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越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock code: 123)

Announcement of 2010 Annual Results

Results highlights

• Revenue	RMB5,634 million (+20.6%)
• Total revenue (including the sales of investment properties)	RMB6,979 million (+42.2%)
• Operating profit	RMB1,801 million (+44.8%)
• Profit for the year from continuing operations attributable to equity holders of the Company	RMB919 million (+42.2%)
• Basic earnings per share	
— Continuing operations	RMB0.1228 (+35.5%)
• Property Contracted sales GFA	543,000 square meter(+3.1%)
• Property Contracted sales	RMB8,855 million(+45.2%)

Chairman's Statement

In 2010 ("Reporting Period"), despite the uncertainties arising from the various stimulation packages implemented by different regional economies post the global financial and economic crisis, our group managed to seize the opportunities offered by the swift rebound of the Chinese economy. All of our staff strived to work on our corporate mission of "refine operations to improve quality, and accelerate development to turn a new page", such that every project undertaken was imbued with vigor and enthusiasm, with signs of growth aplenty. On the whole, our performance is promising and encouraging.

First of all, we "accelerated development and turned a new page". During the year, contracted sales in terms of area and revenue amounted to 543,000 sq.m. and RMB8.855 billion respectively, beating the Group's sales target of joining "HK$10 Billion Club" in 2011 by one year. Our contracted sales has leap-frogged to a whole new level within two years from RMB4 billion in 2008. In order to attain strategic nation-wide expansion, we increased the size of landbank by approximately GFA 3.46 million sq.m. during the Reporting Period and up to the date of this announcement with total landbank surpassing the level of 10 million sq.m. for the first time. In line with our business plan, our footprint has been increased from five cities in 2009 to nine cities in 2010 in China, with core operations firmly focused in the Pearl River Delta, and branching out to selective locations in the Yangtze River Delta, Bohai Rim Economic Zone and Central Region, thus forming a strategic base to capture new business opportunities.

Second, we have also "refined our operations to improve quality" and efficiency. After spinning off the toll road business in 2009, the Group further disposed of the remaining non-real estate business, namely, the supermarket business, by selling it to China Resources Enterprise Limited at the end of 2010. Such disposal completed our goal of divesting all non-core business, enabling the Group to focus on real estate business. With respect to real estate business, during the year, we continued to dispose of inefficient and sporadic investment properties to rationalize the proportion and structure of investment properties held by the Group, and to create more dynamism in our capital structure. In the second half of the year, when the capital market showed initial signs of contraction, we raised about HK$3.4 billion in equity through the issue of 2,141,822,374 new shares at the subscription price of HK$1.61 at an opportune time. The exercise not only further improved the Company's capital structure but also created significant room for the Company to increase the scale of development in pursuit of sustainable growth.

I am very pleased that, during the year, the Company won the award of "The Outstanding Mainland Property Stock Awards 2010" held by Economic Digest magazine in Hong Kong and returned to the Morgan Stanley Capital International (MSCI) China Index as a component stock after two years. It showed that the Company's efforts of the last two years are being recognized by the capital market.

Future Prospects

As the current global economic situation is complex and volatile, the domestic property players will face mounting challenges in 2011. To mitigate the risk of asset bubbles, the Chinese government will, in the near future, tighten its monetary policy and continue to exert regulatory controls to rein in real estate and commodity prices. It is expected that supply and demand in the domestic real estate market will become more planning oriented than being market-driven in the short term. In response, the Company will adhere to the strategic growth plan formulated by the Board, and strive to attain the corporate goal of "strengthening management to improve quality, deepening reform to gain breakthroughs". We will continue to seize business opportunities, expand the scale of development and szie of our landbank and open up new markets at opportune times. We will also spare no effort to enhance development capabilities, strengthen structural adjustments, trickle down management control systems to lower levels, build core competitiveness, and promote asset quality and operational quality of the Group in order to improve returns to shareholders and the society.

Acknowledgement

I would like to take this opportunity to thank our directors, management and all the staff for their hard work in the past year and all their contributions to the Group's developments. At the same time, I would also like to thank all the shareholders, our relationship banks, all our friends of the investment community, and business partners for their enduring full confidence and strong support.

LU Zhifeng
Chairman

RESULTS

The board of directors ("Directors" or "Board") of Yuexiu Property Company Limited ("Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2010, as follow:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**2010** *RMB'000*	**2009** *RMB'000* *(restated)*
Revenue	3	5,633,963	4,670,531
Cost of sales	4	(3,752,700)	(3,036,628)
Gross profit		1,881,263	1,633,903
Proceeds from sales of investment properties		1,345,068	236,436
Direct costs of investment properties sold		(875,742)	(197,151)
Gain on sales of investment properties		469,326	39,285
Fair value gains on revaluation of investment properties		258,690	275,650
Selling and marketing costs	4	(214,056)	(187,854)
Administrative expenses	4	(593,977)	(516,910)
Operating profit		1,801,246	1,244,074
Finance income		43,429	46,367
Finance costs	5	(219,976)	(63,604)
Net foreign exchange gain on financing activities		120,419	15,990
Share of profit/(loss) of			
- jointly controlled entities		23,430	(1,438)
- associated entities		232,066	108,574
Profit before taxation		2,000,614	1,349,963
Taxation	6	(1,021,249)	(633,488)
Profit for the year from continuing operations		979,365	716,475
Discontinued operation			
Loss for the year from discontinued operation	7	—	(963,698)
Profit/(loss) for the year		979,365	(247,223)

	Note	2010	2009
		RMB'000	*RMB'000*
			(restated)
Attributable to			
Equity holders of the Company		918,840	(607,264)
Non-controlling interests		60,525	360,041
		979,365	(247,223)
Profit/(loss) for the year attributable to equity holders of the Company			
From continuing operations		918,840	646,013
From discontinued operation		—	(1,253,277)
		918,840	(607,264)
Profit for the year attributable to non-controlling interests			
From continuing operations		60,525	70,462
From discontinued operation		—	289,579
		60,525	360,041
Earnings/(losses) per share for profit from continuing operations and loss from discontinued operation attributable to equity holders of the Company (expressed in RMB per share)	8		
- Basic			
From continuing operations		0.1228	0.0906
From discontinued operation		—	(0.1758)
		0.1228	(0.0852)
- Diluted			
From continuing operations		0.1221	0.0901
From discontinued operation		—	(0.1748)
		0.1221	(0.0847)

Details of dividends payable to equity holders of the Company are set out in Note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	**2009**
	RMB'000	*RMB'000*
		(restated)
Profit/(loss) for the year	979,365	(247,223)
Other comprehensive income:		
Currency translation differences	(114,064)	(23,269)
Change in fair value of available-for-sale financial assets, net of tax	57,121	233,049
Transfer of reserve to profit and loss upon disposal of subsidiaries	(920)	(20,797)
Other comprehensive (loss)/income for the year, net of tax	(57,863)	188,983
Total comprehensive income/(loss) for the year	921,502	(58,240)
Attributable to		
Equity holders of the Company	857,664	(423,662)
Non-controlling interests	63,838	365,422
	921,502	(58,240)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
ASSETS				
Non-current assets				
Intangible operating rights		—	—	6,215,852
Property, plant and equipment		2,199,676	1,579,667	843,880
Investment properties		7,632,075	7,489,527	5,241,876
Land use rights		547,113	552,514	302,199
Interests in jointly controlled entities		110,289	170,451	410,018
Interests in associated entities		1,608,654	1,527,023	3,340,241
Goodwill		—	—	111,114
Available-for-sale financial assets		1,154,600	1,082,483	861,596
Deferred tax assets		44,216	41,310	50,156
		13,296,623	12,442,975	17,376,932
Current assets				
Properties under development		17,305,880	15,112,096	14,638,679
Properties held for sale		2,621,017	902,225	611,820
Prepayments for land use rights		6,254,647	1,375,949	1,661,830
Inventories		47,847	90,939	93,231
Trade receivables	10	10,041	53,050	59,008
Other receivables, prepayments and deposits		3,329,834	548,356	405,647
Taxation recoverable		442,329	255,131	66,541
Charged bank deposits		1,021,635	1,845,200	356,282
Cash and cash equivalents		6,451,077	4,327,915	3,083,605
		37,484,307	24,510,861	20,976,643

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
LIABILITIES				
Current liabilities				
Trade and note payables	11	171,301	122,107	85,436
Land premium payable		45,944	439,182	493,905
Advance receipts from customers		7,900,585	4,075,049	2,103,958
Other payables and accrued charges		4,633,355	3,962,375	4,314,212
Borrowings		6,033,686	1,887,472	5,023,327
Taxation payable		536,868	513,452	308,166
		19,321,739	10,999,637	12,329,004
Net current assets		18,162,568	13,511,224	8,647,639
Total assets less current liabilities		31,459,191	25,954,199	26,024,571
Non-current liabilities				
Borrowings		11,702,660	10,705,914	3,919,737
Deferred tax liabilities		3,410,438	2,733,034	3,077,140
		15,113,098	13,438,948	6,996,877
Net assets		16,346,093	12,515,251	19,027,694
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		850,915	668,202	667,345
Share premium		8,870,951	6,126,174	6,118,188
Other reserves		769,930	830,057	1,085,835
Retained earnings				
- Proposed dividends		—	—	51,838
- Others		5,368,564	4,451,316	5,201,091
		15,860,360	12,075,749	13,124,297
Non-controlling interests		485,733	439,502	5,903,397
Total equity		16,346,093	12,515,251	19,027,694

NOTES

1 **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

During the year ended 31 December 2010, the Group changed its presentation currency for the preparation of its financial statements from Hong Kong dollar ("HKD") to Renminbi ("RMB"). The Board considers the change will result in a more appropriate presentation of the Group's transactions in the financial statements. The comparative figures in these consolidated financial statements are translated from HKD to RMB using the closing rates for balance sheet items and average rates that approximate to actual rate for income statement items. As a result, the comparative figures have been re-presented and resulted in the decrease of opening exchange reserve of approximately RMB1,368 million for the year ended 31 December 2010.

2 **Accounting policies**

(a) *Change in accounting policy on land use rights*

During the year ended 31 December 2010, the Group changed its accounting policy for land use rights which is held for development and subsequent sale. Land use rights which are held for development and subsequent sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land under HKAS 17 "Leases". Previously, land use rights that are held for development and subsequent sale were classified as prepaid operating leases and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of land use rights during the development phase was capitalised as part of the construction costs of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in profit or loss. Subsequent to the change in accounting policy, land use rights which is held for development and subsequent sale are classified as inventories and included in "properties under development" or "properties held for sale" in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land use rights results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects management's intention regarding the use of the land use rights and results in a presentation consistent with the industry practices.

The change in accounting policy has been accounted for retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the consolidated financial statements have been restated by reversing the amortisation charged in prior years. The effect on the consolidated financial statements is as follows:

Consolidated income statement	**2010**	**2009**
	RMB'000	*RMB'000*
Decrease in cost of sales	(15,840)	(13,301)
Increase in taxation	14,479	4,400
Increase/(decrease) in share of profit/(loss) of jointly controlled entities	307	307
Decrease in share of profit of associated entities	(129)	(29)
Increase in net profit attributable to the equity holders of the Company	461	6,078
Increase in net profit attributable to the non-controlling interests	1,078	3,101
Increase in basic and diluted earnings per share (in RMB)	0.00006	0.00085

Consolidated balance sheet	**31 December 2010**	**31 December 2009**	**1 January 2009**
	RMB'000	*RMB'000*	*RMB'000*
Decrease in land use rights — non-current	(6,904,237)	(4,182,098)	(2,958,844)
Increase in interests in jointly controlled entities	5,679	5,372	5,065
Increase in interests in associated entities	186	315	344
Decrease in deferred tax assets	(31,899)	(31,872)	(29,738)
Increase in properties under development	12,798,007	10,376,919	9,108,049
Increase in properties held for sale	373,445	197,071	94,541
Decrease in land use rights — current	(5,722,679)	(5,863,196)	(5,728,351)
Increase in deferred tax liabilities	179,626	165,174	162,908
Increase in retained earnings	317,412	316,951	310,873
Increase in non-controlling interests	21,464	20,386	17,285

(b) *Amended standard and interpretation adopted by the Group*

The following amendment to standard and interpretation are mandatory for the first time for the financial year beginning 1 January 2010:

- HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "land use rights", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

- If the property interest is held for sale in the ordinary course of business or is in the process of being developed for such sale, that land interest is accounted for as inventory under "Properties held for sale" or "Properties under development" respectively, and stated at the lower of cost and net realisable value. Prior to the amendment, the amortisation of the land interest during the construction period is capitalised.

The effect of the adoption of this amendment is as below:

Consolidated income statement	**2010**	**2009**
	RMB'000	*RMB'000*
Increase/(decrease) in cost of sales	350	(84)
(Decrease)/increase in profit attributable to the equity holders of the Company	(350)	84

Consolidated balance sheet	31 December 2010	31 December 2009	1 January 2009
	RMB'000	*RMB'000*	*RMB'000*
Increase in property, plant and equipment	270,384	281,382	285,241
Decrease in leasehold land — non-current	(679,859)	(813,148)	(796,743)
Increase in properties under development	596,919	730,368	715,156
Increase in properties held for sale	—	3,531	3,536
Decrease in leasehold land — current	(187,444)	(201,796)	(206,937)
Increase in retained earnings	—	350	266
Decrease in exchange fluctuation reserve	—	(13)	(13)

- HK Int-5 The HKICPA issued on 29 November 2010 HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet. This Interpretation did not have a material impact on the Group's financial statements.

(c) *Amendments, revisions to existing standards and interpretations effective in 2010 but not relevant to the Group:*

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives and HKAS 39, Financial Instruments: Recognition and Measurement
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) — Int 18	Transfers of Assets from Customers
Annual Improvements Project	Improvements to HKFRS 2009

(d) *New standard and interpretation, amendments and revision to existing standards and interpretation have been issued but are not effective and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of Rights Issues	1 February 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1 July 2010
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Annual Improvements Projects	Improvements to HKFRS (2010)	1 January 2011

The Group has already commenced an assessment of the related impact of adopting the above new standard and interpretation, amendments and revision to existing standards and interpretation to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

3 **Segment information**

The chief operating decision-maker has been identified as the board of directors ("the Board"). Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board considers the business by nature of business activities and assesses the performance of property development, property management, property investment and toll operations (disposed of in 2009) and others.

The Board assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the consolidated financial statements.

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

	Property development *RMB'000*	**Property management** *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Total continuing operations** *RMB'000*	**Discontinued operation (Toll operations)** *RMB'000*	**Group** *RMB'000*
Year ended 31 December 2010							
Revenue	4,301,313	371,383	297,486	999,661	5,969,843	—	5,969,843
Inter-segment revenue	—	(27,344)	(8,638)	(299,898)	(335,880)	—	(335,880)
Revenue from external customers	4,301,313	344,039	288,848	699,763	5,633,963	—	5,633,963
Segment results	934,659	7,559	876,001	61,828	1,880,047	—	1,880,047
Share of profit of:							
- jointly controlled entities	23,430	—	—	—	23,430	—	23,430
- associated entities	232,066	—	—	—	232,066	—	232,066
Year ended 31 December 2009							
Revenue	3,477,078	347,069	286,722	790,024	4,900,893	872,247	5,773,140
Inter-segment revenue	—	(18,808)	(884)	(210,670)	(230,362)	—	(230,362)
Revenue from external customers	3,477,078	328,261	285,838	579,354	4,670,531	872,247	5,542,778
Segment results	762,176	10,302	507,602	33,125	1,313,205	382,417	1,695,622
Share of profit/(loss) of:							
- jointly controlled entities	(1,438)	—	—	—	(1,438)	(5,675)	(7,113)
- associated entities	108,574	—	—	—	108,574	194,691	303,265

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 31 December 2010					
Segment assets	38,587,111	241,928	7,632,075	326,743	46,787,857
Interests in jointly controlled entities	110,289	—	—	—	110,289
Interests in associated entities	1,608,654	—	—	—	1,608,654
Total reportable segments' assets	40,306,054	241,928	7,632,075	326,743	48,506,800
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	739,917	937	716,121	2,704	1,459,679
As at 31 December 2009					
Segment assets	25,717,896	206,077	7,489,527	526,581	33,940,081
Interests in jointly controlled entities	170,451	—	—	—	170,451
Interests in associated entities	1,527,023	—	—	—	1,527,023
Total reportable segments' assets	27,415,370	206,077	7,489,527	526,581	35,637,555
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	289,887	1,944	37,146	734	329,711

A reconciliation of total segment results to total profit before taxation and discontinued operation is provided as follows:

	Year ended 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
Segment results	1,880,047	1,313,205
Unallocated operating costs	(78,801)	(69,131)
Operating profit	1,801,246	1,244,074
Finance income	43,429	46,367
Finance costs	(219,976)	(63,604)
Net foreign exchange gain on financing activities	120,419	15,990
Share of profit/(loss) of:		
- jointly controlled entities	23,430	(1,438)
- associated entities	232,066	108,574
Profit before taxation and discontinued operation	2,000,614	1,349,963

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
Total reportable segments' assets	48,506,800	35,637,555
Deferred tax assets	44,216	41,310
Taxation recoverable	442,329	255,131
Corporate assets	1,787,585	1,019,840
Total assets	50,780,930	36,953,836

	Revenue from continuing operations Year ended 31 December		Total assets As at 31 December	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong	142,103	140,950	1,755,919	1,917,944
China	5,489,368	4,526,656	46,699,036	33,680,765
Overseas	2,492	2,925	51,845	38,846
	5,633,963	4,670,531	48,506,800	35,637,555
Unallocated assets			2,274,130	1,316,281
			50,780,930	36,953,836

4 **Expenses by nature**

Cost of sales, selling and marketing costs, and administrative expenses of continuing operations included the following:

	2010	2009
	RMB'000	*RMB'000*
Advertising and promotion expenses	142,078	130,394
Cost of inventories/properties sold included in cost of sales	3,307,675	2,686,842
Direct operating expenses arising from investment properties		
- that generate rental income	66,643	59,759
- that did not generate rental income	201	180
Depreciation		
- Owned property, plant and equipments	49,281	46,008
- Leased property, plant and equipments	36	41
Provision for impairment of property, plant and equipment	34,664	4,165
Amortisation of land use rights	14,864	11,362
Operating leases - Land and buildings	2,246	2,523
Auditor's remuneration	6,000	6,500
Employee benefit expenses	670,401	525,384
Provision for impairment of properties under development	100,668	—
Write-off of bad debts	—	1,143
Reversal of provision for trade receivables	—	(12,466)
Others	165,976	279,557
	4,560,733	3,741,392

5 **Finance costs**

	2010	2009
	RMB'000	*RMB'000*
Interest on bank loans and overdrafts wholly repayable within five years	519,787	302,485
Interest on bank loans wholly repayable over five years	175,357	113,345
Bank loan handling fees	58,867	7,932
Interest on loans from related companies	586	578
Total borrowing costs incurred	754,597	424,340
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	(534,621)	(360,736)
	219,976	63,604

6 **Taxation**

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2009: 16.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income tax is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China at 25 percent (2009: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the year, withholding income tax was provided for the dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, jointly controlled entities and associated entities in China at a tax rate of 5 percent (2009: 5 percent).

(c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

(d) The amount of taxation charged to the consolidated income statement comprises:

	2010	**2009**
	RMB'000	*RMB'000*
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	3,767	1,196
China enterprise income tax	163,364	119,210
China land appreciation tax	150,182	177,814
Corporate withholding income tax	49,297	43,205
Under-provision in prior years	1,900	21,650
Deferred taxation		
Origination and reversal of temporary difference	621,100	125,605
Corporate withholding income tax on undistributed profits	31,639	144,808
	1,021,249	633,488

7 **Loss for the year from discontinued operation**

	2010	**2009**
	RMB'000	*RMB'000*
Loss on disposal of a subsidiary	—	(1,404,554)
Profit from discontinued operation	—	440,856
	—	(963,698)

8 **Earnings/(losses) per share**

Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2010	**2009**
Profit from continuing operations attributable to equity holders of the Company (RMB'000)	918,840	646,013
Loss from discontinued operation attributable to equity holders of the Company (RMB'000)	—	(1,253,277)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	918,840	(607,264)
Weighted average number of ordinary shares in issue ('000)	7,484,311	7,128,839
Basic earnings/(losses) per share (RMB)		
From continuing operations	0.1228	0.0906
From discontinued operation	—	(0.1758)
	0.1228	(0.0852)

Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	2010	2009
Profit from continuing operations attributable to equity holders of the Company (RMB'000)	918,840	646,013
Loss from discontinued operation attributable to equity holders of the Company (RMB'000)	—	(1,253,277)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	918,840	(607,264)
Weighted average number of ordinary shares in issue ('000)	7,484,311	7,128,839
Adjustments for share options ('000)	41,235	40,799
Weighted average number of ordinary shares for diluted earnings per share ('000)	7,525,546	7,169,638
Diluted earnings/(losses) per share (RMB)		
From continuing operations	0.1221	0.0901
From discontinued operation	—	(0.1748)
	0.1221	(0.0847)

9 **Dividends**

No dividend was paid in 2010.

The dividends paid in 2009 were approximately RMB632 million. The directors do not recommend the payment of a final dividend for the year ended 31 December 2010.

	2010 *RMB'000*	2009 *RMB'000*
Special, paid, of nil (2009: Note)	—	581,740

Note:

In 2009, special dividend was paid by way of the following:

(a) shares in GZI Transport Limited ("Transport") on the basis of 60 shares of Transport for every 2,000 shares held in the Company; and

(b) cash of approximately RMB195 million.

10 **Trade receivables**

The Group has defined credit policies for different businesses. The credit terms of the Group are generally within three months. The ageing analysis of trade receivables is as follows:

	31 December 2010	**31 December 2009**	**1 January 2009**
	RMB'000	*RMB'000*	*RMB'000*
0 - 30 days	6,740	24,264	31,206
31 - 90 days	40	11,965	5,486
91 - 180 days	63	2,609	475
181 - 365 days	—	15	13
Over 1 year	69,104	80,103	100,300
	75,947	118,956	137,480
Less: provision for impairment of trade receivables	(65,906)	(65,906)	(78,472)
	10,041	53,050	59,008

11 **Trade and note payables**

The ageing analysis of the trade and note payables is as follows:

	31 December 2010	**31 December 2009**	**1 January 2009**
	RMB'000	*RMB'000*	*RMB'000*
0 - 30 days	165,993	52,957	52,987
31 - 90 days	3,343	48,762	28,242
91 - 180 days	988	15,482	—
181 - 365 days	—	9	17
1 - 2 years	400	1,295	3,985
Over 2 years	577	3,602	205
	171,301	122,107	85,436

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2010, the Group realized revenue (including proceeds of sold investment properties) of approximately RMB6,979 million, an increase of 42.2% over the previous year. Profit attributable to the shareholders from continuing operations reached RMB919 million, up 42.2% over the previous year. Basic earnings per share from continuing operations were RMB0.1228, an increase of 35.5% over the previous year. The increase of basic earnings per share is not as high as that of the profit attributable to the shareholders because new shares equivalent to about 30% of the issued share capital were issued during the year by way of an open offer.

The Board does not recommend the payment of any final dividend for the year 2010 as it believes that re-investing the cash into the real estate business will generate greater returns to shareholders.

Market Analysis

In 2010, notwithstanding the complex and volatile macro-economic environment both at home and abroad, the domestic economy still keeps growing at a steady pace. During the Reporting Period, China's GDP reached RMB39,798.3 billion, an increase of 10.3% over the previous year, while GDP of Guangzhou amounted to RMB1,060.4 billion, representing a growth of 13.0% as compared to the previous year.

With respect to the domestic real estate market, 2010 was an extraordinary year. After the introduction of a series of regulatory policies, transaction volume declined with varying degrees from place to place in response. However, 1,043.49 million sq.m. of commodity housing was sold nation-wide for the whole year, up 10.1% over the previous year. Total transaction value reached RMB5,247.9 billion, an increase of 18.3% over the previous year. Average transaction price per sq.m. was RMB5,029, representing an increase of 7.4% over the pervious year. In Guangzhou, the total area of commodity housing sold decreased by 29.8% over the previous year to 7.85 million sq.m. Transaction value dropped by 2.7% over the previous year to RMB105.8 billion while the average transaction price per sq.m. climbed 38.6% year-on-year to RMB13,483 per sq.m.

Property Sales Hit a Record High

During the Reporting Period, the Group proactively responded to the complex external environment. We strengthened market analysis, seized the opportunities in the residential and commercial property markets in a timely manner when demand was hot by increasing efforts in sales promotion. Contracted sales gross floor area ("GFA") reached 543,000 sq.m., an increase of 3.1% over the previous year, achieving the annual target. Contracted sales value amounted to RMB8,855 million, an increase of 45.2% over the previous year, exceeding the annual target of RMB7,900 million by 12%. Average contracted sales price ("ASP") was RMB16,300 per sq.m., rising 40.5% as compared to last year.

Particulars of Contracted sales are summarized below:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
Jiang Nan New Mansion	Residential	81,500	1,590	19,500	Haizhu, Guangzhou
Springland Garden	Residential	84,500	1,297	15,300	Haizhu, Guangzhou
Ling Nan Riverside	Residential	77,600	1,251	16,100	Liwan, Guangzhou
Starry Winking	Residential	32,500	876	27,000	Tianhe, Guangzhou
Paradiso Homeland	Residential	33,300	768	23,000	Haizhu, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	76,000	507	6,700	Conghua, Guangzhou
Southern Le Sand	Low-rise Department/Villa	33,500	299	8,900	Nansha, Guangzhou
Other Projects	N/A	54,700	999	18,300	Guangzhou
Sub-total		473,600	7,587	16,000	
Investment Properties	N/A	69,400	1,268	18,300	Guangzhou
Total		543,000	8,855	16,300	

During the year, recognized sales area (including 81,000 sq.m. of investment properties) reached approximately 424,400 sq.m., representing an increase of 13.4% over the previous year. Recognized sales revenue from property sales (including RMB1,345 million from investment properties) amounted to approximately RMB5,646 million, representing an increase of 52.1% over the previous year. ASP reached approximately RMB13,300 per sq.m. (including sold investment properties), representing an increase of 33.0% over the previous year.

Particulars of recognized property sales are summarized as follow:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
Starry Winking	residential	61,400	1,386	22,600	Tianhe, Guangzhou
Springland Garden	residential	64,100	892	13,900	Haizhu, Guangzhou
Victory Plaza	Office	2,500	63	25,200	Tianhe, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	72,900	449	6,200	Conghua, Guangzhou
Southern Le Sand	Low-rise Department/Villa	85,300	504	5,900	Nansha, Guangzhou
Other Projects	N/A	57,200	1,007	17,600	Guangzhou
Sub-total		343,400	4,301	12,500	
Investment Properties	N/A	81,000	1,345	16,600	Guangzhou
Total		424,400	5,646	13,300	

Property sold but not yet recognized amounted to 536,300 sq.m. in GFA and RMB8,403 million in value. ASP was RMB15,700 per sq.m. Details are summarized as follow:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
Jiang Nan New Mansion	Residential	144,200	2,551	17,700	Haizhu, Guangzhou
Springland Garden	Residential	73,600	1,115	15,200	Haizhu, Guangzhou
Ling Nan Riverside	Residential	123,800	1,894	15,300	Liwan, Guangzhou
Starry Winking	Residential	49,900	1,187	23,800	Tianhe, Guangzhou
Paradiso Homeland	Residential	33,300	768	23,000	Haizhu, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	42,900	277	6,500	Conghua, Guangzhou
Southern Le Sand	Low-rise Department/Villa	60,900	445	7,300	Nansha, Guangzhou
Other Projects	N/A	1,200	13	10,800	Guangzhou
Sub-total		529,800	8,250	15,600	
Investment Properties	N/A	6,500	153	23,500	Guangzhou
Total		536,300	8,403	15,700	

Landbank — Gradual realization of strategic nation-wide expansion

In line with the strategic development objective of "home base in Guangzhou and strategic expansion nationwide", the Group continues to strengthen its capability of sustainable growth. In 2010 and up to the date of this announcement, the Group's landbank, including 344,000 sq.m for Shenyang Linghai acquired before the end of 2010 (such acquisition completed in January 2011), increased by 3.46 million sq.m. in terms of GFA, enabling the Company to break the 10 million sq.m. threshold for the first time. The strategic nationwide expansion has put the core operations of the Group firmly within the Pearl River Delta, with footholds in Yangtze River Delta, Bohai Rim Economic Zone and Central Region. The footprint of the Group has been extended to nine cities in the PRC from five cities in 2009. Among these cities, five are in the Pearl River Delta, namely, Guangzhou, Zhongshan, Jiangmen, Foshan amd Hong Kong, two in the Bohai Rim Economic Zone, namely, Shenyang and Yantai and one in each of the Yangtze River Delta and Central Region, which are Hangzhou and Wuhan respectively.

Land acquisitions are summarised as follow:

Project Name	**Land Use**	**GFA (sq.m.)**	**Premium (RMB mil)**	**Land Cost (RMB/sq.m.)**	**Location**
Panyu Nanqu Plot	Residential/ Commercial	554,000	2,875	5,189	Panyu, Guangzhou
Zhongshan Qiguan Plot	Residential	148,000	266	1,797	Shiqi, Zhongshan
Zhongshan Bo-ai Plot	Residential/ Commercial	475,000	416	877	Dongqu, Zhongshan
Nanhai Plot	Residential/ Commercial/Office	275,000	1,350	4,909	Nanhai, Foshan
Hangzhou Lin-an Plot	Residential/ Commercial/Office	950,000	589.1	620	Lin-an, Hangzhou
Wuhan Qiaokou Land	Residential/ Commercial	710,000	2,820	3,971	Qiaokou, Wuhan
Total (2010)		3,112,000	8,316.1	2,673	
Shenyang Linghai Project	Residential	344,000	1,038	3,018	Xinqu, Shenyang
Total		3,456,000	9,354.1	2,707	

Up to the date of this announcement, the Group owned approximately 7.09 million sq.m. of undeveloped properties. If classified by region, Guangzhou accounted for about 47%, Zhongshan for about 14%, Jiangmen for about 6%, Foshan for about 4%, Hangzhou for about 13%, Wuhan for about 10%, Shenyang for about 5% and Hong Kong for about 1%. If classified by land use, residential properties, office properties, commercial properties and parking and other properties account for about 57%, 12%, 12%, and 19% respectively. Particulars of these projects are summarised as follow:

Project Name	**Interest Holding**	**GFA (sq.m.)**	**Residential (sq.m.)**	**Office (sq.m.)**	**Commercial (sq.m.)**	**Carpark & others (sq.m.)**	**Location**
Southern Le Sand	95%	1,704,000	874,000	161,000	465,000	204,000	Nansha, Guangzhou
Panyu Nanqu Plot	95%	554,000	351,000	—	49,000	154,000	Panyu, Guangzhou
Starry Wenhua (formerly University City Properties)	95%	289,000	192,000	—	—	97,000	Panyu, Guangzhou
Starry Golden Sands (formerly Jin Sha Zhou Plot)	100%	220,000	150,000	—	9,000	61,000	Baiyun, Guangzhou
Fortune Center (formerly B2-10, Zhujiang New Town)	95%	210,000	—	157,000	7,000	46,000	Tianhe, Guangzhou
Fortune World Plaza	97.55%	125,000	—	113,000	—	12,000	Liwan, Guangzhou
Sports Stadium Building	100%	125,000	—	81,000	25,000	19,000	Yuexiu, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	95%	38,000	27,000	—	—	11,000	Haizhu, Guangzhou
D8-C3, Zhujiang New Town	95%	30,000	22,000	—	—	8,000	Tianhe, Guangzhou
Other Projects	95%	60,000	31,000	—	7,000	22,000	Guangzhou
Sub-total (Guangzhou)		3,355,000	1,647,000	512,000	562,000	634,000	

Project Name	Interest Holding	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Zhongshan Starry Winking (formerly Zhongshan Nanqu Plot)	95%	393,000	305,000	—	5,000	83,000	Nanqu, Zhongshan
Zhongshan Qiguan Plot	100%	148,000	106,000	—	9,000	33,000	Shiqi, Zhongshan
Zhongshan Bo-ai Plot	95%	475,000	244,000	127,000	3,000	101,000	Dongqu, Zhongshan
Sub-total (Zhongshan)		1,016,000	655,000	127,000	17,000	217,000	
Jiangmen Starry Regal Court	95%	383,000	266,000	—	21,000	96,000	Beixin, Jiangmen
Nanhai Plot	95%	275,000	100,000	37,000	81,000	57,000	Nanhai, Foshan
Hangzhou Lin-an Plot	100%	950,000	653,000	48,000	102,000	147,000	Lin-an, Hangzhou
Wuhan Qiaokou Land	95%	710,000	309,000	143,000	58,000	200,000	Qiaokou, Wuhan
Yau Tong Property	100%	59,000	59,000	—	—	—	Yautong, Hong Kong
Total (2010)		6,748,000	3,689,000	867,000	841,000	1,351,000	
Shenyang Linghai Project	99.95%	344,000	344,000	—	—	—	Xinqu, Shenyang
Total		7,092,000	4,033,000	867,000	841,000	1,351,000	

Overall Development Efficiency Significantly Improved

In order to speed up the project development cycle, trim down the cost of funds, and at the same time neutralize the impact of suspension of construction in Guangzhou during 2010 Asian Games, the Company adopted an action plan by which overall coordination capacity was strengthened and the work flow, such as design, tendering, land resumption, construction and sales were streamlined. For a 30-storey high-rise residential building, the durations between tendering and commencement of construction, between commencement of construction to sales, and between sales to completion of construction have been shortened from 24 months, 14 months and 18 months respectively 2 years ago to only 12 months, 12 months and 15 months respectively now. The development cycle was shortened by a handsome 17 months with overall efficiency improved by more than 30%.

Due to the enhancement of development and coordination capabilities, the area of new projects commenced in 2010 exceeded over the planned target of 650,000 sq.m. by almost two fold to 1.28 million sq.m., setting a solid foundation for our sales in 2011 and 2012. As far as completion of constructions is concerned, Starry Winking in Zhujiang New Town and Springland Garden in Haizhu District of Guangzhou are delivered ahead of schedule.

As of 31 December 2010, the area of projects under construction of the Group amounted to approximately 2.92 million sq.m. Classifying by regions, Guangzhou accounted for about 80%, Zhongshan for about 6%, Jiangmen for about 7%, and Yantai for about 7%. If classified by land use, residential area, office area, commercial area and parking and other areas accounted for about 49%, 11%, 15% and 25% respectively. Details of these projects are summarised as follow:

Project Name	Interest Holding	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Southern Le Sand	95%	473,000	269,000	89,000	71,000	44,000	Nansha, Guangzhou
Asia Pacific Century Plaza	95%	232,000	—	105,000	27,000	100,000	Tianhe, Guangzhou
Jiang Nan New Mansion	95%	231,000	148,000	—	30,000	53,000	Haizhu, Guangzhou
Starry Wenhua (phase 1) (formerly University City Properties)	95%	222,000	148,000	—	—	74,000	Panyu, Guangzhou
Fortune World Plaza	97.55%	210,000	—	—	210,000	—	Liwan, Guangzhou
Ling Nan Riverside	97.55%	192,000	170,000	—	—	22,000	Liwan, Guangzhou

Project Name	Interest Holding	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Starry Golden Sands (phase 1) (formerly Jin Sha Zhou Plot)	100%	187,000	134,000	—	1,000	52,000	Baiyun, Guangzhou
Guangzhou IFC (portion)	99%	164,000	52,000	19,000	—	93,000	Tianhe, Guangzhou
Fortune Century Square (formerly D3-7, Zhujiang New Town)	100%	134,000	—	97,000	9,000	28,000	Tianhe, Guangzhou
Huadu Glade Greenland (formerly Hua Du Plot)	100%	93,000	71,000	—	—	22,000	Huadu, Guangzhou
Paradiso Homeland	95%	74,000	58,000	—	—	16,000	Haizhu, Guangzhou
Cong Hua Glade Village	95%	69,000	57,000	—	—	12,000	Conghua, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	95%	24,000	12,000	—	—	12,000	Haizhu, Guangzhou
Other Projects	95%	37,000	—	—	—	37,000	Guangzhou
Sub-total (Guangzhou)		2,342,000	1,119,000	310,000	348,000	565,000	
Jiangmen Starry Regal Court (phase 1)	95%	195,000	138,000	—	4,000	53,000	Beixin, Jiangmen
Zhongshan Starry Winking (phase 1) (formerly Zhongshan Nanqu Plot)	95%	163,000	46,000	—	70,000	47,000	Nanqu, Zhongshan
Yantai Starry Phoenix	95%	220,000	116,000	—	32,000	72,000	Zhifu, Yantai
Total		2,920,000	1,419,000	310,000	454,000	737,000	

Effective Restructuring of Investment Property Portfolio

According to the Board's strategic plan of optimizing asset structure, we have increased the size of the asset pool of low yield assets slated for disposal. 69,400 sq.m. of non-core and low-yield investment properties has been disposed of for an aggregate amount of RMB1,268 million.

Soft opening of Guangzhou International Finance Centre ("IFC"), the core landmark commercial project of the Group, took place on 15 October 2010. The service apartments of IFC will be managed and operated by "ASCOTT" from Singapore, while the entire shopping mall was leased to Guangzhou Friendship Store. The shopping mall opened for business on 18 November 2010. With the substantial improvement of the business environment in Guangzhou resulting from the face-lift of public amenities and access during the 2010 Asian Games, the office leasing have been very active, with famous brands and quality customers signed up one after another. We have met our annual target and leased out 25% of the rentable office area during the year.

As of 31 December, 2010, the Group owned investment properties of approximately 920,000 sq.m., in which 34% being retail shop space, 35% being office space, 31% being parking space. Total rental income amounted to approximately RMB289 million, an increase of about 1% over the previous year. During the Reporting Period, fair value of the investment properties stood at RMB7.6 billion, representing an appreciation of approximately RMB260 million over 2009.

Particulars of the investment properties are summarized as follow:

Project Name	GFA (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carparks (sq.m.)	Location
Guangzhou IFC (portion)	233,200	167,200	44,700	21,300	Tianhe, Guangzhou
Popark Plaza	85,000	—	85,000	—	Tianhe, Guangzhou
Jin Han Building	45,800	45,800	—	—	Yuexiu, Guangzhou
Guang Yuan Cultural Centre	32,000	—	20,700	11,300	Yuexiu, Guangzhou
Huangshi Garden	30,900	—	30,900	—	Baiyun, Guangzhou
Xiangkang Commercial Plaza	28,900	28,900	—	—	Yuexiu, Guangzhou
Yue Xiu City Plaza	17,500	—	17,500	—	Yuexiu, Guangzhou
Hong Fa Building	17,300	17,300	—	—	Tianhe, Guangzhou
Victory Plaza	10,900	10,900	—	—	Tianhe, Guangzhou
Other Projects (include carparks)	384,500	49,800	103,200	231,500	Guangzhou
Hong Kong Properties	32,000	—	11,000	21,000	Hong Kong
Total	918,000	319,900	313,000	285,100	

Continual Reform of Market Oriented Systems through Innovation

During the year, on the foundation of the newly implemented market-oriented human resources management system, the Group conducted a performance review for Year 2010 on its corporate business team using the balanced scorecard performance management tool. Adjustments to compensation packages were determined in accordance with the results of the performance review, signifying that the Group's reform has entered a new stage.

At the same time, the Group, formulates off-site management programs such as organizational management and control, intelligence office, financial management, brand strategies, etc to support our strategic nationwide expansion. These have great significance in enhancing corporate management, delegation of management duties, and building core competitiveness of the company.

Other Businesses

In 2010, revenue from decoration business amounted to RMB214 million, representing an increase of 63% over the previous year. Property management revenue was approximately RMB344 million, an increase of 5% over the previous year.

GZI Real Estate Investment Trust (GZI REIT), an associate of the Group, achieved gross revenue of approximately RMB485 million, representing an increase of 3.34% over the previous year. The total amount of distributable income was RMB220 million, representing a slight increase of 0.09% over the previous year. As the Group held a 35.58% interest in the trust, it would receive a cash distribution of RMB78 million.

Future Prospects

In Year 2011, the Group will closely monitor market and policy changes and will revise our corporate strategies as and when appropriate to address such changes. Major tasks are as follows:

Achieve Breakthrough in Sales, with careful organization and planning.

In 2011, it is expected that GFA available for sales will amount to approximately 780,000 sq.m. Given the uncertain market conditions, we set our target at attaining contracted sales of no less than 540,000 sq.m. in volume and RMB9 billion in value to maintain a sustainable growth momentum.

New launches in 2011 are expected to start in May and to concentrate in the second half of this year. Thus, we anticipate the sales would be relatively low in the first half of with a higher sales volume in the second half of 2011. Our sales plan for the year will be focused on three main areas. First, taking note of the fact that increasing investments have been diverted to the commercial property segment from the residential property market in Guangzhou as the latter was being the primary target of the macro-economic revision measures in the PRC, we will allocate greater resources to promote the sales of commercial properties in the short term, and expect that such sales would comprise as much as 40% of the annual sales target. Second, we intend to take the opportunity of the planned launch of three projects outside of

Guangzhou, namely Starry Regal Court in Jiangmen, Starry Phoenix in Yantai, and Linghai Mingzhu in Shengyang, in mid 2011 to embark upon our brand building nation-wide. Third, we plan to launch two projects in Guangzhou, namely, Starry Golden Sands and Guangzhou Starry Wenhua in the 4th quarter of 2011 to further strengthen our customer base in Guangzhou and take full advantage of the affluence in our home base.

Proactively and Steadily Increase landbank to Enhance Nation-wide Expansion

In our 2011 business plan, we plan to invest not less than RMB6 billion to replenishing our landbank. First, the bulk of our new investments will remain in Guangzhou as we want to build an even stronger foundation at our home base and we will put our focus on winning "three old" transformation projects in the Guangzhou urban renewal initiative. Second, we will continue to seek new opportunities in other cities where we have set our foothold in order to expand and consolidate our presence in those cities.

Strengthen collaboration and improve development efficiency.

In Year 2011, we plan to commence construction of new projects with total GFA of approximately 1.38 million sq.m. Concurrently, we are committed to shortening the development cycle even further and accelerating the cash flow and ultimately improving the profitability of project by streamlining and improving the workflow process and project management by devising more detailed work plans and schedules.

Mustering Up Efforts to Complete Construction and Operation of Core commercial properties.

Year 2011 will be a special year as it will mark the completion of construction and commencement of operation of the Group's two core commercial properties. We aim at leasing out at least 65% of the rentable area of the office portion of Guangzhou IFC by the end of the year. We also aim at completing the construction and the pre-completion leasing of the trade centre of Fortune World Plaza before the end of the year.

FINANCIAL REVIEW

Financial Highlights

1. **Revenue reached record level while profits attributable to the shareholders of the Company from continuing operations achieved solid growth**

   Revenue (including the sales of investment properties) of the Group amounted to approximately RMB6,979 million, representing an increase of 42.2% over the previous year, of which, revenue from sales of properties hit record level of RMB5,646 million, up 52.1% as compared to last year. Operating profit (excluding the fair value gains on revaluation of investment properties) surged 59% as compared to the previous year.

   During the year, profits attributable to the shareholders of the Company from continuing operations increased to approximately RMB919 million, representing an increase of 42.2%.

2. **Capital structure enhanced by the successful completion of our first rights issue**

   The first rights issue of the Group after its listing has completed successfully, which provided us with equity financing of approximately RMB3,000 million and improved our capital structure. As at 31 December 2010, gearing ratio (net borrowings over total capitalization) of the Group was about 41.6%, which was comparable to 2009.

3. **Achieving the strategic goal of spinning off non-property business with an aim of focusing on property development**

   The Group disposed of its supermarket business at a consideration of approximately RMB37 million at the end of 2010 and completed its goal of spinning off all the non-property businesses in order to focus on the property development.

4. **Strong financial position and adequate working capital**

   As at 31 December 2010, working capital (current assets less current liabilities) amounted to RMB 18,163 million. Cash and charged bank deposits amounted to approximately RMB7,473 million. Undrawn committed banking facilities were in the proximity of RMB3,100 million. Such figures highlighted that the Group remained in a strong financial position and had abundant working capital that was critical to the future development of the Group.

ANALYSIS ON OPERATING RESULTS

Change in presentation currency

During the year ended 31 December 2010, the Group changed its presentation currency of its financial statements from Hong Kong dollar to RMB. The Board considered that the change would result in a more appropriate presentation of the Group's transactions in the financial statements. Details are set out in Note 1 to the "Notes to the Financial Statements".

Continuing operations

Revenue

In 2010, the Group recorded revenue of approximately RMB5,634 million, a 20.6% increase from the previous year. Revenue from sales of properties amounted to approximately RMB4,301 million which represented a growth of 23.7% over the previous year.

Proceeds from sales of investment properties

During the year, proceeds from sales of investment properties with a carrying value of approximately RMB876 million amounted to approximately RMB1,345 million, thus generating a gross profit of RMB469 million.

The Group's total sales of properties (including the sales of investment properties) amounted to approximately RMB5,646 million which represented a growth of 52.1% over the previous year, gross profit margin for sales of properties remained approximately 35% as previous year.

Selling and marketing costs

During the year, selling and marketing costs increased to approximately RMB214 million, representing an increase of 13.9% over the previous year. The increase was mainly attributable to the rise in contracted sales as well as an increase in promotion and advertising initiatives.

As a result of the significant increase in contracted sales, the selling and marketing costs in 2010 accounted for 2.4% to the contracted sales, slightly decreased from 3.1% in the previous year.

Administrative expenses

During the year administrative expenses amounted to approximately RMB594 million, representing an increase of 14.9% over the previous year of approximately RMB517 million. Excluding the effect of provision for impairment of fixed assets, the administrative expenses increased by approximately 8.0% over the previous year, which was mainly attributable to a higher staffing level which was necessary to cope with the expansion of the Group's business.

As a result of the significant increase in contracted sales, the administrative expenses in 2010 accounted for 6.7% to the contracted sales, decreased by 1.8 percentage points from 8.5% in the previous year.

Finance costs

With an increase in bank borrowings of approximately RMB5,100 million during the year and higher interest rates, the Group's actual interest expenses during the year amounted to approximately RMB755 million, a 77.8% increase over approximately RMB424 million in the previous year. Interest expense capitalized increased to approximately RMB535 million in 2010 over approximately RMB360 million capitalized in the previous year. Finance costs recognized as expenses were therefore approximately RMB220 million, an increase of 245.9% over approximately RMB64 million in the previous year.

Share of profits from associated entities

During the year, overall net contribution from the Group's associated entities amounted to approximately RMB232 million, a rise of 113.7% over the previous year. This was mainly derived from the Group's share of a 35.58% equity interest in GZI REIT which recorded a fair value gain on revaluation of investment properties amounted to RMB345 million during the year, profit after taxation thus increased 139.8% to RMB635 million. The Group's share of its contribution increased to RMB226 million from RMB94 million in the previous year.

Taxation

During the year, taxation amounted to approximately RMB1,021 million, a 61.2% increase over approximately RMB633 million in the previous year. This was mainly due to the significant increase in revenue and sales of investment properties.

Profit attributable to equity holders of the Company — continuing operations

Profit attributable to equity holders of the Company from the continuing operations for 2010 amounted to approximately RMB919 million, representing an increase of 42.2% over the previous year of RMB646 million.

Earnings per share

Basic earnings per share attributable to equity holders of the Company from the continuing operations for 2010 were RMB 0.1228 (2009: RMB0.0906).

Liquidity and financial resources

As at 31 December 2010, the Group's working capital (current assets less current liabilities) amounted to approximately RMB18,163 million (2009: RMB13,511 million). The Group's current ratio was 1.94. Cash and cash equivalents amounted to approximately RMB6,451 million (2009: RMB4,328 million). Charged bank deposits amounted to approximately RMB1,022 million (2009: RMB1,845 million). Undrawn committed bank facilities amounted to approximately RMB3,100 million.

The Group's major sources of liquidity are from recurring cash flows of its business and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position so as to meet the need of a fast-changing external market and to safeguard the business development of the Group. Therefore, the Group places great emphasis on liquidity management and risk control. Other than maintaining good relationships with financial institutions in Hong Kong and Mainland China, the Group strives to explore alternative financing channels, seek to lower financing costs, and monitor the capital and debt structure from time to time. The Group also makes appropriate adjustments thereof in order to enhance its risk resistance capability.

Capital structure

The Group's capital structure is summarized as follow：

	31 December 2010 RMB'000	31 December 2009 RMB'000
Bank borrowings (floating rate)		
Denominated in RMB	12,871,558	8,814,001
Denominated in Hong Kong dollar	4,815,481	3,728,844
Total bank borrowings	17,687,039	12,542,845
Unsecured other borrowings	48,940	50,028
Finance lease	154	109
Overdrafts	213	404
Total debts	17,736,346	12,593,386
Ageing analysis:		
Repayable within one year	6,033,686	1,887,472
In the second year	7,280,071	2,467,441
In the third to fifth year	1,422,589	5,748,473
Over five year	3,000,000	2,490,000
Total borrowings	17,736,346	12,593,386
Less: Cash and cash equivalents	(6,451,077)	(4,327,915)
Net borrowings	11,285,269	8,265,471
Shareholders' equity (excluding minority interests)	15,860,360	12,075,749
Total capitalization	27,145,629	20,341,220
Gearing ratio	41.6%	40.6%

During the year, the Group's net new bank borrowings increased by approximately RMB5,100 million, which has been injected in full into the development of property projects.

Capital expenditures and investments

In 2010, the Group's capital expenditures on property, plant, equipment, construction in progress, investment properties and land use rights amounted to RMB1,460 million.

Interest rate exposure

Interest expenses accounted for a significant proportion of the Group's finance costs, and are charged at floating rates. The Group closely monitors the trend of interest rate fluctuations in the market and seeks to adopt appropriate risk management measures. The Group will explore appropriate interest rates hedging measures if and when deemed appropriate in the future with a view to mitigate the interest rate risks. At the same time, the Group may continue to seek more Hong Kong dollar borrowings so as to take advantage of Hong Kong dollar's lower interest rate.

Foreign exchange exposure

As the business operations of the Group are mainly in Mainland China, income and cash flows are primarily denominated in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings. The Group will review and monitor its currency exposure from time to time and will adopt appropriate currency swaps as and when appropriate to hedge its currency risks.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had unpaid land premium commitment in respect of the land acquisition of approximately RMB3,145 million.

Other than the above, the Group's capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately RMB2,243 million (2009: approximately RMB3,185 million).

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in Mainland China. Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31 December 2010, total contingent liabilities relating to these guarantees amounted to approximately RMB1,923 million (2009: approximately RMB1,035 million)

As at 31 December 2010, in connection with the disposal of a subsidiary to GZI REIT during 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately RMB63 million. The Deed of Indemnity will expire on 30 May 2014.

Events after the balance sheet date

On 30 December 2010, the Group entered into a Sale and Purchase Agreement with an independent third party to acquire the entire equity interest in Fancy Treasure Limited ("Fancy Treasure"), a company incorporated in Hong Kong, at a consideration of approximately RMB616 million. Fancy Treasure holds 99% interest in a subsidiary in Mainland China, which principally engaged in the development and construction of real estate in Shenyang, Mainland China. The transaction was completed on 27 January 2011.

Final dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code Provisions") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2010, except for the following deviations.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

By order of the Board
LU Zhifeng
Chairman

Hong Kong, 21 March 2011

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:	LU Zhifeng (Chairman), ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, LIANG Youpan and LAM Yau Fung Curt
Independent Non-executive Directors:	YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose