332
	(157,760)

39. Acquisition of Subsidiaries (continued)

(b) Acquisition of business

For the year ended 31 December 2008

On 9 September 2008, the Group acquired 100% equity interests in Shenzhen Liantang, which was engaged in provision of property operation services, from independent third parties at a consideration of approximately RMB6,000,000. This acquisition has been accounted for using the purchase method. The amount of goodwill on acquisition was approximately RMB2,305,000.

On 28 February 2008, the Group acquired 100% equity interests in Joytime Investment Limited ("Joytime") from Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at a consideration of RMB2. Joytime was engaged in investment holding and the Group acquired the equity interests in the aforesaid company solely for the purpose of rationalisation of the organisation structure. This acquisition has been accounted for using the purchase method.

On 28 February 2008, the Group acquired 100% equity interests in Gold Genius Holdings Limited ("Gold Genius") from Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at a consideration of RMB2. Gold Genius was engaged in investment holding and the Group acquired the equity interests solely in the aforesaid company for the purpose of rationalisation of the organisation structure. This acquisition has been accounted for using the purchase method.

The aggregate net assets acquired in the above transactions and goodwill arising are as follows:

	Carrying amount before acquisition and fair value RMB'000
Net assets acquired	
Property, plant and equipment	50
Amounts due from directors	19
Trade and other receivables	6,080
Bank balances and cash	3,502
Trade and other payables	(5,916)
Amounts due to related parties	(40)
	3,695
Goodwill	2,305
Total consideration satisfied by cash	6,000
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid	(6,000)
Bank balances and cash acquired	3,502
	(2,498)

Shenzhen Liantang, Joytime and Gold Genius did not contribute significantly to the Group's cashflow, turnover and profit for the year ended 31 December 2008 since the date of acquisition. The contribution to the Group's turnover and profit for the year ended 31 December 2008 by Shenzhen Liantang, Joytime and Gold Genius would be insignificant had the acquisition been completed on 1 January 2008.

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40. Disposal of Subsidiaries

On 28 February 2008, the Group disposed of its 100% equity interests in Chi Fu Development China Limited ("Chi Fu Development") to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at approximately RMB39,491,000.

On 28 February 2008, the Group disposed of its 100% equity interests in Enco Development Limited ("Enco Development") to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at approximately RMB416,000.

On 28 February 2008, the Group disposal of its 100% equity interests in Pujiang Daxigu to Shenzhen Tiankuo at approximately RMB1,000,000.

There's no disposal of equity interests in subsidiaries during the year ended 31 December 2009.

The summary net assets of the subsidiaries disposed of during the year ended 31 December 2008 are as follows:

	2008 RMB'000
Net assets disposed of	
Prepaid lease payments	15,139
Amounts due from directors	39,907
Bank balances and cash	119
Trade and other payables	(15)
Amount due to an immediate holding company	(14,154)
	40,996
Loss on disposal of a subsidiary	(89)
Total consideration satisfied by amounts due from directors	40,907
Net cash outflow arising on acquisition:	
Bank balances and cash disposed of	(119)

The subsidiaries disposed of did not contribute significantly to the Group's cash flows, revenue and profit from operations during the year ended 31 December 2008.

41. Major Non-cash Transactions

On 28 February 2008, the Group disposed of its 100% equity interests in Chi Fu Development to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at a consideration of approximately RMB39,491,000.

On 28 February 2008, the Group disposed of its 100% equity interests in Enco Development to Ms. Zeng Jie and Mr. Pan Jun, directors of the Company, at a consideration of approximately RMB416,000.

On 28 February 2008, the Group disposed of its 100% equity interests in Pujiang Daxigu to Shenzhen Tiankuo at a consideration of approximately RMB1,000,000.

On 20 March 2008, the Group disposed of its property, plant and equipment and prepaid lease payment to Ms. Zeng Jie, director of the Company at consideration of approximately RMB956,000 and RMB7,486,000, respectively. The consideration was settled through amounts due from the directors at 31 December 2008.

The considerations for the above disposals were settled against the amounts due to directors.

42. Operating Lease Commitments

The Group as lessee

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

	2009 RMB'000	2008 RMB'000
Within one year	5,119	5,785
In the second to the fifth year inclusive	16,473	15,952
After the fifth year	16,531	18,537
	38,123	40,274

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

The Group as lessor

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

	2009 RMB'000	2008 RMB'000
Within one year	9,377	7,291
In the second to the fifth year inclusive	29,467	27,660
After the fifth year	59,426	56,905
	98,270	91,856

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

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For the year ended 31 December 2009

43. Other Commitments

	2009 RMB'000	2008 RMB'000
Construction commitments in respect of properties for sales, investment properties and hotels contracted for but not provided in the consolidated financial statements	1,060,410	1,012,435

44. Retirement Benefits Plans

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

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

45. Contingent Liabilities

	2009 RMB'000	2008 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,626,282	719,325

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

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

46. Related Party Disclosures

(1) During the year, in addition to those disclosed in notes 17, 18, 19, 28, 30, 34, 35, 37, 39, 40 and 41, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	2009 RMB'000	2008 RMB'000
Shenzhen Cube Architecture Designing Consultants Company Limited	Company under significant influence by Ms. Zeng Jie, a director of the Company	Design services fee paid	–	2,451
Huidong Dayawan San Jiao Zhou Recreation Company Limited	Company controlled by Ms. Zeng Jie, a director of the Company	Management service fee received	500	400
Shenzhen Xi Fu Hui Club Management Company Limited	Company controlled by Ms. Zeng Jie, a director of the Company	Property rental income received	301	301

During the year ended 31 December 2009, the Group sold certain properties to its key management personnel of the Group, at a consideration of approximately RMB6,738,000 (2008: RMB4,496,000).

(2) **Compensation of key management personnel**

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

	2009 RMB'000	2008 RMB'000
Short-term benefit	28,060	19,883
Post-employment benefit	862	378
	28,922	20,261

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For the year ended 31 December 2009

47. Particulars of Principal Subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group 2009	2008	Principal activities	Legal form
Winning Sky International Limited	The BVI 8 March 2006	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Fantastic Victory Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Wisdom Regal Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Ace Link Pacific Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Precise Idea Limited	The BVI 17 June 2009	US$1	100% (directly)	N/A	Investment holding	Private limited liability
Talent Bright International Limited	The BVI 17 June 2009	US$1	100% (directly)	N/A	Investment holding	Private limited liability
香港花樣年投資控股集團有限公司 Fantasia Investment Holdings Company Limited	Hong Kong 19 February 2001	HK$10,000	100%	100%	Investment holding	Private limited liability
悅泰投資有限公司 Joytime Investment Limited	Hong Kong 6 November 2007	HK$10,000	100%	100%	Investment holding	Private limited liability
金展集團有限公司 Gold Genius Holdings Limited	Hong Kong 8 November 2007	HK$10,000	100%	100%	Investment holding	Private limited liability
花樣年酒店管理(國際)有限公司 Fantasia Hotel Management (International) Company Limited	Hong Kong 15 July 2009	HK$1	100%	N/A	Investment holding	Private limited liability
花樣年物業管理(國際)有限公司 Fantasia Property Management (International) Company Limited	Hong Kong 15 July 2009	HK$1	100%	N/A	Investment holding	Private limited liability

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group 2009	2008	Principal activities	Legal form
香港康年貿易有限公司 Hong Kong Kangnian Trading Company Limited	Hong Kong 24 September 2009	US$500,000	100%	N/A	Investment holding	Private limited liability
花樣年集團(中國)有限公司 Fantasia Group (China) Company Limited*	The PRC 20 January 2006	RMB408,843,500	100%	100%	Investment holding	Limited liability company
天津松江花樣年置業有限公司 Tianjin Songjiang Fantasia Real Estate Company Limited*	The PRC 29 May 2006	RMB50,000,000	60%	60%	Property development	Limited liability company
深圳市花樣年投資發展有限公司 Shenzhen Fantasia Investment Development Company Limited*	The PRC 28 September 1996	RMB100,000,000	52%	52%	Investment holding, property development and investment	Limited liability company
深圳市星彥地產顧問有限公司 Shenzhen Xingyan Property Consultancy Company Limited*	The PRC 21 February 2000	RMB3,000,000	85%	85%	Provision of property agency services	Limited liability company
深圳市花樣年彩生活科技有限公司 Shenzhen Fantasia Colour Life Technology Company Limited*	The PRC 25 August 2006	RMB10,000,000	70%	70%	Investment holding	Limited liability company
惠州大亞灣花萬里實業有限公司 Huizhou Daya Bay Huawanli Industry Company Limited*	The PRC 8 June 2007	RMB51,000,000	100%	100%	Property development	Limited liability company
天津市花樣年投資有限公司 Tianjin Fantasia Investment Company Limited*	The PRC 12 June 2006	RMB10,000,000	100%	100%	Property development	Limited liability company
成都通和置業有限公司 Chengdu Tonghe Real Estate Company Limited*	The PRC 18 October 2001	RMB75,610,000	100%	100%	Property development and investment	Limited liability company

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For the year ended 31 December 2009

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group 2009	2008	Principal activities	Legal form
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Company Limited*	The PRC 28 August 2006	RMB660,339,487	100%	100%	Investment holding	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Company Limited*	The PRC 1 July 1994	RMB418,843,500	100%	100%	Property development and investment	Limited liability company
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited*	The PRC 25 May 1994	RMB10,000,000	100%	100%	Provision of interior design services	Limited liability company
深圳市花樣年物業管理有限公司 Shenzhen Fantasia Property Management Company Limited*	The PRC 11 December 2000	RMB5,000,000	70%	70%	Provision of property operation services	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Company Limited*	The PRC 12 June 2007	RMB10,000,000	70%	70%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited*	The PRC 15 November 2001	RMB5,000,000	70%	70%	Provision of security system design, installation and maintenance services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Company Limited*	The PRC 16 November 1999	RMB3,000,000	70%	70%	Provision of property operation services	Limited liability company
花樣年實業發展(成都)有限公司 Fantasia (Chengdu) Development Company Limited*	The PRC 4 July 2001	RMB50,000,000	58.8%	58.8%	Property development and investment	Limited liability company

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group 2009	2008	Principal activities	Legal form
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Development Company Limited*	The PRC 7 September 2006	RMB728,270,000	100%	100%	Property development	Limited liability company
成都花萬里置業有限公司 Chengdu Huawanli Real Estate Company Limited*	The PRC 25 October 2005	RMB100,000,000	100%	100%	Property development	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Company Limited*	The PRC 6 November 2006	RMB704,680,000	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Company Limited*	The PRC 22 May 2003	RMB30,000,000	100%	100%	Property development	Limited liability company
東莞市花樣年房地產投資有限公司 Dongguan Fantasia Real Estate Investment Company Limited*	The PRC 4 December 2006	RMB30,000,000	100%	100%	Property development	Limited liability company
雅浩科技發展(深圳)有限公司 Yahao Technology Development (Shenzhen) Company Limited*	The PRC 25 August 2005	HKD1,000,000	100%	100%	Investment holding	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited*	The PRC 9 February 2007	RMB87,250,000	100%	100%	Property development and investment	Limited liability company
四川西美投資有限公司 Sichuan Ximei Investment Company Limited*	The PRC 7 June 2004	RMB500,000,000	100%	100%	Property development	Limited liability company
天津福大房地產銷售有限公司 Tianjin Fuda Real Estate Development Company Limited*	The PRC 18 October 2004	RMB45,000,000	100%	100%	Property development	Limited liability company

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group 2009	2008	Principal activities	Legal form
宜興市江南水鄉度假村有限公司 Yixing Jiangnan Shuixiang Tourism Resort Company Limited*	The PRC 19 April 2005	RMB28,000,000	60%	60%	Property development	Limited liability company
深圳市星彥行置業有限公司 Shenzhen Xingyanhang Property Company Limited*	The PRC 23 April 2007	RMB4,000,000	72.25%	72.25%	Provision of agency services	Limited liability company
成都新津友幫房地產開發有限責任公司 Chengdu Xinjin Youbang Real Estate Development Company Limited*	The PRC 9 May 2004	RMB85,000,000	100%	100%	Property development	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Company Limited*	The PRC 6 August 2008	RMB10,000,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Development Limited*	The PRC 22 August 2007	RMB320,000,000	100%	100%	Property development	Limited liability company
深圳花樣年商業管理有限公司 Shenzhen Fantasia Business Management Company Limited*	The PRC 3 June 2009	RMB100,000,000	100%	N/A	Property operation services	Limited liability company
深圳市花樣年酒店管理有限公司 Shenzhen Fantasia Hotel Management Company Limited*	The PRC 3 June 2009	RMB50,000,000	100%	N/A	Hotel services	Limited liability company
深圳市彩悦酒店管理有限公司 Shenzhen Caiyue Hotel Management Company Limited*	The PRC 20 August 2008	RMB100,000	70%	70%	Hotel services	Limited liability company
深圳市彩悦酒店有限公司 Shenzhen Caiyue Hotel Company Limited*	The PRC 15 January 2009	RMB100,000	70%	N/A	Hotel services	Limited liability company

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Effective equity interest attributable to the Group 2009	2008	Principal activities	Legal form
寧夏回族自治區新聖基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited*	The PRC 22 July 2009	RMB20,000,000	100%	N/A	Provision of construction services	Limited liability company
深圳市滙恒置業有限公司 Shenzhen Huiheng Property Company Limited*	The PRC 20 April 2006	RMB10,000,000	100%	0%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Company Limited.*	The PRC 14 August 2009	RMB1,200,000	100%	N/A	Property development	Limited liability company

* The English name is for identification purpose only.

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

48. Events After the Reporting Period

(a) In January 2010, the Group entered into the following transactions: (i) a share purchase agreement (together with a supplemental agreement) with CITIC Shenzhen (Group) Co., Ltd. 中信深圳(集團)有限公司 ("CITIC Shenzhen (Group)") and CITIC Shenzhen Real Estate Development Co., Ltd. 中信深圳集團房地產開發有限公司 ("CITIC Shenzhen") in relation to the acquisition of 100% equity interest in Suzhou Huawanli (the "Huawanli Acquisition"); (ii) a share purchase agreement (together with a supplemental agreement) with CITIC Shenzhen (Group) and CITIC Shenzhen in relation to the acquisition of 100% equity interest in Suzhou LKN (the "LKN Acquisition"); and (iii) an asset transfer framework agreement with Suzhou CITIC Investment Co., Ltd. 蘇州中信投資有限公司 in relation to the acquisition of the Hotel Land (as defined in the announcement of the Company dated 2 March 2010) and the Hotel Project (as defined in the announcement of the Company dated 2 March 2010) which shall be effective upon the completion of the Huawanli Acquisition and the LKN Acquisition. The final selling prices of the Huawanli Acquisition and the LKN Acquisition was RMB585,365,600 and RMB 226,187,800, respectively, after going through the listing-for-sale processes (掛牌出讓). Details of the above transactions are more particularly stated in the announcement of the Company dated 2 March 2010. As at the date of this report, the transfer of equity interests in Suzhou Huawanli and Suzhou LKN, respectively has not been completed and the Group had paid an aggregate consideration of approximately RMB811,553,000 in relation to the Huawanli Acquisition and the LKN Acquisition. The directors are of the view that the share transfers will both be completed within the first half of 2010.

(b) In February 2010, the Group has successfully auctioned for a piece of land with an area of approximately 123,670.1 square meters in Wuxi City, the PRC, at consideration of RMB500,000,000.

Financial Summary

Results

	For the year ended 31 December			
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 1)	(Note 1)	
Revenue	342,339	772,057	1,174,211	2,458,673
Profit before taxation	263,855	166,819	254,071	776,495
Income tax expenses	(86,268)	(82,552)	(156,550)	(407,050)
Profit for the year	177,587	84,267	97,521	369,445
Attributable to				
Owners of the Company	91,094	68,797	84,259	373,469
Minority interest	86,493	15,470	13,262	(4,024)
	177,587	84,267	97,521	369,445

Assets and liabilities

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

Note:

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

Major Investment Properties held by the Group

1. Completed properties held for investment

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

Major Investment Properties held by the Group

1. Completed properties held for investment (continued)

No.	Property	Type	Lease term	Gross floor area	Interest attributable to the Group
6	Units 105 to 108 and 200 car parking spaces of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Medium/–	Commercial: 42.91m^2	52%
7	177 car parking spaces of Endless Blue located at the northern side of North Ring Xiameilin Futian District Shenzhen City Guangdong Province The PRC	Carpark	–		52%
8	336 car parking spaces of Future Plaza located at Qiaocheng North Road Nanshan District Shenzhen City Guangdong Province The PRC	Carpark	–		100%
9	145 car parking spaces of Flower Harbour located at the northern side of Mingzhu Avenue Yantian District Shenzhen City Guangdong Province The PRC	Carpark	–		100%
10	Unit 1 on Level 1 of Pair Life No. 8 Dachuan Lane Jinjiang District Chengdu City Sichuan Province The PRC	Commercial	Long	127.67m^2	58.8%

1. Completed properties held for investment (continued)

No.	Property	Type	Lease term	Gross floor area	Interest attributable to the Group
11	165 car parking spaces of Human Art Wisdom No. 33 Ximianqiao Street Wuhou District Chengdu City Sichuan Province The PRC	Carpark	Long	6,411.48m^2	58.8%
12	The commercial portion of a community club and 15 car parking spaces of Fantasia Special Town No. 333 Huanglong Avenue 2nd Section Gongxing Town Shuangliu County Sichuan Province The PRC	Commercial/ Carpark	Long	Commercial: 2,489.26m^2 Carpark: 275.8m^2	100%
13	180 car parking spaces of My Place No. 9 Wuqing South Road Wuhou District Chengdu City Sichuan Province The PRC	Carpark	Long	5,861.88m^2	100%
14	Various commercial units and car parking space of Love Forever No. 99 Shuangqing Road Chenghua District Chengdu City Sichuan Province The PRC	Commercial/ Carpark	Medium/Long	Commercial: 8,248.39m^2 Carpark: 43,667.41m^2	100%

Major Investment Properties held by the Group

2. Investment properties under construction

No.	Property	Type	Lease term	Stage of completion	Interest attributable to the Group	Anticipated completion date
1	Car parking spaces of Love Frever located at Xin'an Community Xincheng Avenue Baoan District Shenzhen City Guangdong Province The PRC	Carpark	–	In progress	52%	April 2011
2	Car parking spaces of Hailrun Plaza located at the south to Dongda Street north to Hongbuzheng Street east to Yixue Lane and west to Mofang street Jinjiang District Chengdu City Sichuan Province The PRC	Carpark	Medium	In progress	100%	March 2010

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