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China New Town Development Company Limited

中國新城鎮發展有限公司

(incorporated as a business company limited by shares under the laws of the British Virgin Islands)

Hong Kong Stock Code: 1278

Singapore Stock Code: D4N.sj

2010 FINAL RESULTS ANNOUNCEMENT

The Board of directors (the “Board”) of China New Town Development Company Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

(Amount expressed in thousands of Renminbi unless otherwise stated)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Revenue	5	1,479,889	1,087,355
Cost of sales	6	(567,278)	(435,048)
Gross profit		912,611	652,307
Other income	5	13,130	8,419
Selling and distribution costs	6	(65,223)	(119,669)
Administrative expenses	6	(196,734)	(133,523)
Other expenses	5	(26,034)	(1,720)
(Loss)/gain on the repurchase of Senior Notes	19	(4,177)	24,744
Impairment loss of property, plant and equipment	11	–	(8,810)
Fair value gain/(loss) on completed investment properties	12	16,168	(14,163)
Fair value (loss)/gain on investment properties under construction	12	(1,723)	39,036
Operating profit		648,018	446,621
Finance costs	7	(97,861)	(104,352)
Profit before tax		550,157	342,269
Income tax	8	(188,575)	(98,809)

	<i>Notes</i>	Year ended 31 December 2010	Year ended 31 December 2009
Profit after tax		361,582	243,460
Other comprehensive income		—	—
Total comprehensive income		361,582	243,460
Profit attributable to:			
Owners of the parent		246,794	166,630
Non-controlling interests		114,788	76,830
		361,582	243,460
Total comprehensive income attributable to:			
Owners of the parent		246,794	166,630
Non-controlling interests		114,788	76,830
		361,582	243,460
Earnings per share attributable to ordinary equity holders of the parent (RMB per share):	<i>10</i>		
Basic earnings per share		0.0678	0.0640
Diluted earnings per share		0.0644	0.0597

STATEMENTS OF FINANCIAL POSITION

31 December 2010

(Amounts expressed in thousands of Renminbi unless otherwise stated)

		Group		Company	
		31 December	31 December	31 December	31 December
	Notes	2010	2009	2010	2009
Non-current assets					
Investments in subsidiaries		–	–	2,617,549	2,968,699
Investment in an associate		200	200	–	–
Property, plant and equipment	11	1,175,322	1,235,292	198	256
Completed investment properties	12	679,000	489,000	–	–
Investment properties under construction	12	95,000	170,710	–	–
Prepaid land lease payments	13	236,285	390,823	–	–
Non-current trade receivables	17	93,257	93,655	–	–
Deferred tax assets	8	120,010	128,607	–	–
Other assets		48,476	50,652	–	–
Total non-current assets		2,447,550	2,558,939	2,617,747	2,968,955
Current assets					
Land development for sale	14	3,590,414	3,640,398	–	–
Properties under development for sale	15	74,094	–	–	–
Prepaid land lease payments	13	326,232	162,588	–	–
Inventories		4,032	3,820	–	–
Amounts due from subsidiaries		–	–	496,312	252,906
Amounts due from related parties		–	47,003	–	–
Prepayments	16	254,155	6,155	–	–
Other receivables	16	368,434	354,983	4	2
Trade receivables	17	485,890	337,168	26	–
Cash and bank balances		1,381,049	1,509,371	102,730	14,521
Total current assets		6,484,300	6,061,486	599,072	267,429
Total assets		8,931,850	8,620,425	3,216,819	3,236,384

		Group		Company	
		31 December	31 December	31 December	31 December
	Notes	2010	2009	2010	2009
Equity					
Equity attributable to owners of the parent					
Share capital		2,778,853	2,497,385	2,778,853	2,497,385
Treasury shares		–	(37,294)	–	(37,294)
Other reserves		608,807	749,001	1,942,220	2,082,414
Accumulated losses		(641,653)	(836,166)	(1,679,381)	(1,580,229)
		2,746,007	2,372,926	3,041,692	2,962,276
Non-controlling interests		551,519	436,231	–	–
Total equity		3,297,526	2,809,157	3,041,692	2,962,276
Non-current liabilities					
Convertible bonds – host debts	20	–	142,406	–	142,406
Interest-bearing bank borrowings	18	1,698,300	1,847,000	–	–
Deferred income from sale of golf club membership	21	538,176	562,675	–	–
Deferred tax liabilities	8	19,625	–	–	–
Total non-current liabilities		2,256,101	2,552,081	–	142,406
Current liabilities					
Senior Notes	19	–	84,363	–	84,363
Interest-bearing bank borrowings	18	470,289	310,000	170,299	–
Trade payables	22	917,806	1,265,252	–	–
Other payables and accruals	22	569,771	596,434	4,828	47,339
Amounts due to related parties		–	12	–	–
Advances from customers		5,523	4,568	–	–
Deferred income arising from land development	21	895,670	639,940	–	–
Current income tax liabilities		519,164	358,618	–	–
Total current liabilities		3,378,223	3,259,187	175,127	131,702
Total liabilities		5,634,324	5,811,268	175,127	274,108
Total equity and liabilities		8,931,850	8,620,425	3,216,819	3,236,384
Net current assets		3,106,077	2,802,299	423,945	135,727
Total assets less current liabilities		5,553,627	5,361,238	3,041,692	3,104,682

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2010

(Amounts expressed in thousands of Renminbi unless otherwise stated)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Cash flows from operating activities			
Profit before tax		550,157	342,269
Adjustments for:			
Depreciation of property, plant and equipment	11	60,181	65,475
Amortization of prepaid land lease payments	13	9,246	8,550
Impairment loss of property, plant and equipment	11	–	8,810
Loss on disposal of property, plant and equipment		17,317	–
Fair value (gain)/loss on completed investment properties	12	(16,168)	14,163
Fair value loss/(gain) on investment properties under construction	12	1,723	(39,036)
Loss on disposal of a subsidiary		636	–
Loss/(gain) on repurchase of Senior Notes	19	4,177	(24,744)
Management share option expense		5,574	12,485
Expenses incurred for the listing of existing shares	6	32,058	–
Interest income	5	(9,752)	(1,237)
Interest expense	7	97,861	104,352
		753,010	491,087
Decrease/(increase) in land development for sale		83,147	(160,033)
Increase in properties under development for sale		(68,459)	–
Increase in prepaid land lease payments		(17,112)	–
Increase in inventories		(266)	(361)
Decrease/(increase) in amounts due from related parties		47,003	(45,246)
(Increase)/decrease in prepayments		(248,000)	487
Decrease/(increase) in other receivables and assets		15,000	(494,479)
(Increase)/decrease in trade receivables		(149,370)	76,951
Decrease in deferred income for sale of golf club membership		(24,499)	(28,490)
Increase in deferred income arising from land development		255,730	368,497
Increase/(decrease) in advances from customers		1,274	(84,593)
(Decrease)/increase in trade and other payables		(326,695)	587,678
(Decrease)/increase in amounts due to related parties		(12)	63
Net cash inflow from operating activities		320,751	711,561

	<i>Notes</i>	Year ended 31 December 2010	Year ended 31 December 2009
Cash flows from investing activities			
Purchase/construction of property, plant and equipment		(58,020)	(95,890)
Proceeds from disposal of property, plant and equipment		785	173
Payment for land use rights		(232)	(102,869)
Payment for investment properties		(121,985)	(69,379)
Disposal of a subsidiary		(336)	–
Interest received		6,109	1,237
Net cash outflow from investing activities		(173,679)	(266,728)
Cash flows from financing activities			
Sale/(purchase) of treasury shares		26,713	(37,114)
Cash proceeds from issuance of new shares of the Company		–	127,624
Capital contributions from non-controlling shareholders of subsidiaries		–	300
Proceeds from bank borrowings		320,299	1,090,000
Repayment of bank borrowings		(310,010)	(70,000)
Cash paid for the repurchase of Senior Notes	19	(90,332)	(340,329)
Proceeds from issuance of convertible bonds	20	–	275,994
Payments for expenses incurred for the repurchase of CB2		–	(22,785)
Cash released from deposits restricted in relation to coupon interest payments for Senior Notes/convertible bonds		7,759	38,518
Cash placed as restricted deposits in relation to interest payments for bank borrowings		(178,000)	(36,000)
Interest paid		(141,877)	(142,545)
Dividend paid		(52,281)	–
Payments of expenses incurred for the listing of existing shares		(27,906)	–
Payment of transaction costs for new shares		–	(860)
Net cash (outflow)/inflow from financing activities		(445,635)	882,803
Net (decrease)/increase in cash and cash equivalents		(298,563)	1,327,636
Cash and cash equivalents at beginning of year		1,465,612	137,976
Cash and cash equivalents at end of year		1,167,049	1,465,612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2010

(Amounts expressed in thousands of Renminbi unless otherwise stated)

	Equity attributable to owners of the parent							
	Notes	Share capital	Treasury shares	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2009		2,115,240	(180)	604,670	(1,002,796)	1,716,934	359,101	2,076,035
Total comprehensive income		–	–	–	166,630	166,630	76,830	243,460
Equity-settled share options to management		–	–	12,485	–	12,485	–	12,485
Shares issued upon exercise of management share options granted under Management Stock Option Plan ("Management Grant")		5,569	–	(5,569)	–	–	–	–
Capital contribution from non-controlling interests of subsidiaries		–	–	–	–	–	300	300
Shares issued upon private placement		244,252	–	–	–	244,252	–	244,252
Shares issued upon the repurchase of Senior Notes	19	132,324	–	–	–	132,324	–	132,324
Equity component of CB3	20	–	–	137,415	–	137,415	–	137,415
Treasury shares		–	(37,114)	–	–	(37,114)	–	(37,114)
As at 31 December 2009		2,497,385	(37,294)	749,001	(836,166)	2,372,926	436,231	2,809,157
Total comprehensive income		–	–	–	246,794	246,794	114,788	361,582
Equity-settled share options to management		–	–	5,574	–	5,574	–	5,574
Shares issued and treasury shares used upon exercise of management share options granted under Management Grant		5,592	2,761	(8,353)	–	–	–	–
Changes in non-controlling interests due to disposal of a subsidiary		–	–	–	–	–	500	500
Shares issued upon CB3 conversion		283,696	–	(137,415)	–	146,281	–	146,281
Dividends		–	–	–	(52,281)	(52,281)	–	(52,281)
Sales of treasury shares		(7,820)	34,533	–	–	26,713	–	26,713
As at 31 December 2010		2,778,853	–	608,807	(641,653)	2,746,007	551,519	3,297,526

NOTES TO FINANCIAL STATEMENTS

(All amounts expressed in thousand of Renminbi unless otherwise stated)

1. GENERAL INFORMATION

Corporate information

The Company was incorporated on 4 January 2006 in the British Virgin Islands (“BVI”) by one shareholder. After a series of reorganisations, on 14 November 2007, the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). On 22 October 2010, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEx”) by way of introduction. As a result, the Company is dual listed on the Main Board of both the SGX-ST and the HKEx.

The Group is a new town developer in the Mainland China and is principally engaged in planning and developing large-scale new towns in China’s largest cities of which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Land use rights to the residential parcels in the new towns developed by the Group are then sold by the relevant land authorities to real estate property developers, the proceeds of which are apportioned to the Group on specified bases. The Group also develops and manages commercial properties in those new towns.

In the opinion of the directors of the Company (the “Directors”), the Company’s ultimate holding company is SRE Group Limited (“SRE”), a company incorporated in Bermuda. As the Company has become a subsidiary of SRE since September 2009 after a series of share placement and convertible bond issuance (see Note 20), the Company ceased to be an associate of SRE since then.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for investment properties under construction as at 31 December 2010 and 2009, certain financial instruments and completed investment properties that have been measured at fair value. The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (‘000) unless otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2010. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not held by the Group are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the parent shareholders’ equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity.

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group’s business, the Group’s normal operating cycle is longer than twelve months. The Group’s current assets include assets (such as land development for sale) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the end of the reporting period, in accordance with IFRS.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs and IFRIC interpretations effective as of 1 January 2010:

		Effective dates
IFRS 1	IFRS 1 First-time Adoption of IFRSs (Revised)	1 July 2009
IFRS 2	IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions (Revised)	1 January 2010
IFRS 3 and IAS 27	IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended), including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009

Improvements to IFRSs (May 2008)

Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 1 First-time Adoption of IFRSs (Revised)

IFRS 1 (Revised) is effective for annual periods beginning on or after 1 July 2009. The revised IFRS 1 corrects a potential technical problem arising from the interaction of IFRS 1 and the revised IFRS 3 Business Combinations and revised IAS 27 Consolidated and Separate Financial Statements, both published in March 2008. The amendment does not have any financial impact on the Group.

IFRS 2 – Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The changes introduced by these revised standards are applied prospectively and had no material impact on the financial position or performance of the Group.

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 – Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Group.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of these amendments has no significant financial effect on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has the following operating segments. The Group's operational assets and operations are located in Mainland China.

- Land development segment provides land infrastructure development and construction of ancillary public facilities;
- Property leasing segment provides property leasing services of investment properties;
- Hotel operations segment provides room, restaurants and conference hall services;
- Golf operations segment provides golf course management services; and
- Others segment provides investment and property management services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Land development revenue from the Group's share of proceeds from land sale (including related public utilities fees, if any) by local authorities accounted for 77% in Shanghai and 17% in Wuxi (2009: 80% in Shanghai) of the revenue in the year ended 31 December 2010.

An analysis by operating segment is as follow:

	Year ended 31 December 2010					Adjustments and eliminations	Total
	Land development	Property leasing	Hotel operations	Golf operations	Others		
Segment results							
External sales	1,382,783	3,668	50,564	39,989	2,885	–	1,479,889
Intersegment sales	–	–	1,213	–	6,018	(7,231) ¹	–
Total segment sales	1,382,783	3,668	51,777	39,989	8,903	(7,231)	1,479,889
Results							
Depreciation	(8,072)	–	(28,992)	(22,111)	(1,006)	–	(60,181)
Amortisation	(233)	–	(3,711)	(5,302)	–	–	(9,246)
Loss on the repurchase of Senior Notes	–	–	–	–	(4,177)	–	(4,177)
Fair value gain on completed investment properties	–	16,168	–	–	–	–	16,168
Fair value loss on investment properties under construction	–	(1,723)	–	–	–	–	(1,723)
Segment profit/(loss)	733,839	13,448	(37,171)	(26,879)	(35,219)	(97,861)²	550,157
Segment assets	5,513,204	875,493	629,031	824,381	969,531	120,210³	8,931,850
Segment liabilities	2,197,590	64,403	42,782	615,992	6,179	2,707,378⁴	5,634,324
Other disclosures							
Capital expenditure ⁵	6,279	99,844	12,759	29,797	75	–	148,754

¹ Intersegment sales are eliminated on consolidation.

² Profit for each operating segment does not include finance costs (RMB97,861 thousand).

³ Assets in segments do not include investment in an associate (RMB200 thousand) and deferred tax assets (RMB120,010 thousand) as these assets are managed on a group basis.

⁴ Liabilities in segments do not include current income tax payables (RMB519,164 thousand), loans (RMB2,168,589 thousand) and deferred tax liabilities (RMB19,625 thousand) as these liabilities are managed on a group basis.

⁵ Capital expenditure consists of additions of prepaid land lease payments (non-current) (RMB3,687 thousand), property, plant and equipment (RMB45,222 thousand), and completed investment properties and investment properties under construction (RMB99,845 thousand).

	Year ended 31 December 2009						
	Land development	Property leasing	Hotel operations	Golf operations	Others	Adjustments and eliminations	Total
Segment results							
External sales	991,132	6,061	29,744	56,176	4,242	–	1,087,355
Intersegment sales	–	–	–	–	5,533	(5,533) ¹	–
Total segment sales	991,132	6,061	29,744	56,176	9,775	(5,533)	1,087,355
Results							
Depreciation	(8,082)	–	(29,901)	(26,032)	(1,460)	–	(65,475)
Amortisation	(220)	–	(3,028)	(5,302)	–	–	(8,550)
Gain on the repurchase of Senior Notes	–	–	–	–	24,744	–	24,744
Impairment loss on property, plant and equipment	–	–	(8,810)	–	–	–	(8,810)
Fair value loss on completed investment properties	–	(14,163)	–	–	–	–	(14,163)
Fair value gain on investment properties under construction	–	39,036	–	–	–	–	39,036
Segment profit/(loss)	519,357	(13,334)	(45,829)	(10,779)	(2,794)	(104,352)²	342,269
Segment assets	5,160,670	748,192	726,764	867,069	988,923	128,807³	8,620,425
Segment liabilities	2,250,744	91,299	38,258	635,983	279,366	2,515,622⁴	5,811,268
Other disclosures							
Capital expenditure ⁵	8,760	98,087	97,099	51,941	85	–	255,972

¹ Intersegment sales are eliminated on consolidation.

² Profit for each operating segment does not include finance costs (RMB104,352 thousand).

³ Assets in segments do not include investment in an associate (RMB200 thousand) and deferred tax assets (RMB128,607 thousand) as these assets are managed on a group basis.

⁴ Liabilities in segments do not include current income tax payables (RMB358,618 thousand) and loans (RMB2,157,000 thousand) as these liabilities are managed on a group basis.

⁵ Capital expenditure consists of additions of prepaid land lease payments (non-current) (RMB79,100 thousand), property, plant and equipment (RMB78,785 thousand), and completed investment properties and investment properties under construction (RMB98,087 thousand).

5. REVENUE, OTHER INCOME AND OTHER EXPENSES

Revenue

	Year ended 31 December 2010	Year ended 31 December 2009
Land development:		
Development of land infrastructure	480,465	367,024
Construction of ancillary public facilities	975,776	676,073
Hotel operations	53,318	31,325
Golf operations	60,030	72,380
Investment property leasing	3,884	6,384
Others	3,372	4,613
Less: Business tax and surcharges	(96,956)	(70,444)
	1,479,889	1,087,355

Other Income

	Year ended 31 December 2010	Year ended 31 December 2009
Foreign exchange gain, net	–	300
Interest income	9,752	1,237
Tax refund	1,863	5,900
Others	1,515	982
	13,130	8,419

Other Expenses

	Year ended 31 December 2010	Year ended 31 December 2009
Foreign exchange loss, net	152	–
Bank charges	883	1,099
Donation	5,000	–
Loss from disposal of property, plant and equipment		
– loss on Shenyang club facilities	4,334	–
– disposal of other property, plant and equipment	12,983	–
Loss on disposal of a subsidiary	636	–
Others	2,046	621
	26,034	1,720

6. EXPENSE BY NATURE

	Year ended 31 December 2010	Year ended 31 December 2009
Cost of land development:	483,234	351,785
Resettling incumbent residents and enterprises and preparing raw land	420,593	308,707
<i>Constructing public facilities – Road</i>	41,338	26,978
<i>Constructing public facilities – Lake</i>	8,095	5,938
<i>Constructing public facilities – Park</i>	5,228	3,735
<i>Constructing public facilities – Others</i>	7,980	6,427
Depreciation of property, plant and equipment	60,181	65,475
Amortisation of prepaid land lease payments	9,246	8,550
Auditors' remuneration	5,905	3,833
Expenses incurred for the listing of existing shares	32,058	–
Employee benefits	74,552	78,587
Cost of inventories	19,924	12,967
Utility expenses	15,228	13,745
Property tax, stamp duty and land use tax	13,724	11,534
Commission to agents for sale of golf club membership	1,469	1,462
Bad debt provision – non-trade	18,510	–
Agency fee for promotional services	17,955	78,000
Financial advisory service fee	–	12,120
Others	77,249	50,182
Total cost of sales, selling and distribution costs and administrative expenses	829,235	688,240

7. FINANCE COSTS

	Year ended 31 December 2010	Year ended 31 December 2009
Interest on bank and borrowings wholly repayable within 5 years	68,807	4,890
Interest on bank and borrowings not wholly repayable within 5 years	55,946	79,912
Interest on Senior Notes	17,287	91,335
Interest on CB3	5,560	5,536
Less: Interest capitalised	(49,739)	(77,321)
	97,861	104,352

The borrowing costs have been capitalised at weighted average rates of 6.45% and 9.97% per annum for the years ended 31 December 2010 and 2009, respectively.

8. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% (2009: 25%) on their taxable income according to the Income Tax Law of the PRC.

The major components of income tax are:

	Year ended 31 December 2010	Year ended 31 December 2009
Income tax charge:		
Current income tax	160,601	97,600
Deferred tax	27,974	1,209
Income tax charge as reported in profit or loss	<u>188,575</u>	<u>98,809</u>

A reconciliation between tax credit and the product of accounting profit/(loss) multiplied by the Group's applicable income tax rate is as follows:

Year ended 31 December 2010

	The Company and BVI companies		Mainland China		Total	
Profit/(loss) before tax	(49,450)		599,607		550,157	
Tax at the statutory tax rate	–	–	149,902	25.0%	149,902	27.2%
Tax losses not recognised	–	–	2,598	0.4%	2,598	0.5%
Non-deductible expenses for tax purposes	–	–	16,450	2.7%	16,450	3.0%
Effect of withholding tax on the distributable profits of the Group's subsidiaries in Mainland China	–	–	19,625	3.3%	19,625	3.6%
Income tax as reported in statement of comprehensive income	<u>–</u>	<u>–</u>	<u>188,575</u>	<u>31.4%</u>	<u>188,575</u>	<u>34.3%</u>

Year ended 31 December 2009

	The Company and BVI companies		Mainland China		Total	
Profit/(loss) before tax	(30,416)		372,685		342,269	
Tax at the statutory tax rate	–	–	93,171	25.0%	93,171	27.2%
Tax losses not recognised	–	–	1,843	0.5%	1,843	0.5%
Non-deductible expenses for tax purposes	–	–	3,795	1.0%	3,795	1.1%
Income tax as reported in statement of comprehensive income	<u>–</u>	<u>–</u>	<u>98,809</u>	<u>26.5%</u>	<u>98,809</u>	<u>28.9%</u>

Other comprehensive income

	Year ended 31 December 2010	Year ended 31 December 2009
Deferred tax related to items charged or credited directly to equity during the year:		
Income tax charged directly to equity	<u>–</u>	<u>–</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	31 December 2010	31 December 2009	Year ended 31 December 2010	Year ended 31 December 2009
Deferred tax liabilities/(assets)				
Net difference between net carrying amount of prepaid land lease payments and land infrastructure under development and their tax base	48,293	41,932	6,361	1,319
Pre-operating expense	–	(47)	47	164
Net difference between net carrying amount of property, plant and equipment and its tax base	(32,719)	(35,218)	2,499	(1,025)
Net difference between net carrying amount of investment properties and their tax base	3,871	(4,656)	8,527	13,164
Losses available for offsetting against future taxable income	(15,404)	(17,410)	2,006	(9,603)
The difference in accounting and tax bases arising from the accounting for golf club revenue and related costs	(118,250)	(114,871)	(3,379)	(4,473)
Disposal of a subsidiary	–	–	(248)	–
Provision for impairment of other receivables	(4,628)	–	(4,628)	–
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	19,625	–	19,625	–
Others	(1,173)	1,663	(2,836)	1,663
	<u>(100,385)</u>	<u>(128,607)</u>		
Deferred income tax charge			<u>27,974</u>	<u>1,209</u>
Deferred tax assets	<u>(120,010)</u>	<u>(128,607)</u>		
Deferred tax liabilities	<u>19,625</u>	<u>–</u>		

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the parent for the years ended 31 December 2010 and 2009 includes a loss of RMB46,871 thousand and RMB30,314 thousand respectively, which has been dealt within the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the years ended 31 December 2010 and 2009.

The diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting profit or loss effects of dilutive convertible bonds or employee share options, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Employee share options are treated as options and outstanding from the date of grant, since they are dilutive, they have been included in the dilutive earnings per share calculation for the years ended 31 December 2010 and 2009.

The following reflects the profit and share data used in the basic and diluted earnings per share calculations:

	Year ended 31 December 2010	Year ended 31 December 2009
Profit attributable to ordinary equity holders of the parent	246,794	166,630
Add: Net effect of the dilutive convertible bond	2,562	2,943
Profit attributable to ordinary equity holders of the parent adjusted for effect of the dilutive convertible bond	249,356	169,573
Weighted average number of ordinary shares outstanding	3,642,052,148	2,603,796,888
Add: Net effect of dilutive potential ordinary shares of Management Grant	1,896,763	994,897
Add: Net effect of dilutive potential ordinary shares of the convertible bond	225,210,723	235,541,457
Number of ordinary shares used to calculate the diluted earnings per share	3,869,159,634	2,840,333,242
Basic earnings per share (RMB)	0.0678	0.0640
Diluted earnings per share (RMB)	0.0644	0.0597

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Hotel properties	Golf operational assets	Other buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Original cost							
At 1 January 2009	719,059	623,865	74,608	58,132	39,987	95,508	1,611,159
Transfers	1,021	–	–	–	–	(25,241)	(24,220)
Additions	1,180	563	7,276	706	1,361	67,699	78,785
Disposals	–	–	–	(49)	(1,450)	–	(1,499)
At 31 December 2009	721,260	624,428	81,884	58,789	39,898	137,966	1,664,225
Transfers	–	12,480	–	–	–	(12,480)	–
Additions	3,845	2,182	3,283	2,695	4,534	28,683	45,222
Disposals	–	(39,180)	(10,019)	(90)	(1,465)	–	(50,754)
Disposal of a subsidiary	–	–	–	(2,329)	(285)	–	(2,614)
At 31 December 2010	725,105	599,910	75,148	59,065	42,682	154,169	1,656,079
Accumulated depreciation							
At 1 January 2009	108,091	59,942	5,904	26,971	18,293	–	219,201
Provided during the year	25,879	17,574	4,573	10,158	7,291	–	65,475
Disposals	–	–	–	(26)	(1,300)	–	(1,326)
At 31 December 2009	133,970	77,516	10,477	37,103	24,284	–	283,350
Provided during the year	25,126	18,305	3,915	8,561	4,274	–	60,181
Disposals	–	(4,311)	(1,238)	(63)	(707)	–	(6,319)
Disposal of a subsidiary	–	–	–	(1,814)	(224)	–	(2,038)
At 31 December 2010	159,096	91,510	13,154	43,787	27,627	–	335,174
Impairment							
At 1 January 2009	136,773	–	–	–	–	–	136,773
Recognised during the year	8,810	–	–	–	–	–	8,810
Reversals	–	–	–	–	–	–	–
At 31 December 2009	145,583	–	–	–	–	–	145,583
Recognised during the year	–	–	–	–	–	–	–
Reversals	–	–	–	–	–	–	–
At 31 December 2010	145,583	–	–	–	–	–	145,583
Net carrying amount							
At 1 January 2009	474,195	563,923	68,704	31,161	21,694	95,508	1,255,185
At 31 December 2009	441,707	546,912	71,407	21,686	15,614	137,966	1,235,292
At 31 December 2010	420,426	508,400	61,994	15,278	15,055	154,169	1,175,322

Certain of the Group's properties have been pledged to banks for interest-bearing bank loans granted to the Group (see Note 18).

Disposal of property, plant and equipment

During the year ended 31 December 2010, the disposal of property, plant and equipment included a write-down of RMB30.6 million carrying amount of club facilities located in Shenyang.

Disposal of a subsidiary

The Group disposed of certain property, plant and equipment as a result of disposal of a subsidiary.

Impairment of property, plant and equipment

During the year ended 31 December 2010, the Group reassessed the impairment on the property, plant and equipment used in the hotel operations and conference centre, and determined the net carrying amounts were close to the recoverable amounts. As a result, the Group neither further recognised nor reversed the impairment loss in the Group's financial statements for the year ended 31 December 2010. The recoverable amounts were determined based on value in use and were determined at the estimated future cash flow discounted at rates of 11 to 11.5 per cent per annum.

12. COMPLETED INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER CONSTRUCTION

Group

	Year ended 31 December 2010	Year ended 31 December 2009
Completed investment properties		
At beginning of year	489,000	497,010
Add: Transfer from investment properties under construction	173,832	6,153
Add: Gain/(loss) from increase/(decrease) in fair value of completed investment properties	16,168	(14,163)
At end of year	679,000	489,000
Investment properties under construction		
At beginning of year	170,710	39,740
Add: Construction costs	99,845	98,087
Less: Transfer to completed investment properties	(173,832)	(6,153)
Add: Fair value (loss)/gain	(1,723)	39,036
At end of year	95,000	170,710

The investment properties owned by the Group include retail spaces on commercial streets and comprise both completed investment properties and investment properties under construction. The fair values were valued by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professionally qualified valuer.

As there is no active market for the said properties, and due to the absence of similar properties in the same location and condition, the valuations were performed based on the income approach. The following main inputs have been used.

	31 December 2010	31 December 2009
Completed investment properties		
Yield		
Scandinavia Street, Shanghai	9-10%	9-10%
Shopping mall, Shanghai	4-5%	—
Wu Culture Street, Wuxi	4-5%	4-5%

Investment properties under construction

In arriving at fair value of the investment properties under construction, reference is made to the comparable sales evidence available in the relevant market, after taking into account the construction costs and the costs that will be expended to complete the development.

Changes in fair values of completed investment properties are recognised in profit or loss. The Group's interests in completed investment properties at their net book values are analysed as follows:

Description and Location	Existing use	Tenure	Unexpired lease term	31 December 2010	31 December 2009
Scandinavia Street Shanghai, PRC	Retail street	Leasehold	44.8 years	420,000	420,000
Shopping mall Shanghai, PRC	Supermarket	Leasehold	39.0 years	190,000	–
Wu Culture Street Wuxi, PRC	Retail street	Leasehold	36.9 years	69,000	69,000
				679,000	489,000

The Group's investment properties are held under medium term (less than 50 years but not less than 10 years) leases and are situated in Mainland China.

The following amounts relating to the completed investment properties and investment properties under construction have been recognised in profit or loss:

	Year ended 31 December 2010	Year ended 31 December 2009
Completed investment properties:		
Rental income	3,884	6,384
Gain/(loss) from increase/(decrease) in fair value	16,168	(14,163)
Other direct operating expenses	(3,148)	(1,033)
	(1,723)	39,036
Investment properties under construction:		
(Loss)/gain from (decrease)/increase in fair value	(1,723)	39,036

Certain investment properties are pledged for bank borrowings (see Note 18).

13. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments and their movements are analysed below:

Group	31 December 2010	31 December 2009
In Mainland China, Medium term leaseholds (less than 50 years but not less than 10 years)	485,553	477,548
In Mainland China, Long term leaseholds (not less than 50 years)	76,964	75,863
	562,517	553,411

Group	Year ended 31 December 2010	Year ended 31 December 2009
At beginning of year	553,411	320,273
Additions	23,402	241,688
Amortisation charges to profit or loss	(9,246)	(8,550)
Amortisation into properties under development for sales and construction in progress	(5,050)	–
At end of year	562,517	553,411

As of 31 December 2010, the above prepaid land lease payments included a balance of RMB326,232 thousand (2009: RMB162,588 thousand) of prepaid land lease payments held for development into properties for sale, hence they are classified as current assets.

The net carrying amounts of prepaid land lease payments, which were pledged for bank borrowings (see Note 18), were as follows at the end of each of reporting periods:

	31 December 2010	31 December 2009
Land use rights for convention facilities	70,705	72,285
Land use rights for golf club house and hotel	71,600	226,125
Land use rights for Lake Malaren SOHO Project	101,493	–
Land use rights for Lake Malaren Silicon Valley Project	147,775	–
	391,573	298,410

14. LAND DEVELOPMENT FOR SALE

Group	31 December 2010	31 December 2009
At cost:		
Mainland China	3,590,414	3,640,398

Land development for sale represents cost of land development within the districts of the new town development projects. Though the Group does not have ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities in those new town development projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales (including related public utilities fees, if any).

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

Accounting policy of revenue recognition on land development for sale, when revenue is recognised depends on the timing of sales of related land plots by authorities, which is uncertain and out of the control of the Group. Upon the sales of related land plots by authorities, the amounts of land development for sale were recognised and recorded as cost of sales (see Note 6).

15. PROPERTIES UNDER DEVELOPMENT FOR SALE

Group	31 December 2010	31 December 2009
At cost:		
In Shanghai City, PRC	73,073	—
In Wuxi City, PRC	1,021	—
	74,094	—
	31 December 2010	31 December 2009
Properties under development expected to be recovered:		
Within one year	—	—
After one year	74,094	—
	74,094	—

As of 31 December 2010, none of the Group's properties under development for sale were pledged collateral for the Group's bank loans.

16. PREPAYMENTS AND OTHER RECEIVABLES

Group	31 December 2010	31 December 2009
Prepayments	254,155	6,155
Other receivables	368,434	354,983
Other receivables	386,944	354,983
Less: allowance for impairment	(18,510)	—
Other receivables, net	368,434	354,983

- (a) The above prepayments at 31 December 2010 included a RMB214 million (31 December 2009: nil) of prepayment for land use right located in Chengdu.
- (b) The above other receivable balances at 31 December 2010 included an estimated receivable of RMB292 million (31 December 2009: RMB322 million) due from the Changchun Auto Industry Development Zone Administrative Committee (the "Changchun Committee"). In December 2009, the Group has entered into an agreement ("the 2009 Agreement") with the Changchun Committee to cease the land development by the Group through Changchun New Town Automobile Industry Construct Co., Ltd. in Changchun. Pursuant to the 2009 Agreement, although no detailed repayment schedule had been set out in the 2009 Agreement, the Changchun Committee agreed to fully repay the Group within a year from the date of the 2009 Agreement, for, firstly, the cost of construction, which shall be determined by independent qualified professional parties after conducting construction audits, and, secondly, the cost of relocation that has been incurred by the Group in accordance with the relevant relocation agreement, and compensate the Group for finance costs (including certain related miscellaneous expenditure) at an interest rate of 10% per annum based on the time elapsed since the actual date when such finance costs were incurred by the Group. During the year ended 31 December 2010, RMB33 million had been collected by the Group (2009: RMB10 million after signing the 2009 Agreement), among which RMB19 million (2009: nil) was

used to settle the estimated payables to constructors on behalf of the Changchun Committee during the year ended 31 December 2010. In addition, the estimated receivables from the Changchun Committee and estimated payables to constructors were both increased by a total amount of RMB3 million as a result of the construction audits to date. The total collections so far from the Changchun Committee amounted to approximately RMB51 million (RMB8 million had been received before the 2009 Agreement was reached). In December 2010, due to the delay in construction audits and other necessary procedures, the Changchun Committee issued a letter requesting to extend the repayment of remaining balances from end of 2010 to no later than end of 2011. Since Changchun Committee promised, in the letter, to continue to honour all other clauses of the 2009 Agreement, the directors expect that the receivable will be fully settled, and hence, no allowance had been made for the receivable due from the Changchun Committee as at 31 December 2010 (2009: no allowance). The transaction did not contribute any significant profit or loss to the Group.

- (c) The above other receivable balances at 31 December 2010 also included an amount of RMB35 million receivable due from two third-party constructors. In December 2008, due to illegal occupation of agricultural land for the purpose of constructing a golf course, the Liaoning Department of Land and Resources established that as a case for investigation, and it issued the Administrative Penalty Decision Notice in this respect. Though the Group has instructed third-party constructors to stop the construction of the golf course on the agricultural land, those constructors still continued such construction and therefore those constructors agreed to compensate the Group by RMB41 million. Up to May 2010, the Group has fulfilled what was required by the Liaoning Department of Land and Resources, i.e., the golf clubhouse which was established within the grounds of the sports and recreation park under the Shenyang Project, was confiscated, the Group paid a fine of approximately RMB14.7 million and was required to reinstate the portion of agricultural land that was illegally occupied for the construction of the golf course and clubhouse. The confiscation of club house and reinstatement of a portion of agricultural land caused the Group to write down a total carrying amount of RMB30.6 million (see Note 11) of property, plant and equipment. Since the RMB41 million compensation from the constructors partially compensate the fine and the write-down of property, plant and equipment, the Group incurred a loss of RMB4.3 million as disclosed in Note 5. During the year ended 31 December 2010, RMB6 million has been collected by the Group and the third-party constructors promised to repay the remaining amounts in the year ending 31 December 2011. As of 31 December 2010, no further allowance in respect of the case was made as the case was closed officially in June 2010 and the directors expect that the receivable will be fully settled.

An aged analysis of the other receivables is as follows:

	31 December 2010	31 December 2009
Within 6 months	39,892	334,131
6 months to 1 year	35,143	156
1 year to 2 years	292,580	755
2 years to 3 years	360	19,331
Over 3 years	18,969	610
	386,944	354,983

Included in the above, there is a bad debt allowance for other receivables of RMB18,510 thousand, which has been outstanding for almost four years and is not expected, to be recovered. The Group does not hold any collateral or other credit enhancements over this balance.

Except for the above impaired receivable, none of the balances is either past due or impaired.

17. TRADE RECEIVABLES

Group	31 December 2010	31 December 2009
Receivables from land development for sale	566,131	374,545
Receivables from the sale of golf club membership	7,688	51,075
Others	5,328	5,203
	579,147	430,823

An aged analysis of the trade receivables is as follows:

	31 December 2010	31 December 2009
Within 6 months	29,940	164,472
6 months to 1 year	320,790	14,640
1 year to 2 years	44,381	156,993
2 years to 3 years	112,305	27,991
Over 3 years	71,731	66,727
	579,147	430,823

The above balances are unsecured and interest-free. The fair values of the trade receivables at the end of each reporting period approximate to their carrying amounts. No trade receivables were written off as of 31 December 2010 (2009: nil).

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

	31 December 2010	31 December 2009
Neither past due nor impaired	571,420	408,062
Past due but not impaired:		
Within 30 days	256	618
30 to 60 days	–	667
61 to 90 days	–	1,127
91 to 120 days	1	517
Over 120 days	7,470	19,832
	579,147	430,823

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

18. INTEREST-BEARING BANK BORROWINGS

The interest-bearing bank borrowings which were all denominated in RMB (except a HK\$200,140 thousand loan) are as follows:

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Bank loans – secured	2,168,589	2,157,000	170,299	–

The bank borrowings are repayable as follows:

	Group		Company	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Within 6 months	190,299	100,000	170,299	–
6 months to 9 months	49,990	–	–	–
9 months to 12 months	230,000	210,000	–	–
1 year to 2 years	325,000	250,000	–	–
2 years to 5 years	802,000	870,000	–	–
Over 5 years	571,300	727,000	–	–
	2,168,589	2,157,000	170,299	–

The Group's bank loans bore interest at floating rates ranging from 5.76% to 6.73% and 5.35% to 6.37% per annum for the years ended 31 December 2010 and 2009, respectively.

Long-term and short-term bank borrowings

As at 31 December 2010, bank borrowings of RMB2,168,589 thousand (2009: RMB2,157,000 thousand) were pledged by the Group's certain properties, completed investment properties and investment properties under construction, prepaid land lease payments as well as bank deposits, whose net carrying amounts at 31 December 2010 were RMB516,437 thousand (2009: RMB558,978 thousand), RMB610,000 thousand (2009: RMB584,000 thousand), RMB391,573 thousand (2009: RMB298,410 thousand), and RMB178,000 thousand (2009: nil) respectively. Also, as at 31 December 2010, a long-term bank loan with principal of RMB149,990 thousand (2009: nil) were guaranteed by Mr. Shi Jian, the Chairman of the Company.

The Group had a undrawn credit facilities of RMB50 million as at 31 December 2010 (2009: nil).

19. SENIOR NOTES

On 12 September 2008, a 17.75% US dollar settled Senior Secured Guaranteed Notes (the "Senior Notes") with the principal amount of RMB593.3 million due on 12 September 2011 were issued by the Company as part of the consideration for the repurchase of the 5.0% US dollar settled convertible bonds ("CB2", originally issued on 13 February 2007, all of which were converted or repurchased before 2009).

On 11 September 2009, the Company has completed the repurchase of RMB505,940 thousand in the principal amount (with a carrying amount of RMB497 million) of the Senior Notes from the Noteholders by an aggregate of newly issued 229,586,468 ordinary shares (with a fair value of RMB132 million) of the Company by way of a private placement and cash amounting to US dollar equivalent of RMB340 million, as a result, the Group reported a RMB24,744 thousand gain on repurchase. The Company financed the above-mentioned cash consideration through (i) the issue of 2% convertible bonds in an aggregate of RMB276 million due 2016 (see Note 20) and (ii) the issue of an aggregate of 222,295,064 shares in an amount of RMB84 million by way of private placement to Sinopower Investment Limited ("Sinopower"), a wholly-owned subsidiary of SRE. The repurchased Senior Notes were cancelled and the outstanding principal after the repurchase was reduced to RMB87,360 thousand.

On 19 November 2010, the Company has completed the repurchase of all the outstanding RMB87,360 thousand in the principal amount (with a carrying amount of RMB86,155 thousand including interest accrued) of the Senior Notes for a total cash consideration of RMB90,332 thousand (i.e. the principal amount plus all accrued but unpaid interest of RMB2,972 thousand up to 19 November 2010). The repurchase resulted in a loss of RMB4,177 thousand and no Senior Notes were outstanding after the repurchase.

The movements of the carrying amounts of the Senior Notes in the years ended 31 December 2010 and 2009 are as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Carrying amount at beginning of year	84,363	550,835
Interest expense (recognised using the effective interest rate of 25.75% per annum)	17,287	91,335
Interest paid	(15,495)	(60,409)
Repurchase	(86,155)	(497,398)
Carrying amount at end of year	–	84,363
Current portion	–	(84,363)
Non-current portion	–	–

Since certain covenants of the remaining Senior Notes have not been complied with as of 31 December 2009, which could result in the holder of the Senior Notes requiring immediate repayment of the outstanding principal and accrued and unpaid interest, the Group classified the Senior Notes as current liability as of 31 December 2009 accordingly.

20. CONVERTIBLE BONDS

CB3

On 9 September 2009, the Company issued RMB275,994 thousand in the aggregate principal amount of two (2) per cent convertible bonds due in 2016 (“CB3”), to Sinopower, a shareholder of the Company. The holder of the bond has the right to convert the entire bond to 754,145,894 shares of the Company at the conversion price of RMB0.3660 per share (translated from SG\$0.07872, translated at an exchange rate, which is fixed in the terms and conditions) at any time from the issue date until the maturity date. On the maturity date, CB3 shall be redeemed at the principal amount together with unpaid accrued interest.

Based on the terms of CB3, the equity conversion options embedded in CB3 are equity instruments of the Company. Hence, the convertible bond comprises two components: a financial liability (a straight debt) and an equity instrument (the conversion option, i.e., a call option granting the holder the right to convert CB3 into a fixed number of ordinary shares of the Company). Accordingly, the Company has presented the liability and equity components separately on its statement of financial position from 9 September 2009. The host debt instruments are initially recognised at fair value net of related transaction costs, and are subsequently measured at amortised cost.

Conversion of CB3

On 20 April 2010, the Company allotted and issued 754,145,894 shares to Sinopower pursuant to the conversion of CB3. The carrying amounts of the liability and equity components of CB3 were transferred to share capital from liability and other reserves respectively.

The movements of the carrying amounts of host debts in CB3 in the years ended 31 December 2010 and 2009 are as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Carrying amount of host debts at beginning of year	144,115	–
Carrying amount of host debts on initial recognition upon issuance (fair value upon issuance)	–	138,579
Interest expense recognised using the effective interest rate of 13.49% per annum	5,560	5,536
Interest paid	(3,394)	–
Conversion to shares	(146,281)	–
Carrying amount of host debts at end of year	–	144,115
Less: current portion – accrued coupon interest (<i>Note 22</i>)	–	(1,709)
Non-current portion at end of year	–	142,406

The fair values of CB3 are valued by DTZ and Real Actuarial Consulting Limited.

As at 31 December 2010 and 2009, no derivative financial liabilities were outstanding.

21. DEFERRED INCOME

Group	Notes	31 December 2010	31 December 2009
Deferred revenue arising from:			
Sale of golf club membership	(i)	538,176	562,675
Land development	(ii)	895,670	639,940
		1,433,846	1,202,615

Notes:

- (i) The revenue arising from the sale of golf club membership is deferred and recognised on the straight-line basis over the expected period when the related benefits would be provided.
- (ii) The deferred revenue arising from land development for sale represents the portion of amounts received/receivable from the land authorities as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities attributable to the parcels of land sold are still in progress. The amounts received/receivable are non-refundable unless the Group cannot complete the development work. The deferred income is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

22. TRADE PAYABLES, OTHER PAYABLES AND ACCURALS

Group	31 December 2010	31 December 2009
Trade payables	917,806	1,265,252
Accruals for commission of golf club membership	25,131	28,488
Payroll and welfare	6,103	5,158
Other taxes payable:		
Business tax payable	262,891	176,860
Property tax payable	30,686	25,406
Land use tax payable	13,270	10,407
Other miscellaneous tax	10,760	4,743
Estimated payables to constructors on behalf of the Changchun Committee	113,681	132,125
Receipts in excess of the Group's estimated share of land sales proceeds	64,473	26,477
Agency fee payables for promotional services	4,057	42,000
Obligation to construct a transportation centre	–	53,222
Earnest money of a potential investment	–	43,605
Other payables	34,652	42,631
Accrued coupon interest of CB3 (<i>Note 20</i>)	–	1,709
Accrued interest on bank borrowings	4,067	3,603
	1,487,577	1,861,686

Terms and conditions of the above liabilities:

- Trade payables are non-interest-bearing and are normally settled within one year.
- Accruals for the commission of golf club membership to agents are settled in the period in which the related golf club membership fees are received.
- Payroll and welfare are normally settled within the next month.
- Interest payable on bank borrowings is normally settled quarterly throughout the financial year.
- Other payables and other tax payables are non-interest-bearing and are normally settled within one year.

An aged analysis of the Group's trade payables as at the reporting dates is as follows:

	31 December 2010	31 December 2009
Within one year	556,085	903,808
1 to 2 years	226,411	285,174
Over 2 years	135,310	76,270
	917,806	1,265,252

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 7 April 2010, the Company transferred 4,128,750 treasury shares to entitled persons who exercised the second tranche share options under the Management Grant implemented on 5 July 2007.

On 20 April 2010, the Company issued and allotted 754,145,894 new ordinary shares to Sinopower in connection with the Convertible Bonds in aggregate amount of RMB275,994,230 2% due 2016 has been exercised by Sinopower in full the conversion rights attached thereof.

On 7 July 2010, the Company sold the total number of 51,639,250 treasury shares in the open market in compliance with the requirements of the HKEx in relation to the proposed dual listing by way of introduction.

On 19 November 2010, the Company repurchased all outstanding RMB87,360,000 in aggregate amount of 17.75% U.S. Dollar settled senior secured guaranteed notes due 2011 issued by the Company.

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

BUSINESS REVIEW

- a) Fair review of development of business of the Group during financial year and of their financial position at the end of the year:

Operating Results

The Group has substantially benefited from the maturity of the Shanghai project. During the financial year, revenue and operating profit of the Group have increased 36% and 45% respectively compared to 2009.

In 2010, revenue arising from sale of two land plots from our Shanghai project and three land plots from the Wuxi project was recognized. In particular, the land plots from Shanghai project sold in 2010 achieved a historical record average price of RMB21,289 per square meter in terms of gross floor area for our project, which represents 133% increase from the sale in 2009.

The details of the contracted prices of land sales are summarized as follows:

Project	Site area (sqm.)	Plot ratio	Month	Gross floor area (sqm.)	Contract price (RMB'mil) (Sqm.)	Average price by gross floor area (RMB per sqm.)
Luodian, Shanghai	43,326	0.6	August	25,995	523	20,100
Luodian, Shanghai	107,825	0.6	August	64,695	1,377	21,289
Hongshan, Wuxi	53,769	1.05	February	56,457	108	1,913
Hongshan, Wuxi	65,911	1.20	February	79,093	136	1,719
Hongshan, Wuxi	127,637	1.60	December	204,219	382	1,871

As shown above, the Shanghai Luodian new town continued to be the key earning driver for the Group. In addition, we also have achieved revenue through the sale of three land plots from the Wuxi project. The achieved average price in Wuxi was RMB1,892 per square meter in terms of site area and contributed revenue of RMB246.8 million. As the Wuxi project steadily develops, it will bring in operating cash flow for further development and help geographically diversify earnings of the Group.

The master plan of the Shenyang project remains in the process of modifications, and as a result, the project is only expected to make some revenue contribution in the next couple of years.

The operating results of the commercial assets in Shanghai, namely hotel and golf courses were largely in line with last year. The Group does not expect any significant changes in the near future.

Operating expense

During the course of the year, selling and distributing costs decreased by RMB54.4 million compared to 2009, which is primarily due to the commission incurred for land sales decreased from RMB78 million in 2009 to RMB18 million in 2010.

During the financial year, administrative expenses increased by RMB63.2 million compared to 2009, mainly due to:

- i> The dual listing expenses and fees of RMB32 million incurred in 2010 for the listing of company shares on the Main Board of the HKEx;
- ii> The provision of RMB18.5 million against the long aged subsidy receivable in Shanghai project incurred in 2010; and
- iii> The scheduled renovation for retail street and convention center of RMB10 million incurred in 2010.

There were no such expenses incurred in 2009.

Non-operating activities

The Group's reported earnings is helped by an increase in fair value of completed investment properties totalling RMB16.2 million mainly attributable to the Wuxi retail street Phase 1 and Shanghai shopping mall.

This, however, are partially offset by

- i> Loss from disposal of property, plant and equipment of RMB13 million arising from clearing the land for developing Lake Malaren Silicon Valley available for sale as corporate headquarters;
- ii> Write-off of property, plant and equipment amounting to RMB4.3 million due to confiscation of property from Liaoning Department of Land and Resources in relation to an alleged occupation of a portion of agricultural land on which a sports and recreation park and club facility were built;
- iii> Net revaluation loss of RMB1.7 million mainly attributable to the Wuxi retail street Phase 2; and
- iv> The donation made to Shanghai Senior Citizens Foundation in relation to Yushu earthquake amounting to RMB5 million.

Financing cost

As indicated in previous circulars, after the completion of the repurchase of the Senior Notes (see Note 19), interest expenses have been reduced. During the year, the Group has recorded total net financing costs of RMB97.9 million, which comprised RMB147.6 million interest expenses arising from various debt instruments, partially offset by interests capitalized of RMB49.7 million. This compares with net finance costs of RMB104.4 million for 2009.

Taxation

The Group recorded the income tax of RMB188.6 million in 2010, which comprised income tax of RMB169 million arising from net profit before tax of RMB550.2 million and withholding tax of RMB19.6 million due to the accumulative gain during past three years since 2008 in Shanghai and Wuxi project.

Liquidity

The significant increase in revenue resulted in approximately RMB320.8 million net cash inflow from operating activities, whereas our Shanghai project utilized RMB214.5 million to acquire land use rights of a residential plot in Chengdu for property development. Overall, cash and bank balance is stable over the year resulting in a balance of RMB1.4 billion from RMB1.5 billion as at the end of last year.

During 2010, the Group has secured new loan facilities of RMB200 million from the China Minsheng Bank for further construction and development. RMB150 million of the facility has been drawn down.

Gearing ratio (as measured by net debt/total equity holders' capital and net debt) decreased from 24% as at 2009 to 19% as at end 2010.

- b) Details of important events affecting the Group which have occurred since the end of the financial year:

In October 2010, the 17th Plenary Meeting of the PRC Communist Party passed the Twelfth Five-Year Plan for National Development (the “Twelfth Five-Year Plan”), outlining the macro directions for national economic and social development between 2011 and 2015. The Twelfth Five-Year Plan underscored expanding domestic consumption and steadily increasing the level of national urbanization as top priorities in restructuring the national economy. The Twelfth Five-Year Plan also set the target of raising the national urbanization rate from 47% in the end of 2009 to 50% by 2015. Rapid urbanization on in China, now on the national agenda, will create strong demand for urban land resources. This presents the Group, a leading private new town developer with proven track record, with enormous business opportunities.

While domestic economy is recovering strongly, the real estate industry is increasingly exposed to policy pressure. After the financial tsunami, price and volume for commercial properties nationwide have recorded sharp rise, raising the Central Government’s concern on the emergence of an asset bubble. In April 2010, the Central Government introduced policies to strictly curb the speculations of real estate (alias “Ten Measures of the State Council” (“國十條”), imposing clear and stringent restriction on the purchase of real estate and housing loans. On 26 January 2011, the Central Government introduced “Eight New Measures of the State Council” (“新國八條”), which not only further restricted second and third home buying, but also, held local government promptly accountable for property price control. And in less than a day later of the introduction of such policies, it was also announced that Shanghai and Chongqing would launch pilot tests for imposing property tax. On the other hand, the People’s Bank of China decisively announced credit tightening measures, including the hiking deposit reserve requirement ratio for eight consecutive times and lifting benchmark interest rate for three times. While policy control would likely continue for a certain period, house purchasers would shift to a prudent approach. Nevertheless, from a long-term prospective, these policies are constructive to the healthy development of the real estate industry.

As the business model of the Group is significantly different from traditional real estate developers, we are in a position to leverage our distinctive model in such environment. Firstly, to control domestic property price, abundant supply of land resources to the market is of utmost importance, especially land from those land lots surrounding the city with an affordable price. The Group has a substantial amount of such land resources and would be in a position to benefit from the national policies. In addition, as the Shanghai Luodian Project is increasingly established, it could provide the Group with steady cash flow, while the steady growth in new town projects in Wuxi and Shenyang would enhance the Group’s financial position in the long term. The Group will strengthen its management on cash flow and continue its stringent costs control, while actively promoting its brand and maintaining reputation in quality to get itself ready for the future opportunities arising in the real estate market.

c) An indication of likely future developments in the business of the Company and its subsidiaries:

In the past financial year, the Group has taken a strategic initiative to expand our value chain beyond land development and enter the property development space. Extending our presence to property market and pursuing an integrated business model of primary (land) and secondary (property) development is a sound strategy for the Group in the long term. We plan to start with four property development initiatives. The largest is the Lake Malaren Silicon Valley Project, for which we are currently in the process of obtaining all relevant permits. It is located within our Shanghai Luodian project and benefits from the luxury view of Lake Malaren Golf Course. It will be developed into low-density commercial offices available for use as corporate headquarters. The Group owns the land use rights of the land. Along with the commencement of the golf tournament at PGA standards, jointly organized by the Group and IMG on the Lake Malaren Golf Course in the next five years, the properties will be gradually released to the market, providing the Group with a new and substantial source of revenue stream (The total gross floor area (“GFA”) of the project is 97,000 square meters, and the land cost booked in the financial statement is RMB147.78 million by the end of 2010). Another property development project also located in Shanghai Luodian, the Lake Malaren SOHO Project on top of the metroline transportation hub will be fully commenced in 2011. (The total GFA of the project is 39,317 square meters, and the land cost booked in the financial statement is RMB101.49 million by the end of 2010.)

We have a third property development project in Wuxi, which is still in the early stage of obtaining permits. (The total GFA of the project is 83,055 square meters, and the land cost booked in the financial statement is RMB76.96 million by the end of 2010).

Apart from the above, the Group also successfully bid a land parcel in Pi County in Chengdu, the provincial capital of Sichuan, for the development of residential properties. Apart from being our first secondary market project outside of the Group’s own new towns, establishing the business presence in Chengdu, the centre of Southwest China, marks an important step for the Group’s future development in the region. (The total GFA of the project is 215,202 square meters. The Company has already pre-paid RMB214.53 million as 50% of the land cost, the remaining will be paid in the first half of 2011.)

We believe there are strong complementarities and synergies between our primary and secondary market operations. Going forward, the Group will fully utilize its in-depth knowledge and extensive connections on a local level. This includes a high level of familiarity with local political and economic environments, as well as unique insights on the potential of real estate projects within our new towns. At the same time, as the Group is devoted to enhancing the long term value of land in our new towns, it will also greatly increase the value appreciation potential of secondary projects within new towns. Furthermore, secondary development business will complement our primary development operations with their steady cash flow and shorter investment cycles.

While extending our value chain, we are constantly reinforcing our business of land development. One of the areas is we have been particularly focusing on bringing the best healthcare brand names into our new towns. For example, we are considering the feasibility of introducing the International Peace Maternity & Child Health Hospital (國際婦幼保健院) in our Shanghai Luodian project, Shanghai Ruijin Hospital (上海瑞金醫院) in our Wuxi project, which are the most famous hospitals in Shanghai. In a time of rapid household wealth growth and ever growing need of quality healthcare, we foresee a strong demand for brand name healthcare providers in our new towns and their vicinities and believe that such addition will have a long term significant upside support on our land value.

APPRECIATION

It is the Board's privilege to express our gratitude to our strategic investors and shareholders for their trust and support and to offer my heartfelt thanks to all directors, executives and staff members in the Group for their team spirit and loyalty throughout the challenging year.

CORPORATE GOVERNANCE

The Company subscribes to best practice on corporate governance, and has complied with the principles and guidelines of the Code of Corporate Governance 2005 issued by the Corporate Governance Committee in Singapore and has subsequently complied with the code provisions of the Code on Corporate Governance Practices (the "HK Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the HKEx (the "Listing Rules") from the date of its listing on the HKEx to 31 December 2010 except for the Code provision E1.2 of the HK Code, that the Chairman of the Board did not attend the annual general meeting (the "AGM") for the year 2010 due to other business commitment. The Vice-chairman of the Board had attended in chairman's absence.

DIRECTORS' COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made of all Directors, who have confirmed that they complied with required standard set out in the Model Code.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, there were 1,182 (2009: 1,187) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

FINAL DIVIDENDS AND DATE OF BOOK CLOSURE

The Board recommends the payment of final dividend of SG0.308 cent per ordinary share to the Shareholders registered in the British Virgin Islands Register and HK1.880 cents per ordinary share to the Shareholders registered in the Hong Kong Branch Register (2009: SG 0.278 cent per share), which is subject to the approval by the shareholders of the Company at the forthcoming AGM of the Company to be held on 29 April 2011. The final dividends will be payable on all ordinary shares in issue as at the close of business on 24 May 2011 after deducting any shares repurchased and cancelled up to the close of business on 12 May 2011. As at 31 December 2010, 3,894,804,926 ordinary shares were in issue.

The Share Transfer Books and Registers of Members will be closed on 12 May 2011, during which no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, duly completed registrable transfer should be deposited at the Company's Share Transfer Agent, Tricor Barbinder Share Registration Services, at 8 Cross Street #11-00 PWC Building Singapore 048424 by 5:00 p.m. on 11 May 2011 (for British Virgin Islands Register) and the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 11 May 2011 (for Hong Kong Branch Register).

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The audited annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Company (www.china-newtown.com) and HKEx (www.hkexnews.hk). The annual report of the Company for 2010 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
China New Town Development Company Limited
Song Yiqing
Chief Financial Officer/Executive Director

Hong Kong, March 10, 2011

As at the date of this announcement, the executive Directors are Mr. Shi Jian (Chairman), Mr. Li Yao Min, Ms. Gu Biya, Ms. Song Yiqing, Mr. Mao Yiping, Mr. Yang Yonggang and Mr. Shi Janson Bing, the non-independent non-executive Director is Mr. Yue Wai Leung Stan, and the independent non-executive Directors are Mr. Henry Tan Song Kok, Mr. Loh Weng Whye, Mr. Lam Bing Lun Philip and Mr. Kong Siu Chee.