建業地產股份有限公司 *

Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0832)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The board (the "Board") of directors (the "Directors" and each a "Director") of Central China Real Estate Limited (the "Company", "Central China" or "CCRE") announces the consolidated results (the "Annual Results") of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010. The Annual Results have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of the Group for the year ended 31 December 2010 on behalf of the Board.

In 2010, while the world's major economies were still at the recovery stage, China's economy maintained its growth momentum, striking a 10.3% year-on-year increase in its gross domestic product ("GDP"). For the property development industry, due to China's central government's increasing concern about the overheated property market in various regions, tightening measures were introduced to ensure the industry's healthy and steady growth. Overall, the measures are increasingly more specific as the central government implements more tightening measures.

GDP growth in Henan Province was 12.2% in 2010 as it continued its upward growth trend in economic and social development. While commodity properties transaction volumes in first tier cities declined, Henan's real estate industry continued to grow, albeit at a slower pace, demonstrating the strong underlying real demand driven by end-users.

Benefitting from the steady growth in Henan's economy and property market, the Company achieved notable growth in 2010 over the previous year. In 2010, the Company achieved revenue of RMB4.5 billion, representing a 63% increase year-on-year. This is the first year that the Company's contract GFA exceeded one million sq.m.. In 2010, the Company ranked 24th among property developers in China and took the first place in Henan Province in terms of GFA delivered. We are confident that our development projects in Henan's third tier cities will contribute more significantly to the Company's performance as a result of our successful expansion into these new markets. At the same time, the Company's brand reputation and market share have increasingly gained market recognition.

In 2010, the Company's culture, built on its core beliefs — "to be faithful and responsible, to be on the right track and to do what is right" — emphasizes its commitment to deliver quality products and services as its core values. The Company is committed to continuously improving the quality of products and services and developing new core competences. In 2010, we actively promoted the development of low-carbon emission residential properties to establish a sustainable business model. In January 2010, a study group was formed to develop low-carbon and green product series and the Company's "Central China Green Initiative" was mapped out, building a strong foundation to lead the market in green awareness and action for low carbon emission. We also had further progress in setting up the provincial network of services by connecting more business partners, providing more comprehensive and in-depth services to customers. This is the unique business model that differentiates the Company from other developers in Henan.

In 2010, on the financing front, the Company successfully issued US Dollars 300 million 5-year Senior Notes. This was a significant step for the Company in the international capital market. With strong support from both onshore and offshore capital markets and significant growth in its operations, the Company was able to obtain new land parcels at relatively low costs as planned. New landbank acquired by the Company reached 3.1 million sq.m. in GFA during the year. It is also worth noting that the Company had inked several strategic cooperation agreements with Henan cities and county governments, creating room for further development in future in the province. At the same time, the Company's gradual investments in commercial properties and hotels will also support future sustainable earnings and growth.

In 2011, we expect macro-economic development to emphasize on growth as well as sustainability. The property market will continue to encounter uncertainties arising from the government's austerity measures. However, notwithstanding the headwind, the Board believes that strong fundamentals and competitiveness are key to a company's development. To fulfill our commitment, the Company will actively introduce innovative, effective and efficient management philosophies, accelerate the development cycle of projects, fine-tune development schedules and strive to achieve its targets for 2011.

I wish to thank our staff members and management for their dedication and hard work. This is an era of challenges, and shareholders' trust and recognition are the source of our strength. Besides maximizing shareholder value, the Company is committed to be a motor of the development and urbanization in the cities within central China. The Company will continue to make greater contribution to China's sustained and healthy development in the real estate market and to the prosperity of the community.

Chairman
Wu Po Sum

16 March 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	**2010** *RMB'000*	2009 *RMB'000*
Turnover	3	**4,516,351**	2,739,831
Cost of sales		**(2,970,439)**	(1,788,249)
Gross profit		**1,545,912**	951,582
Other revenue	4	**33,356**	41,964
Other net income	4	**27,532**	21,541
Selling and marketing expenses		**(143,900)**	(113,285)
General and administrative expenses		**(234,044)**	(164,708)
Other operating expenses		**(8,062)**	(19,292)
Profit from operations		**1,220,794**	717,802
Share of losses of associates		**(2,224)**	(2,831)
Share of losses of jointly controlled entities		**(3,904)**	—
Finance costs	5(a)	**(122,853)**	(66,080)
Profit before change in fair value of investment properties and income tax		**1,091,813**	648,891
Increase in fair value of investment properties		**3,673**	2,461
Profit before taxation	5	**1,095,486**	651,352
Income tax	6	**(515,427)**	(223,221)
Profit for the year		**580,059**	428,131

	Note	**2010**	2009
		RMB'000	*RMB'000*
Attributable to:			
Equity shareholders of the Company		**544,887**	405,326
Non-controlling interests		**35,172**	22,805
Profit for the year		**580,059**	428,131
Earnings per share	8		
— Basic *(RMB cents)*		**27.24**	20.27
— Diluted *(RMB cents)*		**26.23**	20.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

(Expressed in Renminbi)

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**580,059**	428,131
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**28,093**	2,659
Total comprehensive income for the year	**608,152**	430,790
Attributable to:		
Equity shareholders of the Company	**571,753**	407,749
Non-controlling interests	**36,399**	23,041
Total comprehensive income for the year	**608,152**	430,790

CONSOLIDATED BALANCE SHEET

at 31 December 2010

(Expressed in Renminbi)

	Note	At 31 December 2010	At 31 December 2009 (Restated)	At 1 January 2009 (Restated)
	Note	***RMB'000***	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment		**513,268**	244,163	211,209
Investment properties		**276,900**	264,400	254,584
Interests in associates		**40,837**	19,471	22,302
Interests in jointly controlled entities		**2,742,160**	—	—
Other financial assets		**71,800**	15,800	15,400
Deferred tax assets		**18,260**	19,294	3,309
		3,663,225	563,128	506,804
Current assets				
Trading securities		**163,461**	—	—
Properties for sale		**6,334,705**	5,247,446	4,803,837
Trade and other receivables	10	**328,064**	275,625	223,103
Deposits and prepayments		**956,533**	1,146,004	343,568
Prepaid tax		**80,468**	42,474	27,520
Restricted bank deposits		**536,376**	506,989	409,797
Cash and cash equivalents		**3,370,335**	2,364,987	927,721
		11,769,942	9,583,525	6,735,546

	Note	At 31 December 2010	At 31 December 2009 (Restated)	At 1 January 2009 (Restated)
	Note	***RMB'000***	*RMB'000*	*RMB'000*
Current liabilities				
Bank loans	11	**1,423,859**	1,114,194	701,179
Other loans	12	**168,010**	95,640	123,950
Trade and other payables and accruals	13	**2,828,509**	2,040,030	1,940,923
Receipts in advance		**3,453,939**	1,770,122	947,270
Tax payable		**311,806**	157,141	106,842
		8,186,123	5,177,127	3,820,164
Net current assets		**3,583,819**	4,406,398	2,915,382
Total assets less current liabilities		**7,247,044**	4,969,526	3,422,186
Non-current liabilities				
Bank loans	11	**492,416**	658,622	232,028
Other loans	12	**449,870**	372,880	36,790
Convertible bonds	14	**552,209**	551,288	—
Senior notes	15	**1,928,806**	—	—
Deferred tax liabilities		**52,059**	67,043	63,446
		3,475,360	1,649,833	332,264
NET ASSETS		**3,771,684**	3,319,693	3,089,922

	At 31 December 2010	At 31 December 2009 (Restated)	At 1 January 2009 (Restated)
	RMB'000	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES			
Share capital	**179,637**	179,637	179,637
Reserves	**3,316,181**	2,944,720	2,760,495
Total equity attributable to equity shareholders of the Company	**3,495,818**	3,124,357	2,940,132
Non-controlling interests	**275,866**	195,336	149,790
TOTAL EQUITY	**3,771,684**	3,319,693	3,089,922

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi)

1 GENERAL

Central China Real Estate Limited ("the Company") was incorporated in the Cayman Islands on 15 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal place of business is at Room 7701B 7702A, 77th Floor, International Commence Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries ("the Group") are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certifies Public Accountants (the "HKICPA") has issued two revised Hong Kong Financial Reporting Standards ("HKFRSs"), a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HK (Int) 5, Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

— HKFRS 3 (revised 2008), Business combinations

— Amendments to HKAS 27, Consolidated and separate financial statements

— Improvements to HKFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

In November 2010 the HKICPA issued HK (Int) 5 which is effective immediately on issuance and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, Presentation of financial statements, irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK (Int) 5, the Group has changed its accounting policy on classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the balance sheet date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented.

	As previously reported	**Effect of adoption of HK (Int) 5**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Effect on the Group's balance sheet as at 31 December 2009:			
Current liabilities: Bank loans	982,154	132,040	1,114,194
Non-current liabilities: Bank loans	790,662	(132,040)	658,622
Effect on the Group's balance sheet as at 1 January 2009:			
Current liabilities: Bank loans	488,790	212,389	701,179
Non-current liabilities: Bank loans	444,417	(212,389)	232,028

The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons.

— The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

— The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

3 TURNOVER

The principal activities of the Group are property development, property leasing and construction.

Turnover represents income from sales of properties, rental income and revenue from construction contracts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
Income from sales of properties	**4,391,722**	2,659,942
Rental income	**25,143**	22,084
Revenue from construction contracts	**99,486**	57,805
	4,516,351	2,739,831

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

4 OTHER REVENUE AND NET INCOME

	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Interest income	**31,999**	39,009
Dividend income from unlisted equity securities	**1,307**	1,163
Government grants	**50**	1,792
	33,356	41,964

	2010	2009
	RMB'000	*RMB'000*
Other net income		
Net gain on disposals of property, plant and equipment	**443**	16,012
Gain on disposal of a subsidiary	**1,351**	7,474
Net exchange gain/(loss)	**18,869**	(296)
Net realised and unrealised gain/(loss) on trading securities	**6,869**	(275)
Compensation to contractors	**—**	(1,374)
	27,532	21,541

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2010	2009
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans	**113,323**	99,706
Interest on other loans	**95,917**	37,203
Interest on convertible bonds *(note 8(b)(i))*	**53,984**	17,688
Interest on senior notes	**48,917**	—
Interest on advances from customers	**5,297**	8,022
Other ancillary borrowing costs	**7,391**	6,978
	324,829	169,597
Less: Borrowing costs capitalised*	**(190,424)**	(100,221)
	134,405	69,376
Net change in fair value of derivatives embedded to convertible bonds *(note 8(b)(i))*	**(9,480)**	(3,296)
Net change in fair value of derivatives embedded to senior notes	**(2,072)**	—
	122,853	66,080

* Borrowing costs have been capitalised at a rate of 1.29%-14.00% per annum (2009: 1.33%-14.00% per annum).

	2010	2009
	RMB'000	*RMB'000*

(b) Staff costs

Salaries, wages and other benefits	**134,231**	106,821
Including:		
— Retirement scheme contributions	**7,353**	4,979
— Equity settled share-based payment expenses	**7,143**	8,343

Employees of the Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The Group's subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2010	2009
	RMB'000	*RMB'000*
(c) Other items		
Depreciation and amortisation	**15,111**	12,011
Reversal of impairment loss on other receivables	**(4,182)**	—
Impairment loss on property, plant and equipment	**—**	5,440
Auditors' remuneration	**3,065**	3,534
Cost of properties sold	**2,876,932**	1,738,510
Operating lease charges in respect of properties	**2,395**	776
Rentals receivable less direct outgoings of RMB2,050,000 (2009: RMB4,940,000)	**(23,093)**	(17,144)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**274,890**	184,021
PRC Land Appreciation Tax	**226,798**	51,585
Withholding tax	**27,689**	—
	529,377	235,606
Deferred tax		
Revaluation of properties	**(12,380)**	283
Other temporary differences	**(1,570)**	(12,668)
	(13,950)	(12,385)
	515,427	223,221

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 10% to 15% (2009: 10% to 15%) of their revenue in accordance with the authorised taxation method (核定徵收) pursuant to the applicable PRC tax regulations. The tax rate was 25% (2009: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the audited taxation method (查賬徵收), were charged CIT at a rate of 25% (2009: 25%) on the estimated assessable profits for the year.

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain subsidiaries of the Group were subject to LAT which is calculated based on 1.5% to 4.5% (2009: 1.5% to 3.5%) of their revenue in accordance with the authorised taxation method.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest received by Hong Kong companies from PRC subsidiaries ranged from 5% to 12%.

7 DIVIDENDS

(i) Dividend payable to equity shareholders of the Company attributable to the year

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$9.7 cents (equivalent to RMB8.23 cents) per ordinary share (2009: HK$6.8 cents (equivalent to RMB5.94 cents) per ordinary share)	**165,000**	120,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010	2009
	(RMB'000)	*(RMB'000)*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$6.8 cents (equivalent to RMB5.8977 cents) per ordinary share (2009: HK$11 cents (equivalent to RMB9.6917 cents) per ordinary share)	**117,953**	193,834

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB544,887,000 (2009: RMB405,326,000) and the weighted average number of 2,000,000,000 ordinary shares (2009: 2,000,000,000 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB589,391,000 (2009: RMB419,718,000) and the weighted average number of ordinary shares of 2,246,774,194 shares (2009: 2,082,483,429 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity shareholders	**544,887**	405,326
After tax effect of effective interest on the liability component of convertible bonds *(note 5(a))*	**53,984**	17,688
After tax effect of gain recognised on derivatives embedded to convertible bonds *(note 5(a))*	**(9,480)**	(3,296)
Profit attributable to equity shareholders (diluted)	**589,391**	419,718

(ii) Weighted average number of ordinary shares (diluted)

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**2,000,000**	2,000,000
Effect of conversion of convertible bonds	**246,774**	82,483
Weighted average number of ordinary shares (diluted) at 31 December	**2,246,774**	2,082,483

The Company's share options and warrants do not give rise to any dilution effect to the earnings per share.

9 SEGMENT REPORTING

Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

Turnover from major services

The Group's turnover from its major services are set out in note 3 to the financial statements.

Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

10 TRADE AND OTHER RECEIVABLES

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Bills receivable	**100**	290
Trade receivables *(note (a))*	**40,737**	2,950
Other receivables	**203,260**	142,647
Amounts due from related companies	**43,126**	112,637
Gross amount due from customers for contract work	**3,939**	—
Derivative financial instruments *(notes 14 and 15)*	**36,902**	17,101
	328,064	275,625

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Current or less than 1 month overdue	**38,417**	443
1 to 3 months overdue	**156**	130
3 to 6 months overdue	**250**	250
6 months to 1 year overdue	**522**	786
More than 1 year overdue	**1,392**	1,341
	40,737	2,950

In respect of trade receivables of mortgage sales, no credit terms will be granted to the purchasers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such purchasers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owned by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable.

11 BANK LOANS

(a) At 31 December 2010, the bank loans were repayable as follows:

	The Group		
	At 31 December 2010	At 31 December 2009 (Restated)	At 1 January 2009 (Restated)
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	**1,423,859**	1,114,194	701,179
After 1 year but within 2 years	**324,416**	628,622	212,028
After 2 years but within 5 years	**168,000**	30,000	20,000
	492,416	658,622	232,028
	1,916,275	1,772,816	933,207

(b) At 31 December 2010, the bank loans were secured as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Bank loans		
— secured	**1,176,640**	1,656,594
— unsecured	**739,635**	116,222
	1,916,275	1,772,816

At 31 December 2010, assets of the Group secured against bank loans are analysed as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties for sale	**1,916,744**	1,852,163
Restricted bank deposits	**—**	60,000
	1,916,744	1,912,163

(c) The effective interest rates of bank loans of the Group at 31 December 2010 were ranged from 4.70% - 9.18% (2009: 5.31% - 9.18%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. As at 31 December 2010, the non-current portion of term loans from banks repayable on demand amounted to RMB152,672,000 (31 December 2009: RMB132,040,000, 1 January 2009: RMB212,389,000) was classified as current liabilities of the Group upon the adoption of HK (Int) 5 (see note 2) during the year.

The Group regularly monitors its compliance with these covenants, is up to date with the schedules repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. In this regard, the non-current portion of the term loans is not expected to be settled within one year.

As at 31 December 2010, none of the covenants relating to drawn down facilities had been breached (2009: RMB Nil).

12 OTHER LOANS

(a) At 31 December 2010, other loans were repayable as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**168,010**	95,640
After 1 year but within 2 years	**297,870**	119,010
After 2 years but within 5 years	**152,000**	253,870
	449,870	372,880
	617,880	468,520

(b) At 31 December 2010, the other loans were secured as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Other loans		
— secured *(note (i))*	**357,880**	391,880
— unsecured *(note (ii))*	**260,000**	76,640
	617,880	468,520

Notes:

(i) Secured other loans were secured by assets of the Group as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Properties for sales	**174,457**	250,439
Property, plant and equipment	**106,997**	—
	281,454	250,439

Apart from the above, secured other loans with carrying amount of RMB25,000,000 (2009: RMB40,000,000) were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB133,069,000 (2009: RMB141,262,000) at 31 December 2010.

(ii) Included in unsecured other loans is an amount of RMB190,000,000 (2009: RMB7,640,000) in relation to a trust arrangement with a trust company. Under the trust arrangement, the trust company injected paid-in capital to the subsidiary and the legal title of the share was transferred to the trust company. The Group committed to repurchase while the trust company has the obligation to sell such share within a pre-set period. The trust company does not entitle to any profit distribution from the subsidiary but receives fixed interest income periodically. Such paid-in capital is classified as other loans in the financial statements.

(iii) The effective interest rates of other loans of the Group at 31 December 2010 were ranged from 6.38% - 14.00% (2009: 6.30% - 14.00%) per annum.

13 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Bills payable	**373,230**	265,004
Trade payables *(note)*	**980,002**	806,226
Other payables and accruals	**904,945**	688,491
Amounts due to jointly controlled entities	**355,783**	—
Amounts due to related companies	**32**	32
Amounts due to non-controlling interests	**123,342**	158,437
Gross amount due to customers for contract work	**—**	36,380
Derivative financial instruments	**91,175**	85,460
	2,828,509	2,040,030

At 31 December 2010, included in trade and other payables and accruals are retention payable of RMB198,796,000 (2009: RMB107,996,000) which are expected to be settled after more than one year.

Notes:

An ageing analysis of trade payables are set out as follows:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**781,206**	698,230
Due after 1 year	**198,796**	107,996
	980,002	806,226

14 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 (the "convertible bonds") and 76,097,561 warrants (the "warrants"). The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti dilutive adjustment.

Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds. The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for as derivative financial instruments.

The movements of different components of the convertible bonds/warrants are set out below:

	Liability component of the convertible bonds	**Redemption call option**	**Redemption put option**	**Equity component of the convertible bonds**	**Warrant reserve**	**Total**
	(Note 14(a))	*(Notes 14(b))*	*(Notes 14(c))*	*(Note 14(d))*	*(Note 14(d))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Proceeds from issuance of the convertible bonds	546,305	(15,897)	87,768	43,298	11,943	673,417
Transaction costs	(1,661)	48	(267)	(132)	(37)	(2,049)
Net proceeds	544,644	(15,849)	87,501	43,166	11,906	671,368
Interest and transaction costs amortised	6,650	—	—	—	—	6,650
Change in fair value *(note 5(a))*	—	(1,253)	(2,043)	—	—	(3,296)
Exchange difference	(6)	1	2	—	—	(3)
At 31 December 2009	551,288	(17,101)	85,460	43,166	11,906	674,719

	Liability component of the convertible bonds	Redemption call option	Redemption put option	Equity component of the convertible bonds	Warrant reserve	Total
	(Note 14(a))	*(Notes 14(b))*	*(Notes 14(c))*	*(Note 14(d))*	*(Note 14(d))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	551,288	(17,101)	85,460	43,166	11,906	674,719
Interest and transaction costs amortised	21,501	—	—	—	—	21,501
Change in fair value *(note 5(a))*	—	(18,511)	9,031	—	—	(9,480)
Exchange difference	(20,580)	1,032	(3,316)	—	—	(22,864)
At 31 December 2010	552,209	(34,580)	91,175	43,166	11,906	663,876

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 9.6% (2009: 9.6%) per annum.

At 31 December 2010, the liability component of convertible bonds, after considering the redemption put options held by the holders of the convertible bonds, was repayable as follows:

	The Group and the Company	
	2010	2009
	RMB'000	*RMB'000*
After one year but within two years	**552,209**	—
After two years but within five years	**—**	551,288
	552,209	551,288

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds.

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds.

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognised as the liability component of convertible bonds and the redemption call and put options.

The fair value of the redemption call and put options as at 31 December 2010 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorised into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the redemption call and put options were determined by an independent valuer, Savills Valuation and Professional Services Limited.

The assumptions applied in determining the fair value of the redemption call and put options at 31 December 2010 using Binomial (Coz, Ross, Rubinstein) option pricing model are set out as follows:

	2010	2009
Share price *(HK$)*	**2.31**	2.22
Expected volatility	**62%**	62%
Expected dividends	**2.9%**	5%
Risk-free interest rate	**1.4%**	1.93%
Option life	**3.67 years**	4.67 years
Effective interest rate	**8.3%**	9%

15 SENIOR NOTES

On 20 October 2010, the Company issued secured senior notes with principal amount of US$300,000,000 due 2015 (the "senior notes"). The senior notes are interest-bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of the senior notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on 20 October of each of the years indicated below.

Period	**Redemption price**
2013	106.1250%
2014	103.0625%

In addition, at any time prior to 20 October 2013, the Company may at its option:

(a) redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as of, and accrued and unpaid interest, if any, to the redemption date.

(b) redeem up to 35% of the aggregate principal amount of the senior notes with the funds generated from equity offering at a redemption price of 112.5% at the principal amount of the senior notes, plus accrued and unpaid interest, if any, to the redemption date.

The redemption options held by the Company are separately accounted for at fair value at the initial recognition date and 31 December 2010 as derivative financial instruments.

The movements of different components of senior notes are set out below:

	Liability component of the senior notes	**Redemption call option**	**Total**
	(Note 15(a))	*(Notes 15(b))*	
	RMB'000	*RMB'000*	*RMB'000*
Proceeds from issuance senior notes	2,024,595	(310)	2,024,285
Transaction costs	(52,484)	8	(52,476)
Net proceeds	1,972,111	(302)	1,971,809
Interest and transaction costs amortised	190	—	190
Change in fair value *(note 5(a))*	—	(2,072)	(2,072)
Exchange difference	(43,495)	52	(43,443)
At 31 December 2010	1,928,806	(2,322)	1,926,484

(a) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 12.79% per annum for the year ended 31 December 2010.

At 31 December 2010, the liability component of the senior notes was repayable as follows:

	The Group and the Company	
	2010	2009
	RMB'000	*RMB'000*
After two years but within five years	**1,928,806**	—

(b) Redemption call option represents the fair value of the Company's option to early redeem the senior notes.

The fair value of the redemption call option at its initial recognition date and at 31 December 2010 were measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, which is categorised into Level 2 valuation under HKFRS 7, Financial Instruments: Disclosures. The fair value of the liability component of senior notes and the redemption call option were determined by an independent valuer, Savills Valuation and Professional Services Limited.

The assumptions applied in determining the fair value of the redemption call option at its initial recognition date and at 31 December 2010 are set out as follows:

	At 31 December 2010 *RMB'000*	At 20 October 2010 *RMB'000*
Credit spread	**8.16%**	10.07%

16 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements are as follows:

	2010 *RMB'000*	2009 *RMB'000*
Authorised but not contracted for	**11,805,438**	6,690,626
Contracted but not provided for	**1,957,446**	1,758,903
	13,762,884	8,449,529

Capital commitments mainly related to land and development costs for the Group's properties under development and investment in subsidiaries.

17 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, major related party transactions entered by the Group are as follows:

	Note	**2010** *RMB'000*	2009 *RMB'000*
Sales of properties	(a)	**—**	93,978
Rental expenses	(b)	**336**	461
Interest expenses	(c)	**25,285**	7,366

(a) During the year, the Group sold commercial properties at a consideration of Nil (2009: RMB93,978,000) to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company. The unsettled amount at 31 December 2010 amounted to RMB42,774,000 (2009: RMB112,347,000). The outstanding amount is unsecured, interest free and recoverable on demand.

(b) The amount represented rental expenses for the office of the Group paid to a related company, in which Mr Wu Po Sum has significant interest.

(c) The amounts represented interest expenses in relation to advances from non-controlling interests of a subsidiary and a jointly controlled entity which is interest bearing at 12% and 6.3% per annum respectively. Both advances were settled during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

(I) Review on the Market and the Company's Business

1. Macro-economy

Despite a struggling and sluggish recovery of the world's economy in 2010, China has maintained its rapid economic growth momentum. In 2010, China's GDP amounted to RMB39,798.3 billion, representing a year-on-year growth of 10.3%.

In 2010, benefited from the acceleration of urbanization and industrial shifts, Henan's GDP increased by RMB2,294.3 billion, representing a growth of 12.2% over 2009, which was 1.9 percentage points above the national growth rate.

2. Property market

In 2010, China's central government duly carried out measures to facilitate the steady and sound development of the property market. As a result, the transaction volume in certain first-tier cities experienced a slight decline, but China's property market, driven by various demands such as demand for sustained or increase in asset value backed by the strong underlying demand and expected general inflation, still maintained a rapid growth momentum in general. The GFA of commodity properties sold and revenue from the sales of commodity properties reached 1.043 billion sq.m. and RMB5.25 trillion, representing a year-on-year increase of 10.1% and 18.3% respectively.

Henan's property market is of great prominence to the Company's business development. Mainly driven by end-user demand, the market has relatively less demand for speculation and little property bubbles as evidenced by its strong immunity to the impact of macro-control over the property market. The Company's GFA of the commodity properties sold in Henan increased by 25.8% year-on-year to 54.52 million sq.m., which was 15.7 percentage points above the national growth rate. Correspondingly, the revenue from the sales of commodity properties increased by 43.5% to RMB165.9 billion, which was 25.2 percentage points above the national growth rate.

(II) Project Development

(1) During the year, the Company strived to improve its operating efficiency, as well as its products and services quality continuously. The Company has created favorable conditions for expanding its development, reducing costs of construction and shortening its development cycle. In 2010, the Company achieved records of newly commenced GFA of 1,235,595 sq.m. and completed GFA of 1,074,698 sq.m.. In 2010, the Company recognised sales/pre-sale of 1,114,456 sq.m. and sales/pre-sales value of RMB5.49 billion, representing 28.1% and 51.8% growth when compared with 2009, respectively. The strong sales had built up a sound foundation for the development in the future.

(2) *Development schedule*

During the year 2010, the Company commenced construction of 20 projects or phases of projects, with newly commenced GFA of 1,235,595 sq.m., representing a year-on-year increase of 30.0% over the same period of last year.

Geographical breakdown of newly commenced projects for 2010

Location	**Newly commenced GFA** *(sq.m.)*
Zhengzhou	225,266
Other cities in Henan Province	1,010,329
Total	1,235,595

As at 31 December 2010, the Company had 26 projects under development with a total GFA of approximately 1,433,261 sq.m., including 5 projects in Zhengzhou and 21 projects in other cities of Henan.

Geographical breakdown of projects under development as at 31 December 2010

Location	**GFA under development** *(sq.m.)*
Zhengzhou	363,221
Other cities in Henan Province	1,070,040
Total	1,433,261

During the reporting period, the Company completed 23 projects or phases of projects with total completed GFA of 1,074,698 sq.m., and saleable GFA of 1,039,414 sq.m.. During the reporting period, the total GFA sold reached 856,652 sq.m., representing a pre-sale rate of 82%.

Completed Projects in 2010

Project	Total GFA Completed *(sq.m.)*	Saleable GFA *(sq.m.)*	Pre-sold/ sold GFA *(sq.m.)*
Forest Peninsula (Zhengzhou) Phase IV	37,941	25,760	24,309
Jianye Champagne Garden High-rise	19,053	19,053	16,532
Jianye Maple Garden (Zhengzhou)	75,877	71,154	71,103
Zhengbian U-Town Phase V first batch	40,672	34,879	33,846
Zhengbian Xiangsheng District (鄭汴祥勝小區)	44,497	42,497	33,986
One City (Longyang) Phase I	47,700	47,607	45,390
Forest Peninsula (Hebi) Phase I first batch	36,229	36,229	9,602
Golden Dragon Peninsula (Xinxiang) Phase I second batch	23,663	23,582	17,338
Jianye City (Puyang) Phase IV	22,195	21,182	16,517
Forest Peninsula (Luohe) Phase III	99,165	98,713	88,406
One City (Luohe) Phase I	69,457	69,810	23,715
Sweet-Scented Osmanthus Garden (Shangqiu) Phase IV	46,338	46,317	28,868
U-Town (Shangqiu) Phase I	41,019	41,019	35,992
Forest Peninsula (Zhoukou) Phase I (High-rise)	7,411	6,936	6,407
Forest Peninsula (Zhoukou) Phase II	29,524	29,299	27,346
Forest Peninsula (Zhumadian) Phase V	89,388	88,995	86,914
Forest Peninsula (Xinyang) Phase III	39,888	39,737	28,487
One City (Jiyuan) Phase I	28,616	25,475	24,316
Huayang Square (Luoyang) Phase II	133,898	133,898	124,150
Jianye Dahong City Garden Phase II	16,258	15,595	10,687
Zhengkai Forest Peninsula Phase II	74,268	70,036	64,911
Zhengkai Forest Peninsula Phase VI	35,500	35,500	26,313
Zhengkai Forest Peninsula Phase VII	16,141	16,141	11,517
Total	1,074,698	1,039,414	856,652

(3) Sales schedule

The total GFA sold/pre-sold by the Company during the reporting period amounted to 1,114,456 sq.m. with a sale/pre-sale value of RMB5,490 million, representing increase of 28.1% and 51.8% over 2009, respectively.

Geographical breakdown of sale/pre-sale for the year ended 31 December 2010

Location	**Approximate saleable GFA sold**	**Approximate total amount**
	(sq.m.)	*(RMB'000)*
Zhengzhou	258,035	1,922,557
Other cities in Henan Province	856,421	3,570,080
Total	1,114,456	5,492,637

BUSINESS OUTLOOK

(I) Market Outlook

1. Macro-Economy

In 2011, the recovery of the global economy is well underway but much uncertainty remains. China's central government has recently indicated that an active fiscal policy and a stable monetary policy will be put in place to balance economy restructuring with inflation control under a steady and fast-growing economy. The improvement of the international economic conditions, coupled with gradual and coordinated adjustment in the domestic economic structure, provided favorable conditions for China's economic development. Hence, the Company expects a continuous growth in China's economic growth as a whole.

The Company anticipates that with the economic zones in central China officially incorporated into the Plan of National Key Functional Areas (《全國主體功能區規劃》), Henan Province as the bright spot in this plan is expected to benefit from the construction in these economic zones and register blistering economic growth in 2011.

2. Real estate market

To exert greater macro-control on the real estate market to ensure stable development, the central government has recently put forth a program of actions to cool down the real estate sector, putting correction pressure on first-tier cities and those with over-soaring property prices. However, such controls on the real estate industry serve as an attempt by the central government to maintain sustainable development of the industry without hurting macro-economy. The Company estimates that China's real estate market in 2011 will maintain a solid growth momentum.

Henan's property market which started up late had a limited speculative investment demand. In addition, China's strengthened efforts in the construction of medium- and small-sized cities and the economic zones in central China being officially incorporated into the Plan of National Key Functional Areas (《全國主體功能區規劃》) provided a historic opportunity for Henan Province's development. It is expected that Henan's property market will maintain a steady momentum in 2011.

(II) Business Planning

In 2011, the Group will strengthen the execution of its plans and improve cost control to step up the development of product series as well as standardization and industrialization of product lines, and improve its overall service, in a bid to achieving another leap forward development.

(1) Progress of work

In 2011, the Group is expected to commence construction of a total of 37 projects or phases, with a GFA of approximately 3,060,266 sq.m..

Geographical breakdown of commencement of construction in 2011

Location	**Total GFA** *(sq.m.)*	**Percentage** *(%)*
Zhengzhou	475,510	15.5%
Other cities in Henan	2,584,756	84.5%
Total	3,060,266	100.0%

(2) Completion plan

The Group expects to complete 35 projects (phases) with a GFA of 1,678,476 sq.m. in 2011.

Expected completion of construction in 2011

Project	Total GFA *(sq.m.)*
Jianye Landmark Hotel	67,483
Shangjie Hotel	24,215
Forest Peninsula, Shangjie	36,828
Code International Garden, Zhengzhou	57,397
One City (Zhengzhou)	109,059
U-Town (Zhengzhou) Phase VII	116,206
Luoyang Golf Club Phase II	96,875
One City(Luoyang) Phase II first batch	64,614
Sweet-Scented Osmanthus (Pingdingshan) Phase I	85,295
Wugang Forest Peninsula (Pingdingshan) Phase I	56,300
Forest Peninsula (Anyang) Phase I	47,407
Forest Peninsula (Hebi) Phase I (high-rise)	22,202
Forest Peninsula (Hebi) Phase II	27,493
U-Town (Xinxiang) Phase I	87,624
Forest Peninsula (Xinxiang Golden Dragon)	21,805
Forest Peninsula (Jiaozuo) Phase III	72,009
Jianye City (Puyang) Phase V	69,818
Forest Peninsula (Xuchang) Phase I	51,800
U-Town (Shangqiu) Phase II	11,664
Forest Peninsula (Zhoukou) Phase II	72,577
Forest Peninsula (Zhoukou) Phase III	10,394
Forest Peninsula (Nanyang) Phase I	137,685
Nanyang Holiday Inn	49,800
Luohe Four Points Hotel	40,441

U-Town (Shangqiu) Phase III	34,320
Forest Peninsula (Xinyang) Phase IV	13,811
Xinyang Fish Farm Project	55,870
Luoyang Triumph Road Project	6,617
Zhengkai Forest Peninsula Phase III	8,880
Zhengkai Forest Peninsula Phase IV	17,155
Zhengkai Forest Peninsula Phase V	24,205
Zhengkai Forest Peninsula Phase VI	2,901
Zhengkai Forest Peninsula Phase VII	30,363
Kaifeng Water System	16,540
Yuzhou Shenhou Project	30,823
	1,678,476

FINANCIAL REVIEW

Turnover: In 2010, the Group's turnover was RMB4,516 million (including RMB4,392 million from the sale of commodity properties), representing an increase of RMB1,777 million, or approximately 64.8%, as compared to RMB2,740 million in 2009, due mainly to:

(1) a 55.2% increase in total GFA sold, from 662,067 sq.m. in 2009 to 1,027,276 sq.m. in 2010; and

(2) a 6.4% increase in average selling price, from RMB4,018 per sq.m. in 2009 to RMB4,275 per sq.m. in 2010.

Cost of sales: The Group's cost of sales increased by RMB1,182 million, or approximately 66.1%, from RMB1,788 million in 2009 to RMB2,970 million in 2010. The increase was primarily due to the increase in the total GFA of properties sold. Cost of sales comprises mainly land costs, construction costs and capitalised interest.

Gross profit margin: The Group's gross profit margin was 34.2% in 2010, a slight drop from 34.7% of the previous year.

Other revenue: Other revenue from operations decreased by RMB9 million, from RMB42 million in 2009 to RMB33 million in 2010, attributable primarily to the decrease in interest income from advance to a third party.

Other net income: Other net income increased by RMB6 million or 27.8%, from RMB22 million in 2009 to RMB28 million in 2010, attributable primarily to the increase in the exchange gain arising from loans denominated in foreign currencies and fair value gain from trading securities, which was partially offset by a decrease in gain from the disposal of properties, plants and equipment.

Selling and marketing expenses: Selling expenses increased to RMB144 million in 2010 from RMB113 million in 2009, representing an increase of RMB31 million or 27.4%, which was due mainly to an increase in advertising and promotion expenses of RMB16 million for new properties developed for sale and an increase of RMB6 million in commission paid to staffs.

General and administrative expenses: General and administrative expenses increased from RMB165 million in 2009 to RMB234 million in 2010, representing an increase of RMB69 million or 41.8%, which was due mainly to the increase in salaries and office expenses as a result of our expansion.

Other operating expenses: Other operating expenses decreased by RMB11 million, from RMB19 million in 2009 to RMB8 million in 2010, due mainly to a decrease of RMB5 million in impairment of properties, plants and equipment.

Share of losses of an associate: Amount represented share of loss on its investment in St. Andrews Golf Club (Zhengzhou) Company Limited. No material fluctuation was recorded.

Share of losses of jointly controlled entities: Amount mainly represented share of losses of its investment in jointly controlled entities with as operating expenses incurred by the entities in their early stages before revenue was generated. No such loss incurred in 2009 as the jointly controlled entities were established in 2010.

Finance costs: Finance costs increased by RMB57 million to RMB123 million in 2010, as compared to RMB66 million in 2009. This was due mainly to a RMB155 million increase in gross borrowings costs as a result of higher borrowings for additional projects and the issue of senior notes during the year, which was partially offset by a RMB90 million increase in the capitalisation of borrowing costs and a RMB8 million increase in net change in fair value of derivative embedded in convertible bonds and senior notes.

Increase in fair value of investment properties: The fair value of the Group's investment properties increased by approximately RMB4 million in 2010, reflecting current market conditions. Market values of the Group's investment properties basically remained stable.

Income tax: Income tax includes CIT, LAT and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. The Group's income tax increased significantly to RMB515 million from RMB223 million, representing 130.9% increase, while the effective tax rate increased from 34.3% in 2009 to 47.1% in 2010. The increase in income tax was in line with the increase in revenue, and the effective tax rate soared because a number of the Company's profitable subsidiaries switched from the authorised taxation method (which applies revenue rather than assessable profit to calculate a company's tax) to audited taxation method for tax computation.

Profit for the year: The profit attributable to the equity shareholders of the Group increased by 34.5% to RMB545 million as compared to RMB405 million in 2009, attributable mainly to more GFA sold, and higher average selling price.

Financial resources and utilisation: As at 31 December 2010, the Group's cash and cash equivalents amounted to RMB3,370 million (31 December 2009: RMB2,365 million). During the year, the Group distributed a dividend of RMB118 million to the shareholders of the Group in relation to profit attributable to the year ended 31 December 2009.

Structure of Borrowings and Deposits

The Group continues to adopt a prudent financial policy and centralises its funding and financial management. It continues to maintain a high cash-on-hand ratio and a reasonable level of gearing. During the year, the Group successfully completed US$300 million senior note issuers. As at 31 December 2010, the Group's repayment schedule was as follows:

Repayment schedule	**2010**	2009
	(RMB'000)	*(RMB'000)*
Bank loans		
Within one year	**1,423,859**	1,114,194
More than one year, but not exceeding two years	**324,416**	628,622
More than two years, but not exceeding five years	**168,000**	30,000
	1,916,275	1,772,816
Other loans		
Within one year	**168,010**	95,640
More than one year, but not exceeding two years	**297,870**	119,010
More than two years, but not exceeding five years	**152,000**	253,870
	617,880	468,520

Convertible bonds		
More than one year but not exceeding two years	**552,209**	—
More than two year but not exceeding five years	**—**	551,288
	552,209	551,288
Senior notes		
More than two years, but not exceeding five years	**1,928,806**	—
Total borrowings	**5,015,170**	2,792,624
Deduct:		
Cash and cash equivalents	**(3,370,335)**	(2,364,987)
Restricted bank deposits secured against bank loans	**—**	(60,000)
Net borrowings	**1,644,835**	367,637
Shareholders' equity	**3,771,684**	3,319,693
Net gearing ratio ***(%)***	**43.6%**	11.1,%

Pledge of assets: As at 31 December 2010, the Group had pledged buildings, projects under construction, properties held for future development and under development, completed properties for sales and bank deposits with an aggregate carrying amount of RMB2,198 million to secure general bank credit facilities granted to the Group.

Financial guarantees: As at 31 December 2010, the Group provided guarantees of approximately RMB3,061 million to banks in favor of customers in respect of the mortgage loans provided by the banks to these customers for the purchase of the Group's developed properties.

Capital commitment: As at 31 December 2010, the Group had contractual commitments, the performance of which was underway or ready, in respect of property development amounting to RMB1,957 million, and the Group had authorised, but not yet contracted for, a further RMB11,805 million in expenditure in respect of property development.

Foreign Exchange Risk: The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The major non-RMB assets and liabilities are (i) bank deposits and borrowings denominated in Hong Kong Dollar ("H.K. dollar") and (ii) senior notes denominated in United States Dollar ("U.S. dollar"). The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB currencies. The majority of the Group's foreign currency transactions and balances are denominated in H.K. dollar and U.S. dollar. The Group currently does not have any foreign currency hedging policy.

Interest rate risks: The interest rates for a portion of the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new and existing loans. The Group currently does not use derivative instruments to hedge its interest rate risks.

Human resources and remuneration policy: As at 31 December 2010, the Group employed 1,218 staff (31 December 2009: 950 staff). During 2010, the staff cost of the Group was approximately RMB134 million (2009: RMB107 million), representing an increase of 25.2%.

Staff cost includes basic salary, share-based payment and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan and pregnancy insurance plan. The Group also provides a series of benefits to its employees, including housing allowances, medical insurances and transportation allowances. Employees of the Group are engaged according to employment contracts. Annual performance appraisals are conducted by the Group for its employees, the results of which are applied in annual salary reviews and promotion assessments. Employees are granted annual bonus according to certain performance conditions and appraisal results. Commission is paid only to the Group's sales staff. The Group reviews staff remuneration packages for its staff annually. The Group also benchmarks its remuneration packages against similar positions of its peers in order to maintain competitiveness in the human resources market.

OTHER INFORMATION

Dividend

The Board recommends the payment of a final dividend of HK$9.7 cents per share for the year ended 31 December 2010 to the shareholders, whose names appear on the register of members on Monday, 30 May 2011. The final dividend is expected to be paid on or about Tuesday, 7 June 2011. The proposed final dividend has not been reflected in the financial statements as at 31 December 2010.

Annual General Meeting

The forthcoming annual general meeting (the "AGM") of the Company will be held on Monday, 30 May 2011 and the notice of AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Closure of Register of Members

The register of members will be closed from Monday, 23 May 2011 to Monday, 30 May 2011 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 May 2011.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code for the year ended 31 December 2010.

Compliance with the Code on Corporate Governance Practices

The Company is committed to good corporate governance practices and procedures including a quality Board, sound internal control, transparency and accountability to its shareholders. It has also complied with the Code on Corporate Governance Practices as stated in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Groups, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The Audit Committee comprises Mr. Cheung Shek Lun (the chairman of the Audit Committee) and Mr. Xin Luo Lin (appointed on 1 March 2010) who are independent non-executive Directors and Mr. Leow Juan Thong Jason who is a non-executive Director.

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2010 and considers that the Company has complied with all applicable accounting standards and requirements and made adequate disclosure.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The Remuneration Committee comprises an executive Director, Mr. Wu Po Sum (the chairman of the Remuneration Committee) and two independent non-executive Directors, Mr. Cheung Shek Lun, and Mr. Xin Luo Lin (appointed on 1 March 2010). The principal responsibilities of the Remuneration Committee include reviewing and making recommendation to the Board on the Company's policies, remuneration structure and remuneration packages of Directors and senior management of the Group.

The Remuneration Committee has reviewed the compensation payable to all Directors and members of senior management in accordance with the contractual terms and considers that such compensation is fair and not excessive to the Company.

Publication of the Audited Annual Results and the Annual Report

The annual results announcement is published on the Stock Exchange's designated website at http://www.hkexnews.hk and the Company's website at http://www.centralchina.com. The Company's annual report for the year ended 31 December 2010 will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Central China Real Estate Limited
Wu Po Sum
Chairman

Hong Kong, 16 March 2011

As at the date of this announcement, the executive Directors are Mr. Wu Po Sum, Mr. Wang Tianye and Ms. Yan Yingchun; the non-executive Directors are Mr. Lim Ming Yan, (alternate director: Mr. Lucas Ignatius Loh Jen Yuh) Mr. Leow Juan Thong Jason, Mr. Hu Yongmin and Ms. Wallis Wu; and the independent non-executive Directors are Mr. Cheung Shek Lun, Mr. Wang Shi and Mr. Xin Luo Lin.

* *For identification purposes only*