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**YANLORD LAND GROUP LIMITED
AND ITS SUBSIDIARIES**
(Registration No. 200601911K)

**REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS**

**FINANCIAL YEAR ENDED
DECEMBER 31, 2010**

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2010.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Zhong Sheng Jian

Zhong Siliang

Chan Yiu Ling

Hong Zhi Hua

Ronald Seah Lim Siang

Ng Ser Miang

Ng Shin Ein

Ng Jui Ping

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 5 of the Report of the Directors.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act ("Act") except as follows:

<u>Name of directors and companies in which interests are held</u>	<u>Holdings registered in the name of directors</u>		<u>Holdings in which directors are deemed to have an interest</u>	
	<u>At beginning of year</u>	<u>At end of year</u>	<u>At beginning of year</u>	<u>At end of year</u>
<u>The Company</u>				
a) Ordinary shares				
Zhong Sheng Jian ⁽¹⁾	5,487,000	5,487,000	1,267,514,000	1,267,514,000
Zhong Siliang	20,000	20,000	-	-
Chan Yiu Ling ⁽²⁾	20,000	20,000	25,000	25,000
Hong Zhi Hua ⁽³⁾	310,000	310,000	-	-
Ronald Seah Lim Siang	50,000	30,000	-	-
Ng Ser Miang	400,000	400,000	-	-
Ng Shin Ein	38,000	38,000	-	-
b) Convertible notes due 2012 (S\$'000)				
Zhong Sheng Jian	16,750	-	-	-
Ng Ser Miang	500	-	-	-
Ng Shin Ein	250	-	-	-
c) Senior notes due 2017 (US\$'000)				
Zhong Sheng Jian	-	4,000	-	-
Ng Ser Miang	-	1,500	-	-

⁽¹⁾ Zhong Sheng Jian is deemed to be interested in 1,267,514,000 ordinary shares in the Company held by Yanlord Holdings Pte. Ltd. ("YHPL"). YHPL is a company which is owned by Zhong Sheng Jian (95% shareholding interest) and his spouse (5% shareholding interest).

⁽²⁾ 25,000 shares in the Company held by the spouse of Chan Yiu Ling.

⁽³⁾ Interest held via nominee account.

The directors' beneficial interest in other related corporations' shares and debentures were as follows:

<u>Name of directors and companies in which interests are held</u>	<u>Holdings registered in the name of directors</u>		<u>Holdings in which directors are deemed to have an interest</u>	
	<u>At beginning of year</u>	<u>At end of year</u>	<u>At beginning of year</u>	<u>At end of year</u>
<u>Immediate holding company</u>				
<u>Yanlord Holdings Pte. Ltd.</u> (Ordinary shares)				
Zhong Sheng Jian	95,000,000	95,000,000	5,000,000	5,000,000
<u>Related corporations</u>				
(i) <u>Yanlord Capital Pte. Ltd.</u> (Ordinary shares)				
Zhong Sheng Jian	-	-	1	1
(ii) <u>Yanlord Industries Pte. Ltd.</u> (Ordinary shares)				
Zhong Sheng Jian	-	-	1	1

By virtue of Section 7 of the Singapore Companies Act, Zhong Sheng Jian is deemed to have an interest in the Company and all the related corporations of the Company.

The directors' interests in the shares and senior notes of the Company as at January 21, 2011 were the same as at December 31, 2010.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in these financial statements or the financial statements of the relevant related corporations within the Group, if any. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS AND CONVERTIBLE NOTES

5.1 Yanlord Land Group Pre-IPO Share Option Scheme ("Pre-IPO ESOS")

- (a) On June 21, 2006, the options to subscribe for an aggregate of 14,592,000 ordinary shares in the capital of the Company pursuant to the Pre-IPO ESOS were duly granted. The Pre-IPO ESOS is non-recurring and there will be no further issue of any options under this Scheme.

The options under the Pre-IPO ESOS grant the right to the holder to subscribe for new ordinary shares of the Company at a discount of fifteen percent (15%) of the IPO offer share price of S\$1.08. The options granted under the Pre-IPO ESOS will be exercisable after the second anniversary of the date of grant of the options and all options must be exercised before the fifth anniversary from the date of grant of the options.

Each option grants the holder the right to subscribe for one ordinary share in the Company. The options may be exercised in full or in part thereof.

The Pre-IPO ESOS is administered by the Pre-IPO Share Option Management Committee ("Pre-IPO ESOS Committee") comprising the following members:

Zhong Sheng Jian	Chairman and Chief Executive Officer
Zhong Siliang	Executive Director
Chan Yiu Ling	Executive Director
Ronald Seah Lim Siang	Lead Independent Director

In exercising its discretion, the Pre-IPO ESOS Committee must act in accordance with any guidelines that may be provided by the Board of Directors.

- (b) The details of the movement of the options granted under the Pre-IPO ESOS during the financial year are set out below:

<u>Date of grant</u>	<u>Balance at beginning of year</u>	<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>	<u>Balance at end of year</u>	<u>Exercise period</u>	<u>Exercise price per share</u>
June 21, 2006	5,312,000	-	(740,000)	-	4,572,000	June 22, 2008 to June 20, 2011	S\$0.92

- (c) The details of share options granted under the Pre-IPO ESOS to the directors of the Company are as follows:

<u>Directors</u>	<u>Options granted during the year</u>	<u>Aggregate options granted since commencement of Pre-IPO ESOS up to end of year</u>	<u>Aggregate options lapsed since commencement of Pre-IPO ESOS up to end of year</u>	<u>Aggregate options outstanding as at end of year</u>
Chan Yiu Ling	-	700,000	-	700,000
Hong Zhi Hua	-	300,000	-	300,000
Zhong Siliang	-	300,000	-	300,000

The directors' interests in the options of the Company as at January 21, 2011 were the same as at December 31, 2010.

(d) During the financial year,

- (i) no participant to the Pre-IPO ESOS is a controlling shareholder of the Company nor its associates; and
- (ii) no participant to the Pre-IPO ESOS received options which represent 5% or more of the total number of options available under the Pre-IPO ESOS.

5.2 Yanlord Land Group Share Option Scheme 2006 ("ESOS 2006")

The ESOS 2006 will provide eligible participants with the opportunity to participate in the equity of the Company and motivate them towards better performance through increased dedication and loyalty. The aggregate number of shares that may be issued or issuable under the plan at any time may not exceed 15% of the then issued share capital.

The Remuneration Committee ("RC") comprises 3 independent directors, and they are Ng Jui Ping, Ronald Seah Lim Siang and Ng Shin Ein. The RC administers the ESOS 2006.

Options may be granted to employees and directors of the Company or any of the related entities, which include the subsidiaries or any entities in which the Company holds a substantial ownership interest, including any such employees or directors who are associates of the controlling shareholder. The controlling shareholder is not eligible to participate in the ESOS 2006.

In general, the plan administrator determines the exercise price of an option. The exercise price may be a fixed or variable price related to the fair market value of the ordinary shares. The term of each award will be stated in the award agreement. The term of an award will not exceed 10 years from the date of the grant, or five years from the date of grant in the case of options granted to non-executive directors or employees of related entities other than subsidiaries. In general, the plan administrator determines, or the award agreement specifies, the vesting schedule.

The Board of Directors may at any time amend, suspend or terminate the ESOS 2006. Amendments to the plan are subject to shareholder approval to the extent required by law, or stock exchange rules or regulations. Additionally, shareholder approval is specifically required to increase the number of shares available for issuance under the plan or to extend the term of an option beyond 10 years. Unless terminated earlier, the plan will expire and no further awards may be granted after the tenth anniversary of the shareholder's approval of the plan.

This scheme will continue to be in force at the discretion of the RC subject to a maximum period of 10 years commencing on the date the ESOS 2006 was adopted by the Company in general meeting. However, ESOS 2006 may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities that may then be required.

During the financial year, no option was granted under the ESOS 2006.

5.3 Convertible Notes

The Company issued convertible notes due in 2012 and convertible notes due in 2014 in 2007 and 2009 respectively as disclosed in Note 22 to the financial statements.

6 OPTIONS EXERCISED

During the financial year, 740,000 shares were issued pursuant to the exercise of options granted under the Pre-IPO ESOS.

Save as disclosed above, no share of the Company or any corporation in the Group was allotted and issued by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

7 UNISSUED SHARES UNDER OPTIONS

Save as disclosed above, there was no option granted by the Company or any corporation in the Group to any person to take up unissued shares of the Company or any corporation in the Group as at the end of the financial year.

8 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises the following members:

Ronald Seah Lim Siang	Chairman and Lead Independent Director
Ng Jui Ping	Independent Director
Ng Shin Ein	Independent Director

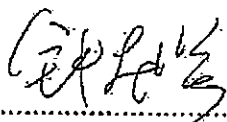
The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Corporate Governance Statement.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP, Singapore for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

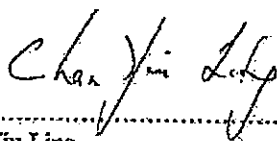
9. AUDITORS

The auditors, Deloitte & Touche LLP, Singapore, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....
Zhong Sheng Jian



.....
Chan Yiu Ling

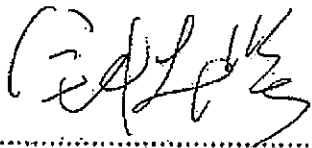
March 12, 2011

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

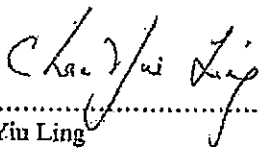
STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 11 to 78 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010, and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS



.....
Zhong Sheng Jian



.....
Chan Yiu Ling

March 12, 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

YANLORD LAND GROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Yanlord Land Group Limited (the Company) and its subsidiaries (the Group) which comprise the statements of financial position of the Group and the Company as at December 31, 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 78.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

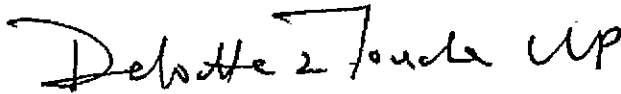
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Public Accountants and
Certified Public Accountants
Singapore

March 12, 2011

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
December 31, 2010

	<u>Note</u>	<u>GROUP</u>		<u>COMPANY</u>	
		<u>2010</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
<u>ASSETS</u>					
Non-current assets					
Property, plant and equipment	7	273,828	175,313	-	-
Investment properties	8	5,698,645	3,222,995	-	-
Properties for development	9	15,973,484	9,448,915	-	-
Investments in subsidiaries	10	-	-	2,618,181	2,488,269
Investment in an associate	11	-	-	-	-
Investments in					
jointly controlled entities	12	194,647	136,843	-	-
Available-for-sale investment	13	49,348	49,348	-	-
Intangible asset	14	613	613	-	-
Deferred tax assets	15	137,652	83,314	-	-
Total non-current assets		<u>22,328,217</u>	<u>13,117,341</u>	<u>2,618,181</u>	<u>2,488,269</u>
Current assets					
Inventories		2,892	2,526	-	-
Completed properties for sale	9	875,702	1,160,318	-	-
Properties under development for sale	9	14,163,933	10,196,862	-	-
Trade receivables		15,857	7,827	-	-
Other receivables and deposits	16	688,910	543,269	2,235	2
Non-trade amounts due from:					
Subsidiaries	5	-	-	10,833,322	7,401,906
Associate	11	86	-	-	-
Jointly controlled entities	12	-	120	-	-
Non-controlling shareholders of subsidiaries	17	908,192	786,138	-	-
Other related party	6	510	528	-	-
Held-for-trading investment	18	9,286	9,741	-	-
Pledged bank deposits	19	5,257	24,347	-	-
Cash and bank balances	19	5,814,453	6,552,697	11,002	1,193,840
Total current assets		<u>22,485,078</u>	<u>19,284,373</u>	<u>10,846,559</u>	<u>8,595,748</u>
Total assets		<u>44,813,295</u>	<u>32,401,714</u>	<u>13,464,740</u>	<u>11,084,017</u>

	Note	GROUP		COMPANY	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
<u>EQUITY AND LIABILITIES</u>					
Capital and reserves					
Share capital	20	7,231,236	7,226,578	7,231,236	7,226,578
Reserves		<u>5,856,059</u>	<u>4,260,838</u>	<u>(56,694)</u>	<u>86,808</u>
Equity attributable to equity holders of the Company		13,087,295	11,487,416	7,174,542	7,313,386
Non-controlling interests		<u>6,743,089</u>	<u>3,916,719</u>	-	-
Total capital and reserves		<u>19,830,384</u>	<u>15,404,135</u>	<u>7,174,542</u>	<u>7,313,386</u>
Non-current liabilities					
Bank loans - due after one year	21	6,617,160	2,448,500	-	-
Convertible notes	22	1,772,433	3,210,094	1,772,433	3,210,094
Senior notes	23	1,939,500	-	1,939,500	-
Deferred tax liabilities	15	797,490	566,890	-	-
Non-trade amount due to: A non-controlling shareholder of a subsidiary	17	-	196,000	-	-
Total non-current liabilities		<u>11,126,583</u>	<u>6,421,484</u>	<u>3,711,933</u>	<u>3,210,094</u>
Current liabilities					
Bank loans - due within one year	21	1,942,853	1,210,459	-	-
Trade payables	24	3,092,504	1,760,237	-	-
Other payables	25	5,910,526	5,221,463	87,750	51,979
Non-trade amounts due to: Subsidiary	5	-	-	2,458,226	482,820
Directors	6	32,470	25,682	32,289	25,495
Shareholder	6	-	243	-	243
Non-controlling shareholders of subsidiaries	17	274,458	148,023	-	-
Income tax payable		<u>2,603,517</u>	<u>2,209,988</u>	-	-
Total current liabilities		<u>13,856,328</u>	<u>10,576,095</u>	<u>2,578,265</u>	<u>560,537</u>
Total equity and liabilities		<u>44,813,295</u>	<u>32,401,714</u>	<u>13,464,740</u>	<u>11,084,017</u>

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
Financial year ended December 31, 2010

	<u>Note</u>	<u>GROUP</u>	
		<u>2010</u> RMB'000	<u>2009</u> RMB'000
Revenue	26	7,383,750	7,450,539
Cost of sales		<u>(3,354,696)</u>	<u>(3,290,140)</u>
Gross profit		4,029,054	4,160,399
Other operating income	27	1,138,544	654,806
Selling expenses		(140,135)	(125,263)
Administrative expenses		(352,784)	(287,616)
Other operating expenses		(24,254)	(6,920)
Finance cost	28	(133,122)	(85,269)
Share of loss of an associate	11	(2,441)	-
Share of loss of jointly controlled entities	12	<u>(683)</u>	<u>(774)</u>
Profit before income tax		4,514,179	4,309,363
Income tax	29	<u>(2,170,323)</u>	<u>(2,298,426)</u>
Profit for the year	30	<u>2,343,856</u>	<u>2,010,937</u>
Profit attributable to:			
Equity holders of the Company		1,947,977	1,496,263
Non-controlling interests		<u>395,879</u>	<u>514,674</u>
		<u>2,343,856</u>	<u>2,010,937</u>
Earnings per share (cents)	31		
- Basic		<u>100.22</u>	<u>79.22</u>
- Diluted		<u>92.38</u>	<u>74.44</u>

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Financial year ended December 31, 2010

	<u>Note</u>	<u>GROUP</u>	
		<u>2010</u>	<u>2009</u>
		<u>RMB'000</u>	<u>RMB'000</u>
Profit for the year	30	<u>2,343,856</u>	<u>2,010,937</u>
Other comprehensive expense:			
Currency translation difference		<u>(82,191)</u>	<u>(4,316)</u>
Other comprehensive expense for the year		<u>(82,191)</u>	<u>(4,316)</u>
Total comprehensive income for the year		<u>2,261,665</u>	<u>2,006,621</u>
Total comprehensive income attributable to:			
Equity holders of the Company		1,863,102	1,491,936
Non-controlling interests		<u>398,563</u>	<u>514,685</u>
		<u>2,261,665</u>	<u>2,006,621</u>

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
Financial year ended December 31, 2010

GROUP	Note	Share capital RMB'000	Currency translation reserve RMB'000	Equity reserve RMB'000	Statutory reserve RMB'000	Merger deficit RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2009		6,162,005	(458,703)	251,570	331,836	(1,834,019)	(244,963)	4,640,182	8,847,908	2,174,105	11,022,013
Total comprehensive income for the year		-	(4,327)	-	-	-	-	1,496,263	1,491,936	514,685	2,006,621
Issuance of shares pursuant to offering exercise, net of expenses		1,051,827	-	-	-	-	-	-	1,051,827	-	1,051,827
Issuance of shares under Pre-IPO Share Option Scheme		12,746	-	(3,613)	-	-	-	-	9,133	-	9,133
Recognition of equity component of convertible notes, net of expenses (Note A)		-	-	279,001	-	-	(91,784)	-	279,001	-	279,001
Change of interest in a subsidiary		-	-	-	-	-	-	-	(91,784)	91,784	-
Return of non-controlling shareholder's share of reserves		-	-	-	-	-	-	-	-	(50,909)	(50,909)
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	1,720,992	1,720,992
Dividends	32	-	-	-	-	-	-	(100,605)	(100,605)	-	(100,605)
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	-	-	(533,938)	(533,938)
Appropriations		-	-	-	119,530	-	-	(119,530)	-	-	-
Balance at December 31, 2009		<u>7,226,578</u>	<u>(463,030)</u>	<u>526,958</u>	<u>451,366</u>	<u>(1,834,019)</u>	<u>(336,747)</u>	<u>5,916,310</u>	<u>11,487,416</u>	<u>3,916,719</u>	<u>15,404,135</u>

Note A: Included in the total note issue expenses was non-audit fee paid to the auditors of the Company amounting to RMB0.339 million in connection with the offer of the convertible notes due 2014 in 2009 (Note 22).

	Note	Share capital RMB'000	Currency translation reserve RMB'000	Equity reserve RMB'000	Statutory reserve RMB'000	Merger deficit RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Attributable to equity holders of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
GROUP											
Balance at January 1, 2010		7,226,578	(463,030) (84,875)	526,958	451,366	(1,834,019)	(336,747)	5,916,310	11,487,416	3,916,719	15,404,135
Total comprehensive income for the year		-	-	-	-	-	-	1,947,977	1,863,102	398,563	2,261,665
Issuance of shares under Pre-IPO		-	-	-	-	-	-	-	-	-	-
Share Option Scheme		4,658	-	(1,320)	-	-	-	-	3,338	-	3,338
Redemption of convertible notes		-	-	(108,901)	-	-	-	-	(108,901)	-	(108,901)
Recovery of non-controlling shareholder's share of reserves		-	-	-	-	-	-	-	-	-	-
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	123,096	123,096
Dividends	32	-	-	-	-	-	-	-	-	-	-
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	(157,660)	(157,660)	3,116,272	3,116,272
Appropriations		-	-	-	(188,051)	-	-	-	-	(811,561)	(811,561)
Balance at December 31, 2010		<u>7,231,236</u>	<u>(547,905)</u>	<u>416,737</u>	<u>263,315</u>	<u>(1,834,019)</u>	<u>(336,747)</u>	<u>7,894,678</u>	<u>13,087,295</u>	<u>6,743,089</u>	<u>19,830,384</u>

See accompanying notes to financial statements.

COMPANY

	Note	<u>Share capital</u> RMB'000	Currency translation <u>reserve</u> RMB'000	Equity <u>reserve</u> RMB'000	Accumulated <u>losses</u> RMB'000	<u>Total</u> RMB'000
Balance at January 1, 2009		6,162,005	(375,877)	251,570	(78,617)	5,959,081
Total comprehensive income for the year		-	185,426	-	(70,477)	114,949
Issuance of shares pursuant to offering exercise, net of expenses		1,051,827	-	-	-	1,051,827
Issuance of shares under Pre-IPO Share Option Scheme		12,746	-	(3,613)	-	9,133
Recognition of equity components of convertible notes, net of expenses (Note A)		-	-	279,001	-	279,001
Dividends	32	-	-	-	(100,605)	(100,605)
Balance at December 31, 2009		<u>7,226,578</u>	<u>(190,451)</u>	<u>526,958</u>	<u>(249,699)</u>	<u>7,313,386</u>
Total comprehensive income for the year		-	353,908	-	(229,529)	124,379
Issuance of shares under Pre-IPO Share Option Scheme		4,658	-	(1,320)	-	3,338
Redemption of convertible notes		-	-	(108,901)	-	(108,901)
Dividends	32	-	-	-	(157,660)	(157,660)
Balance at December 31, 2010		<u>7,231,236</u>	<u>163,457</u>	<u>416,737</u>	<u>(636,888)</u>	<u>7,174,542</u>

Note A: Included in the total note issue expenses was non-audit fee paid to the auditors of the Company amounting to RMB0.339 million in connection with the offer of the convertible notes due 2014 in 2009 (Note 22).

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial year ended December 31, 2010

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Operating activities		
Profit before income tax	4,514,179	4,309,363
Adjustments for:		
Allowance (Recovery) for doubtful debts and bad debts written off	5	(7)
Depreciation expense	25,587	21,048
Dividend income from available-for-sale investment	(5,483)	(5,483)
Dividend income from held-for-trading investment	(229)	(198)
Fair value gain on investment properties	(906,296)	(562,116)
Fair value loss (gain) on held-for-trading investment	131	(1,740)
Fair value gain on put option	(23,410)	-
Finance cost	133,122	85,269
Interest income	(45,883)	(31,158)
Excess of fair values of net identifiable assets acquired over the cost of business combination	-	(344)
Loss on redemption on convertible notes	17,949	-
Net (gain) loss on disposal of property, plant and equipment	(577)	103
Net loss (gain) on disposal of investment properties	4,014	(747)
Share of loss of an associate	2,441	-
Share of loss of jointly controlled entities	683	774
Operating cash flows before movements in working capital	<u>3,716,233</u>	<u>3,814,764</u>
Properties for development	(9,476,257)	(3,318,939)
Inventories	(366)	(271)
Completed properties for sale	284,616	1,230,665
Properties under development for sale	(1,438,019)	(963,320)
Trade and other receivables and deposits	(154,985)	(287,977)
Trade and other payables	<u>1,983,059</u>	<u>4,314,279</u>
Cash (used in) generated from operations	(5,085,719)	4,789,201
Interest paid	(760,180)	(257,381)
Income tax paid	<u>(1,574,014)</u>	<u>(1,209,342)</u>
Net cash (used in) from operating activities	<u>(7,419,913)</u>	<u>3,322,478</u>

	Note	GROUP	
		2010 RMB'000	2009 RMB'000
Investing activities			
Acquisition of a subsidiary	34	-	(24,156)
Investment in an associate	11	(2,441)	-
Investments in jointly controlled entities	12	(58,487)	(137,617)
Dividend received from available-for-sale investment		5,483	5,483
Dividend received from held-for-trading investment		229	198
Interest received		41,648	24,868
Decrease in pledged bank deposits		19,090	14,735
Proceeds on disposal of property, plant and equipment		2,237	1,193
Proceeds on disposal of investment properties		41,452	9,750
Purchase of property, plant and equipment		(59,044)	(11,254)
Payment for investment properties		(714,201)	-
Purchase of held-for-trading investment		-	(2,808)
Advance to an associate		(86)	-
Repayment from (advance to) jointly controlled entities		120	(120)
Advance to non-controlling shareholders of subsidiaries		(346,150)	(562,170)
Advance to other related party		-	(152)
Net cash used in investing activities		<u>(1,070,150)</u>	<u>(682,050)</u>
Financing activities			
Dividend paid		(157,660)	(100,605)
Dividends paid to non-controlling shareholders of subsidiaries		(497,865)	(357,251)
Net proceeds on issue of new shares		-	1,051,827
Net proceeds on issue of new shares under Pre-IPO Share Option Scheme		3,338	9,133
Net proceeds on issue of convertible notes		-	1,774,134
Net proceeds on issue of senior note		1,995,556	-
Proceeds from bank loans		6,399,895	2,742,000
Repayment of bank loans		(1,440,977)	(4,653,724)
Redemption of convertible notes		(1,512,745)	-
Advance from (Repayment to) directors		6,687	(8,269)
Repayment to a shareholder		(243)	(20,874)
Repayment to non-controlling shareholders of subsidiaries		(70,050)	(4,688)
Repayment to other related party		-	(7)
Cash injection from non-controlling shareholders of subsidiaries		3,116,272	1,720,992
Return of non-controlling shareholder's share of reserves		-	(50,909)
Net cash from financing activities		<u>7,842,208</u>	<u>2,101,759</u>
Net (decrease) increase in cash and cash equivalents		(647,855)	4,742,187
Cash and cash equivalents at beginning of year	19	6,552,697	1,775,261
Effect of exchange rate changes on the balance of cash held in foreign currencies		<u>(90,389)</u>	<u>35,249</u>
Cash and cash equivalents at end of year	19	<u>5,814,453</u>	<u>6,552,697</u>

See accompanying notes to financial statements.

YANLORD LAND GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1 GENERAL

The Company (Registration No. 200601911K) is incorporated in the Republic of Singapore with its principal place of business and registered office at 9 Temasek Boulevard, #36-02 Suntec Tower Two, Singapore 038989. The Company is listed on the Singapore Exchange Securities Trading Limited.

The financial statements are expressed in Renminbi ("RMB"). In 2009, the financial statements were presented in Singapore dollars. During the year, the Group and Company changed the presentation currency of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company to RMB to facilitate the comparison of the Group's financial results and financial position with those of other property developers in the People's Republic of China ("PRC") whose financial statements are expressed in RMB.

The principal activity of the Company is to carry on the business of an investment holding company and procurer of funds.

The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2010 were authorised for issue by the Board of Directors on March 12, 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2010. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies except for the adoption of FRS 103(2009) - *Business Combinations* and FRS 27 (2009) - *Consolidated and Separate Financial Statements* as discussed below. However, the adoption has no material effect on the amounts reported for the current or prior years.

FRS 103(2009) - Business Combinations

FRS 103(2009) has been adopted in the current year and is applied prospectively to business combinations for which the acquisition date is on or after January 1, 2010. The main impact of the adoption of FRS 103(2009) Business Combinations on the Group has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The change in accounting policy has no impact on the earnings per share as reported in the statement of comprehensive income.

FRS 27(2009) - Consolidated and Separate Financial Statements

FRS 27(2009) has been adopted for periods beginning on or after January 1, 2010 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control.

In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under FRS 27(2009), all such increases or decreases are dealt within equity reserve, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group were issued but not effective:

- *Improvements to Financial Reporting Standards* (issued in October 2010)
- *FRS 24 (Revised) Related Party Disclosures*

Consequential amendments were also made to various standards as a result of these new revised standards. The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except for the following:

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. The revised standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity.

In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

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

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at the date of the original business combination either at fair value or at the non-controlling interests' proportionate share of fair value of the acquiree's identifiable net assets. The choice measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent change in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - The acquisition of subsidiaries from a common shareholder is accounted for using the merger accounting method. Under this method, the Company has been treated as the holding company of the subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries.

The acquisition of subsidiaries from a party other than a common shareholder is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points 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 instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held-for-trading or it is designated as at FVTPL.

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.

FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are not classified into any of the other categories. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each 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 investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of 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. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the 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 the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 - *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 - *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity reserve, net of income tax effects, and is not subsequently remeasured.

Embedded derivatives

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

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

LEASES - 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 on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are recognised on a straight-line basis over the lease term on the same basis as the leased income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

PROPERTIES FOR DEVELOPMENT - Properties for development are mainly vacant leasehold land for future development or land where management is in the process of obtaining permits prior to the commencement of physical construction and sale in the normal course of business. They are stated at cost less allowance for any impairment in value.

PROPERTIES UNDER DEVELOPMENT FOR SALE - Properties under development for sale are stated at lower of cost or estimated net realisable value. Net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to completion. Cost of property under development comprises land cost, development costs and borrowing costs capitalised during the development period. When completed, the units held for sale are classified as completed properties for sale.

COMPLETED PROPERTIES FOR SALE - Completed properties for sale are stated at lower of cost or net realisable value. Cost is determined by apportionment of the total land cost, development costs and borrowing costs capitalised to the unsold properties with such apportionment based on floor area. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses; or estimated by management in the absence of comparable transactions taking into consideration prevailing market conditions.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress consists of construction costs and borrowing costs incurred during the period of construction.

Depreciation is charged so as to write off the cost of property, plant and equipment, other than construction-in-progress, over their estimated useful lives, using the straight-line method, substantially on the following bases:

Leasehold land and buildings	-	2% to 5%
Furniture, fixtures and equipment	-	20%
Motor vehicles	-	10% to 25%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of a property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

INVESTMENT PROPERTIES - Investment properties are properties held to earn rental income and/or for capital appreciation and properties under construction for such purposes. They are measured initially at cost, including transaction costs and subsequent to initial recognition, measured at fair value. The fair value of an investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Professional valuations are obtained at least once in three years. 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. Where there is an inability to determine fair value reliably when comparable market transactions are infrequent and alternative reliable estimates of fair value are not available, the investment property is measured at cost.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSET - This relates to a club membership held on a long-term basis and is stated at cost less any impairment loss.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than investment properties carried at fair value, 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments 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 associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

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

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.

INTERESTS IN JOINTLY CONTROLLED ENTITIES - A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results, assets and liabilities of the jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in the jointly controlled entities 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 jointly controlled entities, less any impairment in the value of individual investments.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entities.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 35. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each reporting period, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve.

MERGER DEFICIT - Merger deficit arises from combination of entities under common control accounted for using merger accounting method (see "Business Combinations"). The merger reserve represents the difference between the aggregate nominal amounts of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued by the Company as consideration for the acquisition.

STATUTORY RESERVE - Statutory reserve represents the amount transferred from profit after tax of the subsidiaries incorporated in the PRC (excluding Hong Kong) in accordance with the PRC requirement. The statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount towards setting off any accumulated losses or increasing capital.

OTHER RESERVE - The negative balance in other reserve represents the net excess of purchase consideration over the carrying amount of non-controlling interests acquired in the subsidiaries at the date of acquisition.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable.

Sale of properties developed

Revenue from properties developed for sale is recognised when the legal title passes to the buyer or when the equitable interest in the property vests in the buyer upon release of the handover notice of the respective property to the buyer, whichever is the earlier. Payments received from buyers prior to this stage are recorded as advances from buyers for sales of properties and are classified as current liabilities.

Rendering of services

Management fee income and service income are recognised over the period when services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

TAX SUBSIDIES – Tax subsidies are credited to profit or loss when received from the relevant authorities.

GOVERNMENT SUBSIDIES – Government subsidies are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and the subsidies will be received. Government subsidies are recognised as income over the periods necessary to match them with the related costs. Government subsidies related to expense items are recognised in the same period as those expenses are charged to the profit or loss and are reported separately as "other operating income".

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 these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries of the Group ("PRC Subsidiaries") have participated in central pension schemes ("the Schemes") operated by local municipal governments whereby the PRC Subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiaries. The only obligation of the PRC Subsidiaries with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged as expense when incurred.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, 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.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Singapore dollars. The consolidated financial statements of the Group and the statement of financial position of the Company are presented in RMB, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the entities in the Group which do not have RMB as the functional currency (including comparatives) are expressed in RMB using exchange rates prevailing at the end of each reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of an operation are treated as assets and liabilities of that operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors 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.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Taxation

The Group accounts for income taxes under the provisions of FRS 12 - Income Taxes. The Group has recorded deferred tax assets on tax loss of RMB356 million (2009 : RMB206 million) because the management believes it is more likely than not that such tax loss can be utilised (Note 15). Should future taxable profits not be sufficient to utilise the tax losses, an adjustment to the Group's deferred tax assets would decrease the Group's income in the period where such determination is made. Likewise, if the management determines that the Group is able to utilise all or part of the Group's tax loss of RMB159 million (2009 : RMB156 million), which is currently not expected to be utilised in the future, it would result in future recognition of additional deferred tax assets and increase the Group's income in the period where such determination is made. The Group records deferred tax using the balance sheet liability method at the rates that have been enacted by the end of the reporting period.

Land Appreciation Tax ("LAT")

All income from sale of properties in the PRC is subject to LAT at progressive rates under the PRC tax laws and regulations. The management estimates and provides for LAT in accordance with the PRC tax laws and regulations. However, prior to October 1, 2006, the Group has not been levied any LAT for the sale of properties located in Shanghai Pudong New District and this applies also to all property development companies in Shanghai Pudong New District.

The management, after taking into consideration its due diligence, as described in Note 29, considers the provision of LAT to be adequate.

Key sources of estimation uncertainty

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

Carrying amounts of properties for development, completed properties for sale and properties under development for sale

The aggregate carrying amount of these properties totaled RMB31.013 billion as at December 31, 2010 (2009 : RMB20.806 billion), details of which are disclosed in Note 9. They are stated at cost less allowance for impairment in value or at the lower of cost and estimated net realisable values, assessed on an individual project basis.

When it is probable that the total project costs will exceed the total projected revenue net of selling expenses, i.e. net realisable value, the amount in excess of net realisable value is recognised as an expense immediately.

The process of evaluating the net realisable value for each property is subject to management's judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each project, taking into account the costs incurred to date, the development status and costs to complete each development project. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties.

Valuation of investment properties

As disclosed in Note 8, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair values, the valuer has made reference to both the comparable sales transactions as available in the relevant market of these properties and the capitalisation of the existing and reversionary rental income potential.

In relying on the independent professional valuation report, management considered the method of valuation and the Group's marketing strategy and is of the view that the estimated values are reasonable.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Financial assets				
Fair value through profit or loss:				
Held-for-trading investment	9,286	9,741	-	-
Loans and receivables (including cash and cash equivalents)	6,857,196	7,498,853	10,844,324	8,595,746
Available-for-sale investment	<u>49,348</u>	<u>49,348</u>	<u>-</u>	<u>-</u>

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Fair value through profit or loss:				
Derivative financial instrument	11,955	34,392	11,955	34,392
Amortised cost	<u>16,018,308</u>	<u>9,254,058</u>	<u>6,278,243</u>	<u>3,736,239</u>

(b) *Financial risk management policies and objectives*

The management of the Group monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (foreign exchange risk, interest rate risk, equity price risk), credit risk and liquidity risk.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group enters into transactions in various foreign currencies, including the United States ("US") dollar, Hong Kong ("HK") dollar and Renminbi ("RMB") and therefore is exposed to foreign exchange risk. The Group does not enter into derivative foreign exchange contracts and foreign currency borrowings to hedge its foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	<u>GROUP</u>				<u>COMPANY</u>			
	<u>Liabilities</u>		<u>Assets</u>		<u>Liabilities</u>		<u>Assets</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
US dollars	1,969,385	-	853,671	78,070	1,969,385	-	8,539,900	5,559,024
HK dollars	2,654,798	659,319	468,630	20,462	1,851,855	482,820	938,451	499,605
RMB	-	-	<u>81,675</u>	<u>77,528</u>	-	-	-	-

Foreign currency sensitivity

The following table details the sensitivity to a 3% increase in the exchange rate of the functional currency of each entity of the Group against the relevant foreign currencies. 3% is the sensitivity rate used by key management personnel in assessing foreign currency risk and represents management's assessment of the 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 3% change in foreign currency rates. A positive number below indicates an increase in profit before income tax when the functional currency of each Group entity strengthens by 3% against the relevant foreign currencies. For a 3% weakening of the functional currency of each Group entity against the relevant foreign currencies, there would be an equal and opposite impact on the profit before income tax.

	US dollar impact		HK dollar impact		RMB impact	
	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GROUP						
Increase (decrease) in profit before income tax	<u>32,497</u>	<u>(2,274)</u>	<u>63,675</u>	<u>18,608</u>	<u>(2,379)</u>	<u>(2,258)</u>
COMPANY						
Increase (decrease) in loss before income tax	<u>191,374</u>	<u>161,913</u>	<u>(26,604)</u>	<u>489</u>	<u>-</u>	<u>-</u>

The Group's sensitivity to US dollar exchange rate has increased during the current year due to the the issuance of US\$300 million senior notes due 2017 on May 4, 2010 and the increase in US dollar denominated in cash and bank balances at current year end as compared with the preceding year end. The Group's sensitivity to HK dollar exchange rate has increased during the current year due to the increase in HK dollar denominated bank loans at current year end as compared with the preceding year end. The Group's sensitivity to RMB exchange rate during the current year approximates that of the preceding year as there is no significant change in RMB denominated monetary balances at current year end as compared with the preceding year end.

The Company's sensitivity to US dollar exchange rate has increased during the current year mainly due to the issuance of US\$300 million senior notes due 2017 and the increase in US dollar denominated non-trade amount due from a subsidiary at current year end as compared with the preceding year end. The Company's sensitivity to HK dollar exchange rate has increased during the current year mainly due to the increase in HK dollar denominated net liabilities at current year end as compared with the HK dollar denominated net assets at the preceding year end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (v) of this Note. The Group's policy is to obtain fixed rate borrowings to reduce volatility. However, it may borrow at variable rates when considered economical to do so.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when assessing interest rate risk and represents the management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's:

- profit before income tax for the year ended December 31, 2010 would decrease/increase respectively by RMB86 million (2009 : decrease/increase respectively by RMB37 million). This is mainly attributable to the Group's exposure to its variable rate of borrowings.
- It is the Group's accounting policy to capitalise borrowing costs relevant to property development. Hence, the above mentioned interest rate fluctuation may not fully impact the profit in the year where interest expense is incurred and capitalised but may affect profit in future financial years.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

In 2010 and 2009, the management is of the view that there is no interest rate risk for the Company as all borrowings are at fixed rates. Hence, no sensitivity analysis is presented for the Company.

(iii) Equity price risk management

The Group is exposed to equity price risk arising from equity investment classified as held-for-trading. Available-for-sale investment is held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investment.

Further details of equity investments can be found in Notes 13 and 18 to the financial statements.

The management is of the view that the equity price risk is not significant for the Group due to the relatively small amount of such investments carried. Hence no price sensitivity analysis is presented.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. For sales of properties, sales proceeds are fully settled concurrent with delivery of properties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for non-trade amounts due from non-controlling shareholders of subsidiaries. Part of the amounts due from non-controlling interests are covered by undistributed retained earnings of the subsidiary yet to be distributed as dividends and future earnings that are expected to be distributed by the subsidiary to the non-controlling shareholders (Note 17). Information on credit risk relating to other receivables are disclosed in Note 16. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

The Group's maximum exposure to credit risk comprise (i) the sum of the carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses; and (ii) credit risk relating to guarantees of approximately RMB1.857 billion (2009 : RMB2.038 billion) to banks for the benefit of the Group's customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties, as elaborated in Note 38 to the financial statements.

(v) Liquidity risk management

The Group maintains cash and cash equivalents, obtains external bank loans and issues convertible notes and senior notes with staggered repayment dates. The Group also minimises liquidity risk by keeping committed credit lines available. At December 31, 2010, the Group had available RMB5.782 billion (2009 : RMB4.085 billion) of undrawn committed bank credit facilities in respect of which all precedent conditions had been met.

In managing liquidity risk, the management prepares cash flow forecasts using various assumptions and monitors the cash flows of the Group.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the estimated future interest attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

	Weighted effective average interest rate %	On demand or within 1 year RMB'000	More than 1 year to 2 years RMB'000	More than 2 years to 5 years RMB'000	More than 5 years RMB'000	Adjustments RMB'000	Total RMB'000
GROUP							
2010							
Non-interest bearing		3,509,649	-	-	-	-	3,509,649
Variable interest rate instruments	5.1	2,041,939	4,579,706	2,612,384	292,602	(966,618)	8,560,013
Fixed interest rate instruments	10.4	<u>263,339</u>	<u>120,667</u>	<u>1,905,263</u>	<u>1,986,808</u>	<u>(327,431)</u>	<u>3,948,646</u>
Total		<u>5,814,927</u>	<u>4,700,373</u>	<u>4,517,647</u>	<u>2,279,410</u>	<u>(1,294,049)</u>	<u>16,018,308</u>
2009							
Non-interest bearing		2,090,729	-	-	-	-	2,090,729
Variable interest rate instruments	5.1	1,272,192	667,261	1,911,947	209,412	(401,853)	3,658,959
Fixed interest rate instruments	9.4	<u>1,659,090</u>	<u>219,128</u>	<u>1,925,404</u>	<u>-</u>	<u>(299,252)</u>	<u>3,504,370</u>
Total		<u>5,022,011</u>	<u>886,389</u>	<u>3,837,351</u>	<u>209,412</u>	<u>(701,105)</u>	<u>9,254,058</u>

The maximum amount that the Group could be obliged to settle under the financial guarantee contracts related to bank loans of buyers is RMB1.857 billion (2009 : RMB2.038 billion) (Note 38). The earliest period that the guarantees could be called is within 1 year (2009 : 1 year) from the end of the reporting period. As mentioned in Note 38, the management considers that the likelihood of these guarantees being called upon is low.

	Weighted effective average interest rate %	On demand or within 1 year RMB'000	More than 1 year to 2 years RMB'000	More than 2 years to 5 years RMB'000	More than 5 years RMB'000	Adjustments RMB'000	Total RMB'000
COMPANY							
2010							
Non-interest bearing		2,578,265	-	-	-	-	2,578,265
Fixed interest rate instruments	10.7	-	120,667	1,905,263	1,986,808	(312,760)	3,699,978
Total		<u>2,578,265</u>	<u>120,667</u>	<u>1,905,263</u>	<u>1,986,808</u>	<u>(312,760)</u>	<u>6,278,243</u>

<u>COMPANY</u>	Weighted effective average interest rate %	On demand or within 1 year RMB'000	More than 1 year to 2 years RMB'000	More than 2 years to 5 years RMB'000	More than 5 years RMB'000	Adjustments RMB'000	Total RMB'000
2009							
Non-interest bearing		560,537	-	-	-	-	560,537
Fixed interest rate instruments	9.7	1,518,595	-	1,925,404	-	(268,297)	3,175,702
Total		<u>2,079,132</u>	<u>-</u>	<u>1,925,404</u>	<u>-</u>	<u>(268,297)</u>	<u>3,736,239</u>

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flows will occur in a different period.

<u>GROUP</u>	Weighted effective average interest rate %	On demand or within 1 year RMB'000	More than 1 year to 5 years RMB'000	More than 5 years RMB'000	Adjustments RMB'000	Total RMB'000
2010						
Non-interest bearing		4,644,986	-	49,348	-	4,694,334
Variable interest rate instruments	5.3	83,493	-	-	(4,202)	79,291
Fixed interest rate instruments	1.3	2,169,122	-	-	(26,917)	2,142,205
Total		<u>6,897,601</u>	<u>-</u>	<u>49,348</u>	<u>(31,119)</u>	<u>6,915,830</u>
2009						
Non-interest bearing		5,252,023	-	49,348	-	5,301,371
Variable interest rate instruments	5.4	79,291	-	-	(4,062)	75,229
Fixed interest rate instruments	0.8	2,198,119	-	-	(16,777)	2,181,342
Total		<u>7,529,433</u>	<u>-</u>	<u>49,348</u>	<u>(20,839)</u>	<u>7,557,942</u>

In 2010 and 2009, the Company's non-derivative financial assets are substantially non-interest bearing with expected maturity within a year.

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quoted for similar instruments; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The management considers that carrying values approximate the fair values of other classes of financial assets and liabilities except for the convertible notes stated at amortised cost in respect of which fair value is disclosed in Note 22.

Except as detailed in the following table and in Note 13, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	<u>2010</u>		<u>2009</u>	
	<u>Carrying amount</u> RMB'000	<u>Fair value</u> RMB'000	<u>Carrying amount</u> RMB'000	<u>Fair value</u> RMB'000
<u>GROUP AND COMPANY</u>				
Financial Liabilities				
Convertible notes	<u>1,772,433</u>	<u>1,938,584</u>	<u>3,210,094</u>	<u>3,179,079</u>

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments measured at fair value

<u>GROUP</u>	<u>Level 1</u> RMB'000	<u>Level 2</u> RMB'000	<u>Level 3</u> RMB'000	<u>Total</u> RMB'000
2010				
Financial Asset				
Fair value through profit or loss:				
Held-for-trading investment	<u>9,286</u>	<u>-</u>	<u>-</u>	<u>9,286</u>
Financial Liability				
Fair value through profit or loss:				
Derivative financial instrument	<u>-</u>	<u>-</u>	<u>11,955</u>	<u>11,955</u>
2009				
Financial Asset				
Fair value through profit or loss:				
Held-for-trading investment	<u>9,741</u>	<u>-</u>	<u>-</u>	<u>9,741</u>
Financial Liability				
Fair value through profit or loss:				
Derivative financial instrument	<u>-</u>	<u>-</u>	<u>34,392</u>	<u>34,392</u>

	<u>Level 1</u> RMB'000	<u>Level 2</u> RMB'000	<u>Level 3</u> RMB'000	<u>Total</u> RMB'000
<u>COMPANY</u>				
2010				
Financial Liability				
Fair value through profit or loss:				
Derivative financial instrument	<u>-</u>	<u>-</u>	<u>11,955</u>	<u>11,955</u>
2009				
Financial Liability				
Fair value through profit or loss:				
Derivative financial instrument	<u>-</u>	<u>-</u>	<u>34,392</u>	<u>34,392</u>

Financial instruments measured at fair value based on level 3

	<u>Other financial liability</u> <u>at fair value through</u> <u>profit or loss</u> RMB'000	<u>Total</u> RMB'000
<u>GROUP AND COMPANY</u>		
2010		
At January 1, 2010	(34,392)	(34,392)
Total gains or losses in profit or loss (Note 27)	23,410	23,410
Total gains or losses in other comprehensive income	<u>(973)</u>	<u>(973)</u>
At December 31, 2010	<u>(11,955)</u>	<u>(11,955)</u>
2009		
At January 1, 2009	-	-
Issuance of convertible notes due 2014	<u>(34,392)</u>	<u>(34,392)</u>
At December 31, 2009	<u>(34,392)</u>	<u>(34,392)</u>

Significant assumptions in determining fair value of financial assets and liabilities

Derivative financial instruments

Fair value is estimated using a Binominal Model that consists of some assumptions that are supportable by observable market rates, which includes risk free rate of 0.95% (2009 : 1.14%); volatility rate of 64.32% (2009 : 14.58%) and expected dividend yield rate of Nil% (2009 : Nil%). The interest rate used to discount cash flows was 8.94% (2009: 10.93%), which was derived from factors such as risk free rate and credit spread of comparable companies with similar credit ratings and bonds' maturity.

(c) *Capital risk management policies and objectives*

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 monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as total debt less cash and bank balances divided by equity. Total debt include bank loans, convertible notes, senior notes and non-trade amount due to a non-controlling shareholder of a subsidiary. Equity for this purpose comprises equity attributable to equity holders of the Company as well as non-controlling interests as shown in the consolidated statement of financial position.

The net debt to equity ratio as at December 31, 2010 and 2009 were as follows:

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Total debt	12,508,659	7,163,329
Cash and bank balances	<u>(5,814,453)</u>	<u>(6,552,697)</u>
Net debt	<u>6,694,206</u>	<u>610,632</u>
Equity	<u>19,830,384</u>	<u>15,404,135</u>
Net debt to equity ratio	<u>33.8%</u>	<u>4.0%</u>

The Group's overall strategy remains unchanged from 2009. In addition, the Group also specifically monitors the financial ratios of its debt covenants stated in the agreements in respect of senior notes issued by the Company and borrowings with the financial institutions providing the facilities to the Group. The Group is in compliance with externally imposed capital requirements for the financial years ended December 31, 2010 and 2009.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Yanlord Holdings Pte. Ltd., incorporated in the Republic of Singapore, which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the Company's group of companies.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

The Company's non-trade amounts due from subsidiaries that are not substantially denominated in the functional currency of the Company are as follows:

	<u>COMPANY</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
US dollars	8,534,378	5,558,943
HK dollars	<u>936,680</u>	<u>499,322</u>

The Company's non-trade amount due to a subsidiary that is not denominated in the functional currency of the Company is as follows:

	<u>COMPANY</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
HK dollars	<u>1,851,855</u>	<u>482,820</u>

6 OTHER RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances with related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

The Group's and Company's balances with related parties are substantially denominated in the functional currencies of the respective entities.

During the year, the Group entered into the following transactions with related parties:

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Sale of properties to a related party	(8,373)	(11,784)
Sale of property, plant and equipment to a related party	(480)	-
Interest income from non-controlling shareholders of subsidiaries	(5,935)	(7,053)
Interest income from an associate	(8,153)	-
Other income from a jointly controlled entity	(1,626)	(164)
Interest expense to a shareholder	-	122
Interest expenses to non-controlling shareholders of subsidiaries	<u>15,999</u>	<u>21,698</u>
Rental expense to a non-controlling shareholder of a subsidiary	548	516
Rental expenses to related parties	8,506	6,346
Consultancy fee to a non-controlling shareholder of a subsidiary	<u>630</u>	<u>4,190</u>

Compensation of directors and key management personnel

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

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Short-term benefits	57,568	44,049
Post-employment benefits	783	702
	<u>58,351</u>	<u>44,751</u>

7 PROPERTY, PLANT AND EQUIPMENT

<u>GROUP</u>	<u>Leasehold land and buildings</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Furniture, fixtures and equipment</u> RMB'000	<u>Construction- in-progress</u> RMB'000	<u>Total</u> RMB'000
Cost:					
At January 1, 2009	131,672	55,614	74,776	5,000	267,062
Additions	-	6,210	5,044	-	11,254
Cost adjustment	(3,274)	-	-	-	(3,274)
Disposals	-	(6,092)	(2,850)	-	(8,942)
Exchange difference	-	(2)	-	-	(2)
At December 31, 2009	<u>128,398</u>	<u>55,730</u>	<u>76,970</u>	<u>5,000</u>	<u>266,098</u>
Additions	25,668	16,634	16,742	-	59,044
Transfer from properties under development for sale	14,152	-	-	-	14,152
transfer from properties for development	-	-	-	54,787	54,787
Disposals	(479)	(5,496)	(2,816)	-	(8,791)
Exchange difference	-	(15)	(8)	-	(23)
At December 31, 2010	<u>167,739</u>	<u>66,853</u>	<u>90,888</u>	<u>59,787</u>	<u>385,267</u>

	Leasehold land and buildings RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
Accumulated depreciation:					
At January 1, 2009	14,375	29,937	31,294	-	75,606
Depreciation for the year	3,742	7,771	11,312	-	22,825
Eliminated on disposals	-	<u>(5,127)</u>	<u>(2,519)</u>	-	<u>(7,646)</u>
At December 31, 2009	<u>18,117</u>	<u>32,581</u>	<u>40,087</u>	-	<u>90,785</u>
Depreciation for the year	8,345	8,167	11,291	-	27,803
Eliminated on disposals	(117)	(4,498)	(2,516)	-	(7,131)
Exchange difference	-	<u>(12)</u>	<u>(6)</u>	-	<u>(18)</u>
At December 31, 2010	<u>26,345</u>	<u>36,238</u>	<u>48,856</u>	-	<u>111,439</u>

GROUP

Carrying amount:					
At end of year	<u>141,394</u>	<u>30,615</u>	<u>42,032</u>	<u>59,787</u>	<u>273,828</u>
At beginning of year	<u>110,281</u>	<u>23,149</u>	<u>36,883</u>	<u>5,000</u>	<u>175,313</u>

The carrying amount of construction-in-progress pledged to banks to secure bank loans is disclosed in Note 21.

8 INVESTMENT PROPERTIES

	<u>GROUP</u>	
	2010 RMB'000	2009 RMB'000
At fair value or cost:		
Balance as at beginning of year	3,222,995	1,641,000
Additions	714,201	-
Transfer from properties under development for sale	900,619	1,028,882
Change in fair value (Note 27)	906,296	562,116
Disposals	<u>(45,466)</u>	<u>(9,003)</u>
Balance as at end of year	<u>5,698,645</u>	<u>3,222,995</u>
Comprising of:		
Fair value	5,698,645	3,006,500
Cost	-	216,495
	<u>5,698,645</u>	<u>3,222,995</u>

The fair value of investment properties is stated at the valuation provided by an independent valuer, CB Richard Ellis Limited Hong Kong, for investment properties as at December 31, 2010 and 2009 by making reference to both the comparable sales transactions as available in the relevant market of these properties and the capitalisation of the existing and reversionary rental income potential.

As at December 31, 2009, a serviced apartment building under construction was stated at cost as it could not be reliably valued due to the early stage of construction as at the end of the reporting period. The serviced apartment building was completed and recorded at fair value as at December 31, 2010.

The carrying amounts of investment properties pledged to banks to secure the bank loans granted to the Group are disclosed in Note 21.

The rental income earned by the Group from its investment properties under operating leases amounted to RMB103 million (2009 : RMB39 million). Direct operating expenses arising on the investment properties in the year amounted to RMB1 million (2009 : RMB0.405 million).

9 PROPERTIES FOR DEVELOPMENT/COMPLETED PROPERTIES FOR SALE/
PROPERTIES UNDER DEVELOPMENT FOR SALE

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
At cost:		
Properties for development (Non-current assets)	15,973,484	9,448,915
Completed properties for sale (Current assets)	875,702	1,160,318
Properties under development for sale (Current assets)	<u>14,163,933</u>	<u>10,196,862</u>
	<u>31,013,119</u>	<u>20,806,095</u>

Properties for development, completed properties for sale and properties under development for sale are located in the PRC.

Up to the end of the reporting period, total interest capitalised are as follows:

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Properties for development	<u>303,568</u>	<u>169,865</u>
Completed properties for sale	<u>30,800</u>	<u>31,985</u>
Properties under development for sale	<u>659,753</u>	<u>356,582</u>

The interest rates are as disclosed in Notes 21, 22 and 23.

The carrying amounts of properties pledged to banks to secure bank loans are disclosed in Note 21.

10 INVESTMENTS IN SUBSIDIARIES

<u>COMPANY</u>	
<u>2010</u>	<u>2009</u>
RMB'000	RMB'000
<u>2,618,181</u>	<u>2,488,269</u>

Unquoted equity shares, at cost

Details of the Company's subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2010</u>	<u>2009</u>	
		%	%	
<u>Held by the Company</u>				
Yanlord Commercial Property Investments Pte. Ltd. ^(a) 仁恒商业地产投资有限公司	Singapore	100	100	Investment holding
Yanlord Land Pte. Ltd. ^(a) 仁恒置地有限公司	Singapore	100	100	Investment holding
<u>Held by the Company</u>				
Yanlord Land (HK) Co., Ltd. ^(a) 仁恒地产(香港)有限公司	Hong Kong	100	100	Investment holding
<u>Held by Yanlord Land Pte. Ltd. and its subsidiaries</u>				
Palovale Pte Ltd ^(a) 柏龙威有限公司	Singapore	67	67	Investment holding
Yanlord Ho Bee Investments Pte. Ltd. ^{(1) (a)} 仁恒和美投资有限公司	Singapore	50	50	Investment holding
Yanlord Property Investments Pte. Ltd. ^{(2) (a)} 仁恒地产投资有限公司	Singapore	-	100	Investment holding
Yanlord Property Pte. Ltd. ^(a) 仁恒地产有限公司	Singapore	60	60	Investment holding
Yanlord Real Estate Pte. Ltd. ^(a) 仁恒置业发展有限公司	Singapore	95	95	Investment holding

<u>Name of subsidiary</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2010</u>	<u>2009</u>	
		<u>%</u>	<u>%</u>	
<u>Held by Yanlord Land Pte. Ltd. and its subsidiaries</u>				
East Hero Investment Ltd. ^(b) 东亨投资有限公司	Hong Kong	100	100	Investment holding
Singapore Yanlord Land (HK) Ltd. ^(b) 新加坡仁恒地产(香港)有限公司	Hong Kong	100	100	Management service
Chengdu Everrising Asset Management Co., Ltd. ^(b) 成都市恒业东升资产经营管理有限公司	PRC	51	51	Property development and investment
Chengdu Yanlord Investment Management Co., Ltd. ^(b) 成都仁恒投资管理有限公司	PRC	100	100	Management service and investment
Chengdu Yanlord Property Management Co., Ltd. ^(b) 成都仁恒物业管理有限公司	PRC	100	100	Property management
Yanlord Land (Chengdu) Co., Ltd. ^(b) 仁恒置地(成都)有限公司	PRC	100	100	Property development
Yanlord Real Estate (Chengdu) Co., Ltd. ^{(a)(b)} 仁恒置业(成都)有限公司	PRC	70	-	Property development and management
Guiyang Yanlord Property Co., Ltd. ^(b) 贵阳仁恒房地产开发有限公司	PRC	67	67	Property development
Guiyang Yanlord Property Management Co., Ltd. ^(b) 贵阳仁恒物业管理有限公司	PRC	67	67	Property management
Nanjing Yanlord Garden Co., Ltd. ^{(a)(b)} 南京仁恒园林有限公司	PRC	100	-	Landscaping and gardening

<u>Name of subsidiary</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2010</u>	<u>2009</u>	
		<u>%</u>	<u>%</u>	
<u>Held by Yanlord Land Pte. Ltd. and its subsidiaries</u>				
Nanjing Yanlord Hotel Management Co., Ltd. ^(b) 南京仁恒酒店管理有限公司	PRC	100	100	Hotel and serviced apartment management
Nanjing Yanlord Property Management Co., Ltd. ^(b) 南京仁恒物业管理有限公司	PRC	100	100	Property management
Nanjing Yanlord Real Estate Co., Ltd. ^(b) 南京仁恒置业有限公司	PRC	60	60	Property development
Yanlord Investment (Nanjing) Co., Ltd. ^(b) 仁恒投资(南京)有限公司	PRC	100	100	Property development and investment
Shenzhen Long Wei Xin Investment Co., Ltd. ^(b) 深圳市龙威信投资实业有限公司	PRC	75	75	Property development
Yanlord Land (Shenzhen) Co., Ltd. ^(b) 仁恒置地(深圳)有限公司	PRC	100	100	Management service
Shanghai Hong Ming Ge Food & Beverage Service Management Co., Ltd. ^(b) 上海宏名阁餐饮服务管理有限公司	PRC	60	60	Restaurant operation
Shanghai Pudong New District Private Yanlord Kindergarten ^{(a) (b)} 上海市浦东新区民办仁恒幼儿园	PRC	50	50	Kindergarten operation
Shanghai Renjie Hebin development Garden Property Co., Ltd. ^{(a) (b)} 上海仁杰河滨园房地产有限公司	PRC	51	51	Property
Shanghai Yanlord Gaoqiao Property Co., Ltd. ^{(a) (b)} 上海仁恒高乔房地产有限公司	PRC	50	50	Property development
Shanghai Yanlord Hongqiao Property Co., Ltd. ^{(a) (b)} 上海仁恒虹桥房地产有限公司	PRC	60	-	Property development and management

<u>Name of subsidiary</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2010</u> %	<u>2009</u> %	
<u>Held by Yanlord Land Pte. Ltd. and its subsidiaries</u>				
Shanghai Yanlord Investment Management Co., Ltd. ^{(5) (6)} 上海仁恒投资管理有限公司	PRC	100	100	Management service and investment
Shanghai Yanlord Property Co., Ltd. ^{(5) (6)} 上海仁恒房地产有限公司	PRC	67	67	Property development
Shanghai Yanlord Property Management Co., Ltd. ⁽⁶⁾ 上海仁恒物业管理有限公司	PRC	67	67	Property management
Shanghai Yanlord Real Estate Co., Ltd. ⁽⁶⁾ 上海仁恒置业发展有限公司	PRC	56	56	Property development
Shanghai Yanlord Senlan Real Estate Co., Ltd. ⁽⁶⁾ 上海仁恒森兰置业有限公司	PRC	60	60	Property development
Shanghai Yanlord Xing Tang Real Estate Co., Ltd. ^{(3) (6)} 上海仁恒兴唐置业有限公司	PRC	100	-	Property development and management
Shanghai Yanlord Yangpu Property Co., Ltd. ⁽⁶⁾ 上海仁恒杨浦房地产有限公司	PRC	100	100	Property development
Shanghai Zhongting Property Development Co., Ltd. ^{(5) (6)} 上海中庭房地产开发有限公司	PRC	100	100	Property development
Yanlord Land Investment Management (Shanghai) Co., Ltd. ⁽⁶⁾ 仁恒置地投资管理(上海)有限公司	PRC	100	100	Management service
Sanya Yanlord Real Estate Co., Ltd. ^{(3) (5) (6)} 三亚仁恒置业有限公司	PRC	100	-	Property development and management
Suzhou Yinghan Property Development Co., Ltd. ⁽⁶⁾ 苏州鹰汉房地产开发有限公司	PRC	100	100	Property development

<u>Name of subsidiary</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2010</u> %	<u>2009</u> %	
<u>Held by Yanlord Land Pte. Ltd. and its subsidiaries</u>				
Suzhou Zhonghui Property Development Co., Ltd. ^(b) 苏州中辉房地产开发有限公司	PRC	100	100	Property development
Yanlord Property (Suzhou) Co., Ltd. ^(b) 仁恒地产(苏州)有限公司	PRC	60	60	Property development
Yanlord Ho Bee Property Development (Tangshan) Co., Ltd. ^{(1) (b)} 仁恒和美房地产开发(唐山)有限公司	PRC	50	-	Property development and management
Tianjin Yanlord Garden Co., Ltd. ^{(b) (c)} 天津仁恒园林有限公司	PRC	100	-	Landscaping and gardening
Tianjin Yanlord Haihe Development Co., Ltd. ^(b) 天津仁恒海河开发有限公司	PRC	80	80	Property development
Tianjin Yanlord Property Management Co., Ltd. ^(b) 天津仁恒物业服务有限公司	PRC	100	100	Property management
Yanlord Development (Tianjin) Co., Ltd. ^(b) 仁恒发展(天津)有限公司	PRC	100	100	Property development
Zhuhai Yanlord Industrial Co., Ltd. ^(b) 珠海仁恒实业有限公司	PRC	95	95	Property development
Zhuhai Yanlord Property Management Co., Ltd. ^(b) 珠海仁恒物业管理有限公司	PRC	90	90	Property management
Zhuhai Yanlord Real Estate Development Co., Ltd. ^(b) 珠海仁恒置业发展有限公司	PRC	90	90	Property development

⁽¹⁾ Although the Group does not effectively own more than 50% of the equity shares of these entities, it has control over the financial and operating policies of these entities and hence regards these entities as subsidiaries.

- (2) The Group's equity interest in the shareholding of this former subsidiary has reduced from 100% to 25% during the year and the investment has been reclassified as investment in an associate (Note 11).
- (3) Incorporated during the year.
- (4) The proportion of ownership interest and voting power held by the Group is 50.2%.
- (5) Under an arrangement with the non-controlling shareholder of Shanghai Yanlord Property Co., Ltd. ("SYP"), the non-controlling shareholder is not entitled to share the results of the following subsidiaries of SYP, Shanghai Yanlord Investment Management Co., Ltd., Sanya Yanlord Real Estate Co., Ltd., Shanghai Zhongting Property Development Co., Ltd. and Shanghai Renjie Hebin Garden Property Co., Ltd..

Notes on auditors

- (a) Audited by Deloitte & Touche LLP, Singapore.
- (b) Audited by Deloitte Touche Tohmatsu, Shanghai for consolidation purposes.

11 INVESTMENT IN AN ASSOCIATE

On May 26, 2010, the Group has through its subsidiary, Yanlord Land Pte. Ltd. ("YLPL"), entered into an investment agreement ("IA") with Reco Yizhong Private Limited ("Reco") for Reco to own YLPL's 75% shareholding interest in Yanlord Property Investments Pte. Ltd. ("YPI") for a consideration of RMB72 (equivalent to S\$15), which approximates the fair value of YPI's net assets. Upon completion, the Group's beneficial interest in YPI held through YLPL is reduced to 25%. Subsequent to the completion of the IA, YLPL and Reco made further investment into YPI proportionate to their respective shareholding interest in 2010.

	<u>GROUP</u> <u>2010</u> RMB'000
Cost of investment in associate	2,441
Share of post-acquisition loss	<u>(2,441)</u>
	<u>-</u>
Amount due from an associate (Current assets)	<u>86</u>

Details of the Group's associate are as follows:

<u>Name of associate</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2010</u>	<u>2009</u>	
		<u>%</u>	<u>%</u>	
Yanlord Property Investments Pte. Ltd. ^(a) 仁恒地产投资有限公司	Singapore	25	-	Investment holding

Note on auditors

^(a) Audited by Deloitte & Touche LLP, Singapore.

Summarised financial information in respect of the Group's associate is set out as below:

	<u>GROUP</u> <u>2010</u> RMB'000
Total assets	74
Total liabilities	<u>(141)</u>
Net liabilities	<u>(67)</u>
Group's share of associate's net liabilities ⁽¹⁾	<u>-</u>
Loss for the year	<u>(11,464)</u>
Group's share of associate's loss for the year	<u>(2,441)</u>

⁽¹⁾ The Group's share of the associate's net liabilities is zero as the Group discontinues recognising further losses when the Group's share of loss of the associate exceeds its interest in the associate.

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Cost of investments in jointly controlled entities	196,104	137,617
Share of post-acquisition loss	<u>(1,457)</u>	<u>(774)</u>
	<u>194,647</u>	<u>136,843</u>
Amount due from jointly controlled entities (Current assets)	<u>-</u>	<u>120</u>

Details of the Group's jointly controlled entities are as follows:

<u>Name of jointly controlled entity</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Proportion of ownership interest and voting power held</u>		<u>Principal activity</u>
		<u>2010</u>	<u>2009</u>	
		<u>%</u>	<u>%</u>	
<u>Held by Yanlord Land Pte. Ltd.</u>				
Singapore Intelligent Eco Island Development Pte. Ltd. ^{(1) (a)} 新加坡智慧生态岛开发有限公司	Singapore	57	40	Investment holding
<u>Held by Singapore Intelligent Eco Island Development Pte. Ltd.</u>				
Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd. ^(b) 中新南京生态科技岛开发有限公司	PRC	28	20	Property development
<u>Held by Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd.</u>				
Sino-Singapore Nanjing Eco Hi-tech Island Investment and Development Co., Ltd. ^{(2) (b)} 中新南京生态科技岛投资发展有限公司	PRC	28	-	Property development and investment

⁽¹⁾ In 2010, the Group acquired additional shares in the entity. Although the Group owns more than 50% of the equity shares of this entity, both shareholders of this entity have joint control over its financial and operating policies and hence the Group regards this entity as a jointly controlled entity.

⁽²⁾ Incorporated during the year.

Notes on auditors

^(a) Audited by Deloitte & Touche LLP, Singapore.

^(b) Audited by Deloitte Touche Tohmatsu, Shanghai for consolidation purposes.

Summarised financial information in respect of the jointly controlled entities is set out as below:

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Total assets	341,583	342,200
Total liabilities	<u>(97)</u>	<u>(92)</u>
Net assets	<u>341,486</u>	<u>342,108</u>
Group's share of jointly controlled entities' net assets	<u>194,647</u>	<u>136,843</u>
Loss for the year	<u>(1,198)</u>	<u>(1,935)</u>
Group's share of jointly controlled entities' loss for the year	<u>(683)</u>	<u>(774)</u>

13 AVAILABLE-FOR-SALE INVESTMENT

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Unquoted equity shares, at cost	<u>49,348</u>	<u>49,348</u>

The investment included above represents an investment in unquoted equity shares that presents the Group with opportunity for return through dividend income and capital appreciation. The management is of the view that the fair value of unquoted equity shares cannot be measured reliably as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, this investment is stated at cost.

The available-for-sale investment is denominated in the functional currency of the respective entity.

The management has evaluated whether there is any indicator of impairment for unquoted equity shares carried at cost, by considering both internal and external sources of information, and is satisfied that there is no such indicator.

14 INTANGIBLE ASSET

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Club membership	<u>613</u>	<u>613</u>

At December 31, 2010 and 2009, the management assessed the marketable value of the club membership and determined that it was in excess of its carrying amount.

15 DEFERRED TAXATION

	<u>GROUP</u>	
	2010 RMB'000	2009 RMB'000
Deferred tax assets	137,652	83,314
Deferred tax liabilities	<u>(797,490)</u>	<u>(566,890)</u>
	<u>(659,838)</u>	<u>(483,576)</u>

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

<u>GROUP</u>	Revaluation of investment properties <u>RMB'000</u>	Accelerated tax depreciation and excess of tax deductible expenses <u>RMB'000</u>	Withholding tax <u>RMB'000</u>	Tax losses <u>RMB'000</u>	Total <u>RMB'000</u>
At January 1, 2009	(220,362)	(281)	-	26,915	(193,728)
(Charge) credit to income statement for the year (Note 29)	<u>(146,187)</u>	<u>32,235</u>	<u>(200,341)</u>	<u>24,445</u>	<u>(289,848)</u>
At December 31, 2009	<u>(366,549)</u>	<u>31,954</u>	<u>(200,341)</u>	<u>51,360</u>	<u>(483,576)</u>
(Charge) credit to income statement for the year (Note 29)	(221,099)	16,738	(122,741)	37,600	(289,502)
Transfer to income tax payable	-	-	<u>113,240</u>	-	<u>113,240</u>
At December 31, 2010	<u>(587,648)</u>	<u>48,692</u>	<u>(209,842)</u>	<u>88,960</u>	<u>(659,838)</u>

Pursuant to PRC tax regulations, at the end of the reporting period, the Group has unutilised tax losses of RMB515 million (2009 : RMB362 million) available for offset against future profits. A deferred tax asset of RMB89 million (2009 : RMB51 million) has been recognised in respect of RMB356 million (2009 : RMB206 million) of such losses at the PRC tax rate of 25%. No deferred tax asset has been recognised in respect of the remaining RMB159 million (2009 : RMB156 million) due to the unpredictability of future profit streams. Tax losses may be carried forward for 5 years from the year after the losses are incurred, subject to the conditions imposed by law including the retention of majority shareholders as defined.

16 OTHER RECEIVABLES AND DEPOSITS

	<u>GROUP</u>		<u>COMPANY</u>	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Advances to suppliers	9,642	4,063	-	-
Deposits for purchase of land for development and construction of properties	307,431	145,711	-	-
Staff loans	11,935	12,801	-	-
Prepayments	6,751	64,788	2,235	2
Sales tax prepayments	252,245	201,511	-	-
Interest receivables	357	1,722	-	-
Other receivables ⁽¹⁾	<u>100,549</u>	<u>112,673</u>	<u>-</u>	<u>-</u>
	<u>688,910</u>	<u>543,269</u>	<u>2,235</u>	<u>2</u>

⁽¹⁾ Included in other receivables is an advance of RMB20 million (2009 : RMB20 million) to a PRC government agent for the resettlement of occupants from land which the Group intends to purchase.

The management considers the credit risk on other receivables and deposits is limited because the counterparties are government agents or third parties with long business relationships with the Group.

The other receivables and deposits are substantially denominated in the functional currencies of the respective entities.

17 NON-TRADE AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

Amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand except for the following:

- a) An amount of RMB31 million (2009 : RMB26 million) which bears interest at 5.0% (2009 : 4.0%) per annum is secured by undistributed retained earnings of a subsidiary yet to be distributed as dividends to the non-controlling shareholder of that subsidiary.
- b) Total amount of RMB79 million (2009 : RMB75 million) which bears interest at 5.3% (2009 : 5.4%) per annum is secured by expected future earnings that will be distributed by a subsidiary to the non-controlling shareholders of that subsidiary.

Amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand except for a non-current amount of RMB196 million at the end of 2009 which bore interest at 5.9% per annum and was repayable within 2 years; and a current amount of RMB249 million at the end of 2010 (2009 : RMB133 million) which bears interest at 5.9% per annum.

The carrying amounts of amounts due from/to non-controlling shareholders of subsidiaries approximate their fair values due to the relatively short term maturity of interest-free balances or the interest rates approximate the prevailing market rates.

Non-trade amounts due to non-controlling shareholders of subsidiaries are denominated in the functional currencies of the respective entities.

The non-trade amounts due from non-controlling shareholders of subsidiaries that are not denominated in the functional currencies of the respective entities are as follows:

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
US dollars	23,426	17,382
HK dollars	10,080	9,934
RMB	<u>81,675</u>	<u>77,528</u>

18 HELD-FOR-TRADING INVESTMENT

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Quoted equity security, at fair value	<u>9,286</u>	<u>9,741</u>

Held-for-trading investment presents the Group with opportunities for return through dividend income and fair value gains. This investment has no fixed maturity or coupon rate. The fair value of this security is based on the closing quoted market price on the last market day of the financial year.

The held-for-trading investment is denominated in HK dollars.

19 CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Cash on hand	1,890	1,329	-	-
Cash at bank	3,703,675	4,414,590	11,002	2,153
Fixed deposits	<u>2,108,888</u>	<u>2,136,778</u>	-	1,191,687
Cash and cash equivalents	<u>5,814,453</u>	<u>6,552,697</u>	<u>11,002</u>	<u>1,193,840</u>
Pledged bank deposits	<u>5,257</u>	<u>24,347</u>	-	-

Pledged bank deposits, cash and bank balances comprise cash held by the Group and short term bank deposits with an original maturity of 3 months or less. The carrying amounts of these assets approximate their fair values.

The effective interest rates for fixed deposits and pledged bank deposits are 1.2% (2009 : 0.7%) and 2.8% (2009 : 4.2%) per annum respectively.

Pledged bank deposits represent deposits pledged to banks to secure certain mortgage loans provided by banks to customers for the purchase of the Group's development properties and as securities for construction contracts required by certain suppliers and local authorities.

The cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
US dollars	830,245	60,688	5,522	81
HK dollars	<u>449,264</u>	<u>787</u>	<u>1,771</u>	<u>283</u>

20 SHARE CAPITAL

	<u>GROUP AND COMPANY</u>			
	<u>2010</u> '000	<u>2009</u> '000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
	Number of ordinary shares			
Issued and paid up:				
At beginning of year	1,943,424	1,831,334	7,226,578	6,162,005
Issuance of shares pursuant to offering exercise, net of expenses	-	110,000	-	1,051,827
Issuance of shares under Pre-IPO Share Option Scheme	<u>740</u>	<u>2,090</u>	<u>4,658</u>	<u>12,746</u>
At end of year	<u>1,944,164</u>	<u>1,943,424</u>	<u>7,231,236</u>	<u>7,226,578</u>

Fully paid up ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

21 BANK LOANS

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
The bank loans are repayable as follows:		
On demand or within one year	1,942,853	1,210,459
More than one year but not exceeding two years	4,155,813	605,500
More than two years but not exceeding five years	2,246,597	1,643,750
More than five years	<u>214,750</u>	<u>199,250</u>
	8,560,013	3,658,959
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,942,853)</u>	<u>(1,210,459)</u>
Amount due for settlement after 12 months	<u>6,617,160</u>	<u>2,448,500</u>
Secured:		
- Current bank loans	1,305,500	451,500
- Non-current bank loans	<u>3,756,097</u>	<u>2,098,500</u>
	5,061,597	2,550,000
Unsecured		
	<u>3,498,416</u>	<u>1,108,959</u>
	<u>8,560,013</u>	<u>3,658,959</u>

The above secured bank loans are pledged on the following:

Properties for development	1,029,930	747,313
Completed properties for sale	13,896	201,486
Properties under development for sale	7,458,784	4,093,057
Investment properties	4,929,719	1,867,292
Construction-in-progress	<u>41,818</u>	<u>-</u>

The bank loans that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
HK dollars	<u>2,616,416</u>	<u>658,959</u>

As at the end of the reporting period, the bank loans for the purpose of property development, amounting to RMB2.616 billion (2009 : RMB659 million) bear floating interest rate of 2.8% (2009 : 1.5%) plus HIBOR per annum and the effective interest rate was 4.2% (2009 : 2.9%) per annum.

The other bank loans which are for the purpose of property development, bear floating interest rates based on a bank's prime rate and the average effective interest rate was 5.4% (2009 : 5.4%) per annum.

The carrying amounts of bank loans approximate their fair values as the interest rates approximate the prevailing market rates.

22 CONVERTIBLE NOTES

The convertible notes comprise notes issued in 2007 and 2009.

- (a) The convertible notes issued on February 6, 2007 ("Notes 2012") will mature on February 6, 2012. The Notes 2012 accrue interest at 4.00% per annum, compounded semi-annually. Accrued interest on Notes 2012 is payable only at maturity or upon early redemption, and will be foregone upon conversion of the Notes 2012. The conversion price was initially S\$2.7531 per share, and has been adjusted on account of the dividend distributions to S\$2.6500 and S\$2.6200 per share as at December 31, 2009 and 2010 respectively. The conversion price may be further adjusted for certain specified dilutive events. On February 4, 2010, the holders of S\$315 million outstanding Notes 2012 exercised the option to redeem the outstanding Notes 2012. As of December 31, 2010, S\$24 million Notes 2012 remained outstanding for conversion into ordinary shares. The Notes 2012 are convertible into 9,064,885 and 127,641,509 new ordinary shares of the Company as at December 31, 2010 and 2009 respectively based on the adjusted conversion price at the option of the holders.
- (b) The convertible notes issued on July 13, 2009 ("Notes 2014") will mature on July 13, 2014. The Notes 2014 accrue interest at 5.85% per annum with interest payable on January 13 and July 13 of each year, commencing on January 13, 2010. The conversion price was initially S\$2.6208 per share, and has been adjusted on account of the dividend distributions to S\$2.5900 per share as at December 31, 2010. The conversion price may be further adjusted for certain specified dilutive and other events. The Notes 2014 are convertible into 144,787,644 and 143,086,080 new ordinary shares of the Company as at December 31, 2010 and 2009 respectively based on the adjusted conversion price at the option of the holders. The Company may, at any time on or after July 13, 2011 but before July 3, 2014, mandatorily convert all of the Notes 2014 if the volume weighted average price of the Company's shares is at least 130% of the conversion price in effect on the date of notice.

The net proceeds received from the issue of the Notes 2012 and Notes 2014 have been allocated between the liability and equity components. The equity component represents the fair value of the embedded option of the Company to convert the liability into equity:

	<u>GROUP AND COMPANY</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Nominal value of Notes 2012 and Notes 2014 issued	4,330,027	4,115,174
Equity component (gross before allocation of transaction costs)	(659,696)	(626,962)
Transaction costs ⁽¹⁾	<u>(98,854)</u>	<u>(93,946)</u>
Liability component at date of issue ⁽²⁾	3,571,477	3,394,266
Cumulative interest accrued	666,339	446,492
Cumulative interest paid	(111,458)	-
Converted to equity	(611,267)	(580,937)
Redemption	(1,665,484)	-
Fair value adjustment for the year	<u>(24,232)</u>	<u>-</u>
Total	1,825,375	3,259,821
Interest payable within one year included in other payables (Note 25)	<u>(52,942)</u>	<u>(49,727)</u>
Liability component (Non-current) at end of year ⁽²⁾	<u>1,772,433</u>	<u>3,210,094</u>

⁽¹⁾ Transaction costs included non-audit fees of RMB2 million and RMB1 million paid to the auditors of the Company and its affiliated firm in 2009 and 2007 respectively in connection with the offer of convertible notes of the Company.

⁽²⁾ Included in liability component is put option of holders of Notes 2014 amounting to RMB12 million (2009: RMB34 million) as at December 31, 2010. As at December 31, 2009, the management has determined that the fair value of the put option had not changed materially between the date of issue of Notes 2014 and the end of the year 2009. The fair value of put option of holders of Notes 2014 is stated at the valuation provided by an independent valuer, Jones Lang LaSalle Sallmanns Limited, for put option of holders of Notes 2014 as at December 31, 2010 by using the Binominal Model.

The cumulative interest accrued on Notes 2012 is calculated by applying an effective interest rate of 8.0% (2009 : 8.0%) per annum to the liability component. The cumulative interest accrued on Notes 2014 is calculated by applying an effective interest rate of 11.3% (2009 : 11.3%) per annum to the liability component.

The management estimates the fair value of the liability component of the Notes 2012 at December 31, 2010 to be approximately RMB 133 million (2009 : RMB1.659 billion). This fair value has been calculated by assuming redemption on February 6, 2012 and using interest rate of 9.7% (2009 : 8.9%) per annum, compounded semi-annually. The interest rate is based on Singapore government's two-year treasury bill rate of 1.6% (2009 : two-year treasury bill rate of 2.6%) per annum which will mature on April 1, 2013 (2009 : April 1, 2012), a credit spread risk margin of 5.9% (2009 : 4.3%) per annum and holding the liquidity risk rate as a percentage of both the risk free rate and the liquidity risk rate constant.

An independent valuer, Jones Lang LaSalle Sallmanns Limited, estimates the fair value of the liability component of the Notes 2014 (excluding put option) at December 31, 2010 to be approximately RMB1.794 billion. Fair value is estimated using a Binominal Model that consists of some assumptions that are supportable by observable market rates, which includes risk free rate of 0.95%, volatility rate of 64.32% and expected dividend yield rate of Nil%. The interest rate used to discount cash flows was 8.94% (2009 : 10.93%), which was derived from factors such as risk free rate and credit spread of comparable companies with similar credit ratings and bonds' maturity.

At December 31, 2009, management was of the view that the carrying amount of Notes 2014 approximated its fair value.

Notes 2012 and Notes 2014 are denominated in the functional currency of the Company.

23 SENIOR NOTES

The senior notes issued on May 4, 2010 will mature on May 4, 2017. The senior notes bears interest at 9.5% per annum with interest payable on May 4 and November 4 of each year, commencing on November 4, 2010. Prior to the maturity of the senior notes, the Company may redeem the notes, in whole or in part, based on the stipulated redemption price at the point of redemption. The senior notes are denominated in US dollars.

	<u>GROUP AND</u> <u>COMPANY</u> <u>2010</u> RMB'000
Nominal value of senior notes issued	2,101,733
Transaction costs ⁽¹⁾	<u>(53,693)</u>
At date of issue	2,048,040
Cumulative interest accrued	133,787
Cumulative interest paid	(96,091)
Exchange difference	<u>(116,351)</u>
Total	1,969,385
Interest payable within one year included in other payables (Note 25)	<u>(29,885)</u>
Liability (Non-current) at end of year	<u>1,939,500</u>

⁽¹⁾ Transaction costs included non-audit fees of RMB2 million paid to the auditors of the Company in 2010 in connection with the issuance of senior notes of the Company.

Interest is accrued at the effective interest rate of 10.3% per annum.

The management is of the view that the carrying amount of the senior notes approximates its fair value as the market interest rate as at December 31, 2010 approximates the nominal interest rate of the senior notes.

In 2010, six of its subsidiaries provided a joint guarantee in respect of senior notes issued by the Company amounting to RMB1.987 billion (US\$300 million) for a term of seven years up to May 4, 2017. Additionally, shares in six of its subsidiaries are charged in favour of the global security agent and trustee of the notes.

The management is of the view that the fair value of the financial guarantee provided by the subsidiaries is not significant.

24 TRADE PAYABLES

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Outside parties	<u>3,092,504</u>	<u>1,760,237</u>

The average credit period for trade payables is 107 days (2009 : 104 days).

The trade payables are substantially denominated in the functional currencies of the respective entities.

25 OTHER PAYABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Advances received from customers	5,551,641	4,932,251	-	-
Accrued expenses	43,671	95,462	4,922	2,011
Interest payable	92,864	54,649	82,828	49,727
Other payables	<u>222,350</u>	<u>139,101</u>	-	241
	<u>5,910,526</u>	<u>5,221,463</u>	<u>87,750</u>	<u>51,979</u>

The other payables that are not denominated in the functional currencies of the respective entities are as follow:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
US dollars	<u>29,885</u>	<u>-</u>	<u>29,885</u>	<u>-</u>

26 REVENUE

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Gross income from property development	7,497,669	7,664,324
Less: Business tax	(374,258)	(384,630)
Net income from property development	<u>7,123,411</u>	<u>7,279,694</u>
Gross income from property investment	118,239	44,848
Less: Business tax	(10,263)	(2,848)
Net income from property investment	<u>107,976</u>	<u>42,000</u>
Gross income from others	162,923	137,872
Less: Business tax	(10,560)	(9,027)
Net income from others	<u>152,363</u>	<u>128,845</u>
Total	<u>7,383,750</u>	<u>7,450,539</u>

27 OTHER OPERATING INCOME

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Doubtful debts recovered	-	7
Dividend income from available-for-sale investment	5,483	5,483
Dividend income from held-for-trading investment	229	198
Fair value gain on investment properties (Note 8)	906,296	562,116
Fair value gain on held-for-trading investment	-	1,740
Fair value gain on put option	23,410	-
Interest income	45,883	31,158
Excess of fair values of net identifiable assets acquired over the cost of business combination	-	344
Net gain on disposal of property, plant and equipment	577	-
Net gain on disposal of investment properties	-	747
Net foreign exchange gain	100,569	5,545
Government subsidies	8,761	46,294
Others	47,336	1,174
Total	<u>1,138,544</u>	<u>654,806</u>

28 FINANCE COST

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Interest on bank loans	363,442	239,838
Interest on convertible notes	189,866	195,169
Interest on senior notes	129,247	-
Interest to a shareholder of the Company	-	122
Interest to non-controlling shareholders of subsidiaries	15,999	21,698
Total	<u>698,554</u>	<u>456,827</u>
Less: Interest capitalised in		
- properties for development	(101,264)	(50,847)
- properties under development for sale	(464,168)	(320,711)
Net	<u>133,122</u>	<u>85,269</u>

29 INCOME TAX

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Current - Foreign	585,796	545,569
Deferred income tax (Note 15)	166,761	89,507
Deferred withholding tax (Note 15)	122,741	200,341
Withholding tax	-	60,710
Land appreciation tax ("LAT")	1,270,861	1,341,092
Under provision in prior years	24,164	61,207
Total	<u>2,170,323</u>	<u>2,298,426</u>

No provision for Singapore taxation has been made as the majority of the Group's income neither arises in, nor is derived from Singapore.

Taxation arising in the PRC is calculated at the prevailing rate of 22.0% (2009 : 20.0%) for major PRC operating subsidiaries. The prevailing rate in the other subsidiaries is at 22.0% to 25.0% in 2010 (2009 : 10.0% to 25.0%).

On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax ("New Law") by Order No.63 of the President of the PRC, with an effective date of January 1, 2008. On December 28, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Due to the New Law and Implementation Regulations, the PRC subsidiaries will be subject to 25.0% Enterprise Income Tax, commencing January 1, 2008 except that certain subsidiaries which originally enjoy the preferential tax rates shall gradually transit to the tax rate of 25.0% within 5 years after the enforcement of the new tax law.

The income tax expense varied from the amount of income tax expense determined by applying the above income tax rate to profit before income tax as a result of the following differences:

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Income tax expense at PRC applicable tax rate of 22%* (2009 : 20%*)	993,119	861,873
Non-deductible items	29,413	39,537
Non-taxable items	(5,281)	(2,799)
Effect of unutilised tax losses not recognised as deferred tax assets	9,183	11,460
Effect of different tax rates for certain subsidiaries	29,966	31,361
LAT	1,270,861	1,341,092
Effect of tax deduction on LAT	(279,589)	(268,219)
Withholding tax incurred	122,741	261,051
Under provision in prior years	24,164	61,207
Others	(24,254)	(38,137)
Total income tax expense	<u>2,170,323</u>	<u>2,298,426</u>

* These are the applicable tax rates for most of the Group's taxable profits.

Income tax for overseas subsidiaries is calculated at the rates prevailing in the respective jurisdiction.

According to a PRC tax circular of State Administration of Taxation, Guoshuihan (2008) No.112, dividend distributed out of the profits generated since January 1, 2008 held by the PRC entity to non-resident investors shall be subject to PRC withholding income tax. Deferred tax liability of RMB121 million (2009 : RMB194 million) on the undistributed earnings of the PRC subsidiaries has been charged to the consolidated income statement of the year.

LAT

As disclosed in the prior years' audited consolidated financial statements, the directors of the Company, after taking into account legal advice received and consultation with the local Shanghai Pudong Tax Bureau, are of the opinion that the relevant tax authority is not likely to impose any LAT on a retrospective basis. In 2010 and 2009, management has not received any new communications from the Shanghai Pudong Tax Bureau specific to LAT for properties sold by the Group in Shanghai Pudong New District prior to October 1, 2006 which cause the above management's evaluation to change. Accordingly, no provision has been made in respect of those properties sold in Pudong New District prior to October 1, 2006.

If LAT was to be levied on the Group's Shanghai Pudong New District properties in accordance with the Provisional Regulations on a retrospective basis, the Group would have incurred additional LAT in the aggregate amount of RMB534 million for the financial periods prior to October 1, 2006, as adjusted for non-controlling interests and for income tax deductions. Should any of these exposures materialise, the Group's net profit will be impacted by the same amount.

The management of the Company is of the view that the actual LAT payable as required under the Provisional Regulations approximates the amount of LAT actually paid and accrued by the Group for the PRC subsidiaries as at December 31, 2010.

The actual Group's LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects.

30 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Depreciation of property, plant and equipment ⁽¹⁾	<u>27,803</u>	<u>22,825</u>
<u>Employee benefits expense (including directors' remuneration):</u>		
Retirement benefit scheme contributions	16,519	14,606
Salaries and other short-term benefits	252,659	205,866
Total employee benefits expense	<u>269,178</u>	<u>220,472</u>
Directors' fees	1,963	1,863
Directors' remuneration:		
- of the Company	30,534	24,272
- of the subsidiaries	<u>4,451</u>	<u>3,364</u>
	<u>34,985</u>	<u>27,636</u>

	<u>GROUP</u>	
	2010 RMB'000	2009 RMB'000
Fair value gain on investment properties (Note 8)	(906,296)	(562,116)
Fair value loss (gain) on held-for-trading investment	131	(1,740)
Fair value gain on put option	(23,410)	-
Loss on redemption on convertible notes	17,949	-
Net (gain) loss on disposal of property, plant and equipment	(577)	103
Net loss (gain) on disposal of investment properties	4,014	(747)
Net foreign exchange gain	(100,569)	(5,545)
Excess of fair values of net identifiable assets acquired over the cost of business combination (Note 34)	-	(344)
Cost of completed properties for sale recognised as expenses	3,205,609	3,164,028
Non-audit fees:		
- paid to auditors of the Company	541	32
- paid to other auditors	<u>700</u>	<u>500</u>

(1) In 2010, RMB2 million (2009 : RMB2 million) of depreciation of property, plant and equipment is capitalised in properties for development and properties under development for sale as these property, plant and equipment are specifically employed in the development of properties for sale.

31 EARNINGS PER SHARE

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

	<u>GROUP</u>	
	2010 RMB'000	2009 RMB'000
<u>Earnings</u>		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	1,947,977	1,496,263
Effect of dilutive potential ordinary shares:		
Interests on convertible notes	2,052	56,709
Earnings for the purposes of diluted earnings per share	<u>1,950,029</u>	<u>1,552,972</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,943,647	1,888,803
Effect of dilutive potential ordinary shares:		
Share options	2,474	3,502
Convertible notes	<u>164,811</u>	<u>193,868</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,110,932</u>	<u>2,086,173</u>
Earnings per share (cents):		
Basic	<u>100.22</u>	<u>79.22</u>
Diluted	<u>92.38</u>	<u>74.44</u>

32 DIVIDENDS

For the financial year ended December 31, 2009, the directors declared a first and final one-tier tax exempt dividend of 8.11 cents (equivalent to 1.68 Singapore cents) per ordinary share amounting to RMB157,659,638, which was paid during 2010.

In 2009, RMB100,605,257 of dividends was paid in respect of a first and final one-tier tax exempt dividend of 5.49 cents (equivalent to 1.23 Singapore cents) per ordinary share declared for the financial year ended December 31, 2008.

In respect of the current year, the directors proposed a first and final one-tier tax exempt dividend of 5.99 cents (equivalent to 1.22 Singapore cents) per ordinary share amounting to RMB116,419,020. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

33 SEGMENT INFORMATION

The Group's reportable operating segments are as follows:

- (i) Property development: Development of residential, commercial and other properties.
- (ii) Property investment: Leasing of investment properties to generate rental income and to gain from the appreciation in the value of the properties in the long term.
- (iii) Others: Provision of property management, ancillary services, investment holding and others.

Information regarding the operations of each reportable segments are included below. The management monitors the operating results of each operating segment for the purpose of making decisions on resource allocation and performance assessment.

The Group's operations are located in the PRC, hence no analysis by geographical area of operations is provided.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	<u>GROUP</u>			
	<u>Revenue</u>		<u>Profit (loss)</u> <u>before income tax</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Property development	7,123,411	7,279,694	3,713,646	3,919,122
Property investment	107,976	42,000	934,212	546,406
Others	<u>152,363</u>	<u>128,845</u>	<u>(133,679)</u>	<u>(156,165)</u>
Total	<u>7,383,750</u>	<u>7,450,539</u>	<u>4,514,179</u>	<u>4,309,363</u>

Segment profit represents the profit earned by each segment as determined using the Group's accounting policy. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment assets

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Property development	37,041,226	27,383,710
Property investment	6,022,678	3,247,694
Others	1,749,391	1,770,310
Total assets	<u>44,813,295</u>	<u>32,401,714</u>

All assets are allocated to reportable segments. Liabilities are not allocated as they are not monitored by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Other segment information

	<u>GROUP</u>			
	<u>Depreciation</u>		<u>Additions to non-current assets</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Property development	19,060	14,344	9,893,997	3,413,727
Property investment	4,174	3,668	1,473,446	1,034,545
Others	4,569	4,813	5,263	2,576
Total	<u>27,803</u>	<u>22,825</u>	<u>11,372,706</u>	<u>4,450,848</u>

34 ACQUISITION OF SUBSIDIARY

On December 1, 2009, a subsidiary of the Company, Shanghai Yanlord Investment Management Co., Ltd., acquired a wholly-owned subsidiary, incorporated in the PRC, Shanghai Zhongting Property Development Co., Ltd. ("SZPD"), for a total cash consideration of RMB25 million. This transaction had been accounted for by the purchase method of accounting.

The net assets acquired in the transaction were as follows:

	<u>Carrying amount before acquisition</u> RMB'000	<u>Fair value adjustments</u> RMB'000	<u>Fair value</u> RMB'000
<u>2009</u>			
Net assets acquired:			
Cash and bank balances	844	-	844
Other receivables and deposits	24,500	-	<u>24,500</u>
			25,344
Excess of fair values of net identifiable assets acquired over the cost of business combination (Note 30)			<u>(344)</u>
Total consideration satisfied by cash			<u>25,000</u>
Net cash outflow arising on acquisition:			
Cash consideration			(25,000)
Cash and bank balances of a subsidiary acquired			844
			<u>(24,156)</u>

The management is of the view that the deferred tax impact on the excess of the Group's interest in the net fair value of the acquired subsidiaries' identifiable assets, liabilities and contingent liabilities over cost is not significant.

The subsidiary acquired during 2009 contributed RMB0.3 million loss to the Group's profit for the year for the period between the date of acquisition and the end of the reporting period last year. There is no revenue contributed by the subsidiary acquired during 2009.

If the acquisition had been completed on January 1, 2009, total Group's profit for the year in 2009 would be RMB2.011 billion. There is no impact to total Group's revenue and profit for the year.

35 SHARE-BASED PAYMENTS

The options under the Scheme grant the right to the holder to subscribe for new ordinary shares of the Company at the discount of fifteen percent (15%) of the IPO offer share price of S\$1.08. The options granted under the Scheme will be exercisable after the second anniversary of the date of grant of the options and all options must be exercised before the fifth anniversary from the date of grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 1% of the issued share capital of the Company on the date immediately preceding the Offer Date of the Option.

Each option grants the holder the right to subscribe for one ordinary share in the Company. The options may be exercised in full or in part thereof. By virtue of the options, the holders do not have the right to participate in any share issue of the other companies in the Group. Options granted are cancelled when the holder is no longer a full time employee of the Company or any corporations in the Group subject to certain exceptions in accordance with the rules of the Scheme.

The above share option scheme is administered by a Pre-IPO Share Option Management Committee.

Details of the share options outstanding during the year are as follows:

	<u>GROUP AND COMPANY</u>			
	<u>2010</u>	Weighted average exercise price	<u>2009</u>	Weighted average exercise price
	Number of share options <u>'000</u>	<u>S\$</u>	Number of share options <u>'000</u>	<u>S\$</u>
Outstanding and exercisable at beginning of year	5,312	0.92	7,402	0.92
Exercised during the year	(740)	0.92	(2,090)	0.92
Lapsed during the year	-	0.92	-	0.92
Outstanding and exercisable at end of year	<u>4,572</u>	<u>0.92</u>	<u>5,312</u>	<u>0.92</u>

The weighted average share price at the date of exercise for share options exercised during the year was S\$1.78 (2009 : S\$2.35). The options outstanding at end of the year have a weighted average remaining contractual life of 0.5 year (2009 : 1.5 years).

The estimated fair values of the options granted on June 21, 2006 were RMB27 million (equivalent to S\$5.3 million).

These fair values for share options granted in 2006 were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	<u>S\$</u>
Weighted average share price	1.08
Weighted average exercise price	0.92
Expected volatility	20.04%
Expected life	2
Risk free rate	3.64%
Expected dividend yield	-

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 months. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

In 2010 and 2009, no expense related to equity-settled share-based payment transactions were recognised by the Group and the Company.

36 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>15,409</u>	<u>23,313</u>

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Within one year	14,414	12,072
In the second to fifth year inclusive	12,928	15,309
More than five years	<u>10,120</u>	-
	<u>37,462</u>	<u>27,381</u>

Operating lease payments substantially represent rental payables by the Group in respect of land and buildings for its office premises and staff accommodation. Leases are negotiated for an average term of less than three years (2009: less than two years).

The Group as lessor

The Group rents out its investment properties and certain completed properties for sale in the PRC under operating leases. Property rental income earned during the year was RMB112 million (2009 : RMB41 million).

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

	<u>GROUP</u>	
	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Within one year	196,130	70,778
In the second to fifth year inclusive	630,095	446,974
More than five years	<u>916,298</u>	<u>972,229</u>
	<u>1,742,523</u>	<u>1,489,981</u>

37 CAPITAL EXPENDITURE COMMITMENTS

Estimated amounts committed for future capital expenditure but not provided for in the financial statements:

	<u>GROUP</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Construction of properties	2,681,588	2,617,355
Acquisition of land use rights	2,937,570	2,844,313
Additional capital injection in subsidiaries	300,000	442,231
Others	<u>5,892</u>	<u>-</u>
	<u>5,925,050</u>	<u>5,903,899</u>

38 CONTINGENCIES AND GUARANTEES

As at December 31, 2010, the Group has provided guarantees of approximately RMB1.857 billion (2009 : RMB2.038 billion) to banks for the benefit of its customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties. Should such guarantees be called upon, there would be an outflow of cash (previously collected by the Group) from the Group to the banks to discharge the obligations. The management has made enquiries with the banks and considered the profile of customers who buy the Group's properties and concluded that the likelihood of these guarantees being called upon is low. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security for the mortgage loan granted.

As at December 31, 2009, the Company, together with six of its subsidiaries had provided a joint guarantee to banks in respect of a loan facility granted to a subsidiary amounting to RMB1.366 billion (equivalent to US\$200 million) and up to November 6, 2010. On January 29, 2010, the loan and interest payable were fully repaid and the loan facility was cancelled accordingly.

As at December 31, 2010 and 2009, the Company together with six of its subsidiaries have provided a joint guarantee to banks in respect of a loan facility granted to a subsidiary amounting to RMB2.649 billion (equivalent to US\$400 million) for a term of two years (2009 : three years) up to December 17, 2012.

The management is of the view that the fair value of the financial guarantee provided by the Group and the Company is not significant.

39 SUBSEQUENT EVENT

In March 2011, the Company gave a mandate to banks to manage a proposed United States dollar bond issue.