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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2010

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the financial year ended 31st December, 2010 (the “Year”) pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Group’s consolidated statement of comprehensive income and consolidated statement of financial position, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2009 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2010

	Notes	2010 HK\$’000	2009 HK\$’000 (Restated)
Revenue	3	2,671,012	2,151,319
Cost of sales		(1,320,032)	(1,220,382)
Gross profit		1,350,980	930,937
Other income	5	124,856	54,555
Investment income, net	6	877,891	761,155
Administrative expenses		(229,800)	(204,870)
Other expenses	7	(15,776)	(6,994)
Gain on disposals of property and other fixed assets		40	377
Loss on disposals of investment properties		(4)	(610)
Fair value changes on investment properties		(10,831,293)	8,564,301
Finance costs	9	(68,486)	(105,485)
Other gains and losses, net	10	19,867	84,387
Share of results of associates		56,580	144,806
(Loss) profit before tax		(8,715,145)	10,222,559
Income tax expense	11	(120,602)	(175,093)
(Loss) profit for the year	8	(8,835,747)	10,047,466

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the year ended 31st December, 2010

	Notes	2010 HK\$'000	2009 HK\$'000 (Restated)
Other comprehensive income			
Fair value changes on available-for-sale investments		24,981	43,925
Reclassification relating to disposal of available-for-sale investments		(108,421)	-
Exchange differences on translation of foreign operations		181,202	7,075
Share of other comprehensive income of associates		78,272	27,458
Other comprehensive income for the year (net of tax)		<u>176,034</u>	<u>78,458</u>
Total comprehensive (expenses) income for the year		<u>(8,659,713)</u>	<u>10,125,924</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(8,858,245)	10,023,423
Non-controlling interests		22,498	24,043
		<u>(8,835,747)</u>	<u>10,047,466</u>
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		(8,685,583)	10,084,710
Non-controlling interests		25,870	41,214
		<u>(8,659,713)</u>	<u>10,125,924</u>
(Loss) earnings per share (HK\$)			
- Basic and diluted	13	<u>(4.60)</u>	<u>5.02</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31st December, 2010 HK\$'000	31st December, 2009 HK\$'000 (restated)	1st January, 2009 HK\$'000 (restated)
Non-current assets				
Investment properties		27,419,024	40,708,482	30,302,580
Property and other fixed assets		521,589	418,226	1,641,692
Properties under development		-	-	86,496
Property interests held for future development		-	-	-
Intangible assets		4,290	7,150	10,010
Goodwill		6,941	6,941	8,310
Interests in associates		1,044,056	1,024,885	854,090
Advances to associates		1,563,687	1,931,121	1,784,457
Interests in jointly controlled entities		-	-	-
Available-for-sale investments		334,079	1,787,348	468,127
Financial assets designated as at fair value through profit or loss		3,101,417	-	-
Advances to investee companies		344,879	328,478	332,501
Loans receivable, due after one year		78	240	60,129
Deferred tax assets		33,083	8,648	3,361
Advance to non-controlling shareholders		138,971	14,580	14,580
Pledged deposits		163,031	27,840	99,599
		34,675,125	46,263,939	35,665,932
Current assets				
Stock of properties		4,339,662	4,563,177	4,945,495
Available-for-sale investments		100,704	-	-
Investments held-for-trading		2,422,066	643,954	-
Financial assets designated as at fair value through profit or loss		2,084,012	728,238	-
Loans receivable, due within one year		41	59,889	117
Inventories for cosmetic products		2,960	2,993	3,426
Debtors, deposits and prepayments	14	485,872	371,742	223,439
Securities trading receivables and deposits		106,865	399,313	69,118
Tax recoverable		2,277	659	414
Pledged deposits		24,035	1,088,845	378,483
Time deposits, bank balances and cash		10,689,322	5,200,666	10,418,877
Sales proceeds held by stakeholders		43,419	35,950	63,272
		20,301,235	13,095,426	16,102,641
Asset classified as held for sale		80,000	-	-
		20,381,235	13,095,426	16,102,641
Current liabilities				
Derivative financial instruments		-	3,238	24,432
Creditors and accruals	15	719,241	503,723	323,026
Securities trading and margin payable		73,197	65,162	62,702
Deposits and receipts in advance		566,738	657,412	391,298
Tax liabilities		137,741	84,271	118,360
Borrowings – due within one year		3,727,552	3,714,963	3,163,925
Provisions		16,054	16,054	16,054
Financial guarantee liabilities		290	76	-
		5,240,813	5,044,899	4,099,797
Net current assets		15,140,422	8,050,527	12,002,844
Total assets less current liabilities		49,815,547	54,314,466	47,668,776

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	31st December, 2010 HK\$'000	31st December, 2009 HK\$'000 (restated)	1st January, 2009 HK\$'000 (restated)
Equity attributable to owners of the Company			
Share capital	190,762	195,000	207,775
Share premium	-	9,325	1,463,018
Properties revaluation reserve	-	704	704
Securities investments reserve	102,715	189,529	162,775
Statutory reserve	9,314	6,626	4,367
Other reserve	(7,340)	(7,681)	(7,945)
Special reserve	2,499,685	2,499,685	2,499,685
Capital redemption reserve	138,062	133,824	121,049
Translation reserve	639,930	380,795	346,526
Retained profits			
- proposed dividend	19,076	19,500	2,006,305
- others	29,915,662	40,084,354	31,350,387
	33,507,866	43,511,661	38,154,646
Non-controlling interests	702,985	800,653	653,245
Total equity	34,210,851	44,312,314	38,807,891
Non-current liabilities			
Financial guarantee liabilities	-	290	618
Borrowings – due after one year	14,982,958	9,500,018	8,505,258
Amounts due to associates	76,950	11,859	9,271
Amounts due to non-controlling shareholders	141,325	80,098	77,565
Deferred tax liabilities	403,463	409,887	268,173
	15,604,696	10,002,152	8,860,885
	49,815,547	54,314,466	47,668,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st December, 2010

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values.

2. Application of New and Revised Hong Kong Financial Reporting Standards (the “HKFRSs”)

The accounting policies adopted in the consolidated financial statements for the year ended 31st December, 2010 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2009 except as described below.

In the current year, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2010. The new HKFRSs adopted by the Group in the consolidated financial statements are set out below:

HKFRSs (Amendments)	Improvements to HKFRS 1 and HKFRS 5 as a part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

In addition, the Group has early adopted HKAS 12 (Amendment), “Deferred Tax: Recovery of Underlying Assets” which is effective for annual periods beginning on or after 1st January, 2012.

The application of HKFRS 3 (Revised), “Business Combinations” affects the accounting for business combination for which the acquisition date is on or after 1st January, 2010 and HKAS 27 (Revised), “Consolidated and Separate Financial Statements” affects the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The adoption of HKAS 17 (Amendment) as included in Improvements to HKFRSs issued in 2009, HK Interpretation 5 and the early adoption of HKAS 12 (Amendment) have resulted in changes in the accounting policies and has been applied retrospectively. The details of the changes are set out below.

The Improvements to HKFRSs issued in 2009 contain amendments to HKAS 17, “Leases”, which has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, the Group’s interests in leasehold land were accounted for as prepaid operating leases which were amortised and recognised in the consolidated statement of comprehensive income over the unexpired lease terms using the straight-line method. As substantially all risks and rewards of the leasehold land are considered having been transferred to the Group based on HKAS 17 (Amendment), the Group’s interests in leasehold land are now accounted for as assets held under finance leases and are stated at cost less accumulated depreciation. The amendment has been applied retrospectively to unexpired leases since 1st January, 2010 on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land disposed of by the Group in prior years.

The amendment to HKAS 12, introduce a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendment, the Group’s investment properties in Hong Kong do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted. This change in policy has been applied retrospectively by restating the opening balances at 1st January, 2009, with consequential adjustments to comparatives for the year ended 31st December, 2009.

HK Interpretation 5 is a clarification of an existing standard, HKAS 1, “Presentation of Financial Statements”. This interpretation clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities and requires retrospective application. The application of HK Interpretation 5 had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Effects of the changes in the accounting policies on the consolidated statement of comprehensive income:

	Year ended 31st December, 2009		
	Originally stated HK\$’000	HKAS 12 HK\$’000	Restated HK\$’000
Share of results of associates	122,630	22,176	144,806
Income tax (expense) credit	(1,528,111)	1,353,018	(175,093)
Profit for the year	8,672,272	1,375,194	10,047,466
Profit for the year attributable to:			
Owners of the Company	8,648,727	1,374,696	10,023,423
Non-controlling interests	23,545	498	24,043
	8,672,272	1,375,194	10,047,466
Earnings per share (HK\$)			
Basic and diluted	4.34	0.68	5.02

Effects of the changes in the accounting policies on the consolidated statement of financial position:

	At 31st December, 2009				At 1st January, 2009			
	Originally stated HK\$'000	HKAS 12 HK\$'000	HKAS17 HK\$'000	Restated HK\$'000	Originally stated HK\$'000	HKAS 12 HK\$'000	HKAS17 HK\$'000	Restated HK\$'000
Property and other fixed assets	90,045	-	328,181	418,226	104,739	-	1,536,953	1,641,692
Prepaid lease payments	328,181	-	(328,181)	-	1,536,953	-	(1,536,953)	-
Interests in associates	1,018,346	6,539	-	1,024,885	869,727	(15,637)	-	854,090
Deferred tax assets	70,905	(62,257)	-	8,648	96,690	(93,329)	-	3,361
Deferred tax liabilities	(5,346,041)	4,936,154	-	(409,887)	(3,882,381)	3,614,208	-	(268,173)
Non-controlling interests	(798,966)	(1,687)	-	(800,653)	(652,056)	(1,189)	-	(653,245)
Retained profits	(35,225,105)	(4,878,749)	-	(40,103,854)	(29,852,639)	(3,504,053)	-	(33,356,692)

Save as described above, the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no other prior period adjustment has been required.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ⁶
HKFRS 7 (Amendment)	Disclosure - Transfer of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Classification of Rights Issues ¹
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1st February, 2010

² Effective for annual periods beginning on or after 1st July, 2010

³ Effective for annual periods beginning on or after 1st January, 2011

⁴ Effective for annual periods beginning on or after 1st July, 2011

⁵ Effective for annual periods beginning on or after 1st January, 2013

⁶ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate of amounts received and receivable from the gains/losses from sales of investments held-for-trading, sales of properties held-for-sale, property rental income, commission from brokerage, settlement charges from brokerage, interest income from loan financing and cosmetic goods sold less returns.

During the Year, the losses from the sales of investments held-for-trading in “Revenue” on a net basis are HK\$148.5 million (year ended 31st December, 2009: HK\$115.5 million).

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has seven reportable segments – property development and trading, property leasing for retail, property leasing for non-retail, listed available-for-sale equity investments, listed held-for-trading investments and treasury products, floating rate and fixed rate notes and unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed securities		
- Available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
- Held-for-trading investments and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Floating rate and fixed rate notes	–	Listed and unlisted floating rate notes and fixed rate notes in available-for-sale investments
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The accounting policies of the operating segments are the same as the Group's principal accounting policies. The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties together with their respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2009.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business units has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

Operating segment information is presented below:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	<u>Property leasing</u>			<u>Listed securities</u>					
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	4,313,612	-	-	-	4,313,612
- other countries	-	-	-	-	3,596,584	-	-	-	3,596,584
	-	-	-	-	7,910,196	-	-	-	7,910,196
Revenue									
Revenue from external customers									
- Hong Kong	608,305	719,223	327,699	-	(212,517)	-	17,944	16,618	1,477,272
- PRC	1,050,392	41,969	37,369	-	-	-	-	-	1,129,730
- other countries	-	-	-	-	64,010	-	-	-	64,010
	1,658,697	761,192	365,068	-	(148,507)	-	17,944	16,618	2,671,012
Revenue from external customers after non-controlling interests	1,629,033	759,896	362,918	-	(148,507)	-	17,944	16,618	2,637,902
Attributable property sales from associates									
- Hong Kong	25,728	-	-	-	-	-	-	-	25,728
Attributable rental revenue from associates									
- Hong Kong	-	3,244	22,273	-	-	-	-	-	25,517
- PRC	-	71,286	49,614	-	-	-	-	-	120,900
	1,654,761	834,426	434,805	-	(148,507)	-	17,944	16,618	2,810,047
Result									
Segment result									
- Hong Kong	207,290	680,795	315,867	138,122	(249,772)	7,411	106,538	36,727	1,242,978
- PRC	211,568	36,298	32,638	-	-	-	4,046	-	284,550
- other countries	-	-	-	-	727,849	-	-	-	727,849
	418,858	717,093	348,505	138,122	478,077	7,411	110,584	36,727	2,255,377
Other income, net	503	-	-	-	-	-	100	-	603
Share of results of associates									
- attributable property sales, net									
- Hong Kong	12,536	-	-	-	-	-	-	-	12,536
- attributable gross rental income									
- Hong Kong	-	3,244	22,273	-	-	-	-	-	25,517
- PRC	-	71,286	49,614	-	-	-	-	-	120,900
- attributable operating cost									
- Hong Kong	-	(1,614)	(6,575)	-	-	-	-	-	(8,189)
- PRC	-	(40,255)	(14,097)	-	-	-	-	(59,809)	(114,161)
- others	-	-	-	-	-	-	1,665	(27,310)	(25,645)
Non-controlling interests - allocated	(22,501)	-	-	-	-	(3,235)	-	-	(25,736)
Finance income on listed securities investments and treasury products, net	-	-	-	-	58,595	-	-	-	58,595
	409,396	749,754	399,720	138,122	536,672	4,176	112,349	(50,392)	2,299,797
Loss on disposal of investment property	-	-	(4)	-	-	-	-	-	(4)
Other gains and losses, net									
- gain on bargain purchase of a subsidiary	-	13,000	-	-	-	-	-	-	13,000
- fair value loss on step acquisition of a subsidiary	-	(7,253)	-	-	-	-	-	-	(7,253)
- gain on disposals of subsidiaries	-	13,477	-	-	-	-	-	-	13,477
	409,396	768,978	399,716	138,122	536,672	4,176	112,349	(50,392)	2,319,017
Unallocated items									
Unallocated other gains and losses, net									643
Unallocated corporate expenses, net									(147,789)
Unallocated finance costs									(127,081)
Income tax expense									(151,682)
Unallocated non-controlling interests									(2,374)
Core profit (excluding major non-cash items)									1,890,734
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									(10,780,059)
- deferred tax credit									31,080
Loss for the year attributable to owners of the Company									(8,858,245)

Consolidated Statement of Financial Position

At 31st December, 2010

	<u>Property leasing</u>			<u>Listed securities</u>			Unlisted investments, investment holding and brokerage	All other segments	Consolidated
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000			
Assets									
Segment assets									
- Hong Kong	1,369,555	22,983,282	9,916,972	-	2,152,065	280,456	453,300	269,357	37,424,987
- PRC and Macau	7,806,833	1,032,898	334,947	-	-	-	-	4,960	9,179,638
- other countries	-	-	5,502	-	5,664,159	-	-	-	5,669,661
Interests in associates									
- Hong Kong	93,861	63	696,170	-	-	-	186	2,176	792,456
- PRC	73,421	171,710	6,469	-	-	-	-	-	251,600
Advances to associates									
- Hong Kong	1,678	-	22,941	-	-	-	2	1,405	26,026
- PRC	954,231	79,181	504,249	-	-	-	-	-	1,537,661
Reportable segment assets	10,299,579	24,267,134	11,487,250	-	7,816,224	280,456	453,488	277,898	54,882,029
Unallocated corporate assets									174,331
Consolidated total assets									55,056,360
Liabilities									
Segment liabilities									
- Hong Kong	102,090	554,381	132,584	-	2,682,141	150	74,480	20,738	3,566,564
- PRC and Macau	459,294	18,494	13,129	-	-	-	-	1	490,918
- other countries	-	-	13	-	-	-	-	-	13
Reportable segment liabilities	561,384	572,875	145,726	-	2,682,141	150	74,480	20,739	4,057,495
Unallocated corporate liabilities									16,788,014
Consolidated total liabilities									20,845,509
Additions to non-current assets (other than financial instruments and deferred tax assets)	612,701	486,334	673,666	-	-	-	-	173	

Other Material Items

For the year ended 31st December, 2010

	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income total HK\$'000
Interest income	475,515	-	-	475,515
Finance income (costs)	58,595	(127,081)	-	(68,486)
Net income (expenses)	534,110	(127,081)	-	407,029
Depreciation	-	(20,049)	-	(20,049)
Fair value changes on investment properties	-	-	(10,831,293)	(10,831,293)
Share of results of associates	10,958	-	45,622	56,580
Income tax (expense) credit	-	(151,682)	31,080	(120,602)
Non-controlling interests	(25,736)	(2,374)	5,612	(22,498)

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009 (Restated)

	<u>Property leasing</u>			<u>Listed securities</u>					
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	3,760,743	-	-	-	3,760,743
- other countries	-	-	-	-	3,434,378	-	-	-	3,434,378
	-	-	-	-	7,195,121	-	-	-	7,195,121
Revenue									
Revenue from external customers									
- Hong Kong	1,217,701	604,583	329,523	-	(72,513)	-	18,865	17,245	2,115,404
- PRC	-	41,313	37,637	-	-	-	-	-	78,950
- other countries	-	-	-	-	(43,035)	-	-	-	(43,035)
	1,217,701	645,896	367,160	-	(115,548)	-	18,865	17,245	2,151,319
Revenue from external customers after non-controlling interests	1,213,856	644,812	365,194	-	(115,548)	-	18,865	17,245	2,144,424
Attributable property sales from associates									
- Hong Kong	17,431	-	-	-	-	-	-	-	17,431
Attributable rental revenue from associates									
- Hong Kong	-	1,153	22,674	-	-	-	-	-	23,827
- PRC	-	54,261	4,245	-	-	-	-	-	58,506
	1,231,287	700,226	392,113	-	(115,548)	-	18,865	17,245	2,244,188
Result									
Segment result									
- Hong Kong	77,976	574,817	313,294	3,722	193,566	11,366	114,039	37,410	1,326,190
- PRC	-	32,095	32,888	-	-	-	4,982	-	69,965
- other countries	-	-	-	-	320,980	-	-	-	320,980
	77,976	606,912	346,182	3,722	514,546	11,366	119,021	37,410	1,717,135
Other income, net	16,060	-	-	-	-	-	-	-	16,060
Share of results of associates									
- attributable property sales, net									
- Hong Kong	7,599	-	-	-	-	-	-	-	7,599
- attributable gross rental income									
- Hong Kong	-	1,153	22,674	-	-	-	-	-	23,827
- PRC	-	54,261	4,245	-	-	-	-	-	58,506
- attributable operating cost									
- Hong Kong	-	(635)	(6,692)	-	-	-	-	-	(7,327)
- PRC	-	(32,757)	(2,563)	-	-	-	-	(46,711)	(82,031)
- others	-	-	-	-	-	-	162	(9,251)	(9,089)
Non-controlling interests - allocated	(2,009)	-	-	-	-	(5,565)	-	-	(7,574)
Finance cost on listed securities investments and treasury products, net	-	-	-	-	(13,671)	-	-	-	(13,671)
	99,626	628,934	363,846	3,722	500,875	5,801	119,183	(18,552)	1,703,435
Loss on disposals of investment property	-	-	(610)	-	-	-	-	-	(610)
Other gains and losses, net									
- impairment loss recognised in respect of advance to an associate	-	(488)	-	-	-	-	-	-	(488)
- gain on disposals of subsidiaries	-	-	48,951	-	3,998	-	-	102	53,051
	99,626	628,446	412,187	3,722	504,873	5,801	119,183	(18,450)	1,755,388
Unallocated items									
Unallocated other gains and losses, net									35,124
Unallocated corporate expenses, net									(201,335)
Unallocated finance costs									(91,814)
Income tax expense									(70,633)
Unallocated non-controlling interests									(9,406)
Core profit (excluding major non-cash items)									1,417,324
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									8,710,559
- deferred tax expenses									(104,460)
Profit for the year attributable to owners of the Company									10,023,423

Consolidated Statement of Financial Position

At 31st December, 2009 (Restated)

	<u>Property leasing</u>			<u>Listed securities</u>		Floating rate and fixed rate notes HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
	Property development and trading HK\$'000	Retail HK\$'000	Non-retail HK\$'000	Available-for-sale equity investments HK\$'000	Held-for-trading investments and treasury products HK\$'000				
Assets									
Segment assets									
- Hong Kong	1,294,396	29,744,249	12,513,919	1,313,098	646,284	267,009	535,814	114,055	46,428,824
- PRC and Macau	7,295,453	703,550	855,537	-	-	-	-	-	8,854,540
- other countries	-	-	6,540	-	1,089,568	-	-	-	1,096,108
Interests in associates									
- Hong Kong	116,591	15,220	702,116	-	-	-	-	260	834,187
- PRC	26,964	148,542	15,192	-	-	-	-	-	190,698
Advances to associates									
- Hong Kong	1,079,136	23,587	37,718	-	-	-	-	5,655	1,146,096
- PRC	699,290	77,780	7,955	-	-	-	-	-	785,025
Reportable segment assets	10,511,830	30,712,928	14,138,977	1,313,098	1,735,852	267,009	535,814	119,970	59,335,478
Unallocated corporate assets									23,887
Consolidated total assets									59,359,365
Liabilities									
Segment liabilities									
- Hong Kong	114,374	347,954	159,264	6	1,237,290	466	68,008	17,962	1,945,324
- PRC and Macau	506,867	16,690	13,538	-	-	-	-	-	537,095
- other countries	-	-	19	-	16	-	-	-	35
Reportable segment liabilities	621,241	364,644	172,821	6	1,237,306	466	68,008	17,962	2,482,454
Unallocated corporate liabilities									12,564,597
Consolidated total liabilities									15,047,051
Additions to non-current assets (other than financial instruments and deferred tax assets)	293,542	769,920	236,952	-	-	-	-	648	

Other Material Items

For the year ended 31st December, 2009 (Restated)

	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income total HK\$'000
Interest income	184,304	-	-	184,304
Interest expenses	(13,671)	(91,814)	-	(105,485)
Net interest income (expenses)	170,633	(91,814)	-	78,819
Depreciation	-	(22,927)	-	(22,927)
Fair value changes on investment properties	-	-	8,564,301	8,564,301
Share of results of associates	(8,515)	-	153,321	144,806
Income tax expense	-	(70,633)	(104,460)	(175,093)
Non-controlling interests	(7,574)	(9,406)	(7,063)	(24,043)

5. Other Income

	2010 HK\$'000	2009 HK\$'000
Included in other income are:		
Building management fee income	96,092	74,614
Building management fee expenses	(67,566)	(47,060)
	28,526	27,554
Forfeiture of deposits received on sales of properties	503	10,141
Arrangement fee income	66,116	-
Management and maintenance service income	8,641	-
Exchange gain, net	-	1,681

6. Investment Income, Net

	2010 HK\$'000	2009 HK\$'000
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised (loss) gain arising on change in fair value of investments held-for-trading	(59,130)	18,173
Financial assets designated as at fair value through profit or loss:		
Unrealised gain (loss) arising on change in fair value of bonds	249,343	(16,771)
Realised (loss) gain arising on change in fair value of bonds	(27,279)	197,320
Realised gain arising on change in fair value of credit-linked notes	-	48,087
Net gain arising on change in fair value of financial assets designated as at fair value through profit or loss	222,064	228,636
Financial liabilities at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value of derivative financial instruments	-	(3,238)
Realised gain arising on change in fair value of derivative financial instruments	3,238	24,432
Net gain arising on change in fair value of financial liabilities at fair value through profit or loss classified as held-for-trading	3,238	21,194
Transfer from equity on disposals of listed available-for-sale investments	106,685	-
Other investment income	3,583	-
Dividend income on:		
Listed investments		
- available-for-sale investments	31,437	3,722
- other listed investments	51,524	258,579
Unlisted investments	33,720	37,712
Interest income	470,171	177,489
Imputed interest income on:		
Advances to associates	14,271	15,322
Advance to a non-controlling shareholder	328	328
	877,891	761,155

Included in interest income are interests from bonds, listed floating rate notes and unlisted floating rate and fixed rate notes approximately HK\$406,326,000, HK\$1,225,000 and HK\$8,206,000 respectively (year ended 31st December, 2009: bonds HK\$60,703,000, credit-linked notes HK\$13,000,000, listed floating rate notes HK\$1,608,000 and unlisted floating rate and fixed rate notes HK\$8,969,000) and interest expenses from derivative financial instruments HK\$1,021,000 (year ended 31st December, 2009: income of HK\$29,809,000).

7. Other Expenses

	2010 HK\$'000	2009 HK\$'000
Included in other expenses are:		
Amortisation of intangible assets	2,860	2,860
Expenses for specific transactions	6,916	3,994

8. (Loss) Profit for the Year

	2010 HK\$'000	2009 HK\$'000 (restated)
(Loss) profit for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(144,691)	(117,383)
Retirement benefits scheme contributions, net of forfeited contributions of HK\$397,000 (2009: HK\$320,000)	(6,449)	(5,302)
	(151,140)	(122,685)
Auditors' remuneration	(3,079)	(3,479)
Exchange loss, net	(6,437)	-
Depreciation	(20,049)	(22,927)
Cost of trading properties recognised	(1,128,564)	(1,091,214)
Cost of cosmetic products recognised	(4,564)	(3,189)
Share of tax of associates (included in share of results of associates)	1,090	(4,205)
Gross proceeds on sale of investments held-for-trading	7,910,196	7,195,121
Carrying amount on investments held-for-trading disposed	(8,044,191)	(7,295,811)
Transaction cost on investments held-for-trading disposed	(14,512)	(14,858)
Net loss on sale of investments held-for-trading included in revenue	(148,507)	(115,548)
Gross rental income from investment properties	1,126,260	1,013,056
Less: Direct operating expenses from investment properties that generated rental income during the year	(60,309)	(47,046)
Direct operating expenses from investment properties that did not generate rental income during the year	(353)	(12,916)
	1,065,598	953,094

9. Finance Costs

	2010 HK\$'000	2009 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	146,902	90,920
Bank loans wholly repayable over five years	1,302	6,220
Other loans wholly repayable within five years	5,497	2,733
Amounts due to a non-controlling shareholder	1,849	-
	155,550	99,873
Imputed interest on:		
Amounts due to associates	465	465
Amounts due to non-controlling shareholders	2,894	2,934
	3,359	3,399
Total interest	158,909	103,272
Exchange (gain) loss on translation of foreign currency loans	(64,092)	10,938
Other finance costs	16,798	13,683
	111,615	127,893
Less: Interest capitalised to stock of properties under development	(39,782)	(15,082)
Interest capitalised to investment properties under development	(3,347)	(7,326)
	68,486	105,485

10. Other Gains and Losses, Net

	2010 HK\$'000	2009 HK\$'000
Included in other gains and losses, net are:		
Gain on bargain purchase of a subsidiary (<i>Note 1</i>)	13,000	-
Fair value loss on step acquisition of a subsidiary	(7,253)	-
Gain on disposals of subsidiaries (<i>Note 2</i>)	13,477	-
Gain on deemed disposal of a subsidiary (<i>Note 3</i>)	-	35,134
Gain on disposals of subsidiaries (<i>Note 4</i>)	-	53,051
Impairment loss recognised in respect of advance to an associate	-	(488)
Impairment loss recognised in respect of interest in an associate	-	(3,300)

- Notes:
1. Gain on bargain purchase of a subsidiary arose from acquisition of remaining 50% interest in an associate.
 2. Gain on disposals of subsidiaries for the Year arose from connected transaction in relation to the disposals of three investment properties including various shops at Excelsior Plaza, Laforet and Southorn Centre to the companies wholly-owned by a director of the Company.
 3. Gain on deemed disposal of a subsidiary arose from deemed disposal of 8.27% interest in G-Prop (Holdings) Limited ("G-Prop") by placing on 17th June, 2009. The Group then holds 41.93% shareholding in G-Prop and G-Prop remained a subsidiary of the Company.
 4. Gain on disposals of subsidiaries arose from connected transaction in relation to the disposals of two properties in United Kingdom and two credit-linked notes to Wisdom Hero Limited (a company wholly-owned by a director of the Company), or a director of the Company.

11. Income Tax Expense

	2010 HK\$'000	2009 HK\$'000 (restated)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	77,035	42,500
Other than Hong Kong	54,844	10,266
	131,879	52,766
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	6,999	(14,094)
Other than Hong Kong	-	(6)
	6,999	(14,100)
Deferred tax:		
Current year (credit) charge	(18,276)	136,427
	120,602	175,093

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the Year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. Dividends

	2010 HK\$'000	2009 HK\$'000
(a) Final dividend for 2009 paid on 9th June, 2010 of HK1 cent (2008: final dividend of HK1 cent and special dividend of HK99 cents) per share	19,500	2,006,305
(b) No interim dividend for 2010 (2009: HK2 cents per share)	-	39,197
(c) Special dividend for 2010 paid on 28th September, 2010 of HK40 cents (2009: HK63 cents) per share	763,048	1,228,500
	782,548	3,274,002

Final dividend of HK1 cent (2009: HK1 cent) per share have been proposed by the Directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

13. (Loss) Earnings Per Share

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	2010 HK\$'000	2009 HK\$'000 (restated)
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
((loss) profit for the year attributable to owners of the Company)	<u>(8,858,245)</u>	<u>10,023,423</u>

	Number of shares	
Number of shares:	2010	2009
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	1,925,225,796	1,995,051,304

Diluted (loss) earnings per share for the years ended 31st December, 2010 and 2009 was the same as the basic (loss) earnings per share as there was no diluting events during both years.

14. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$27,207,000 (31st December, 2009: HK\$21,530,000) comprised of rental receivables billed in advance and settlements from tenants are expected upon receipts of billings and properties sales proceeds receivables.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	2010 HK\$'000	2009 HK\$'000
0 - 30 days	17,546	8,832
31 - 60 days	576	1,982
61 - 90 days	50	576
Over 90 days	9,035	10,140
	<u>27,207</u>	<u>21,530</u>

The Directors consider that the fair values of the Group's debtors, deposits and prepayments at the end of the reporting period approximate to their carrying amounts.

15. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$418,462,000 (31st December, 2009: HK\$230,781,000).

The following is an aged analysis of trade payables at the end of the reporting period:

	2010 HK\$'000	2009 HK\$'000
0 - 90 days	222,972	174,341
Over 90 days	195,490	56,440
	<u>418,462</u>	<u>230,781</u>

The Directors consider that the fair values of the Group's creditors and accruals at the end of the reporting period approximate to their carrying amounts.

16. Capital Commitments and Contingent Liabilities

	2010 HK\$'000	2009 HK\$'000
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	520,744	555,149
Development expenditure of properties in Mainland China	1,813,500	1,685,418
Development expenditure of properties in Macau	100,701	27,685
Shareholder's contribution	-	97,800
Share of commitment of an associate	43,238	466,451
Renovation of properties	45,832	125,289
	<u>2,524,015</u>	<u>2,957,792</u>
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	<u>205,320</u>	<u>382,603</u>
(b) Contingent liabilities:		
Guarantees given to banks, in respect of banking facilities utilised by associates and an investee company	1,100,100	1,069,650
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	10,000
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchasers by a subsidiary	9,235	114,103
	<u>1,124,335</u>	<u>1,193,753</u>

17. Comparative figures

Certain comparative figures presented in the consolidated financial statements have been restated and reclassified to comply with the relevant new HKFRSs and to conform with the current year's presentation.

DIVIDENDS AND SHARE REPURCHASE

In September 2010, the Company had paid a special dividend of HK40 cents per share or approximately HK\$763.0 million to shareholders, which represents 40.7% of the core profit for the Year of HK98.2 cents per share or approximately HK\$1,890.7 million. As such, the Board considers that proposal for final dividend for the Year is not required. However, in order to maintain a continuous dividend payment record, the Board has recommended the payment of a nominal final dividend of HK1 cent per share for the Year (the “Final Dividend”) (2009: HK1 cent).

During the Year, the Company has allocated an aggregate cash amount of approximately HK\$1,317.1 million (2009: HK\$2,740.5 million) (or HK68.8 cents per share (2009: HK138.8 cents)) which would be paid to shareholders. Out of such sum, (i) an amount of approximately HK\$763.0 million (2009: HK\$1,228.5 million) (or HK40 cents per share (2009: HK63 cents)) had been applied for the payment of special dividend; (ii) an amount of approximately HK\$19.1 million (2009: HK\$19.5 million) (or HK1 cent per share (2009: HK1 cent)) would be applied for the payment of Final Dividend; (iii) an amount of approximately HK\$535.0 million (2009: HK\$1,453.3 million) (or HK27.8 cents per share (2009: HK72.8 cents)) had been utilized for the repurchase of the Company’s shares; and (iv) no interim dividend had been declared during the Year (2009: HK\$39.2 million or HK2 cents per share). With such a total cash sum of HK68.8 cents per share (2009: HK138.8 cents) and a core profit of HK98.2 cents per share (2009: HK71.0 cents), a ratio of 70% (2009: 195%) is recorded, which is summarized as follows: –

	For the year ended 31st December,	
	2010	2009
Core profit (HK\$m)	1,890.7	1,417.3
Share repurchase (HK\$m)	535.0	1,453.3
Interim Dividend (HK\$m)	-	39.2
Special Dividend (HK\$m)	763.0	1,228.5
Final Dividend (HK\$m)	19.1	19.5
<u>On a share basis</u>		
Core profit (HK cents)	98.2	71.0
Share repurchase (HK cents)	27.8	72.8
Interim Dividend (HK cents)	-	2.0
Special Dividend (HK cents)	40.0	63.0
Final Dividend (HK cent(s))	1.0	1.0
Interim, Special and Final Dividends (HK cents)	41.0	66.0
As a percentage of core profit	42%	93%
Share repurchase, Interim, Special and Final Dividends (HK cents)	68.8	138.8
As a percentage of core profit	70%	195%

Approval of Dividend by Shareholders and Expected Timeframe

Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 26th May, 2011, the dividend warrants will be posted on or about 8th June, 2011 to shareholders whose names appear on the register of members of the Company on 26th May, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 23rd May, 2011 to 26th May, 2011, both days inclusive. In order to qualify for the recommended final dividend and for the purpose of ascertaining the members’ entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely 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 20th May, 2011.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Year amounted to HK\$2,671.0 million (year ended 31st December, 2009: HK\$2,151.3 million), an 24.2% increase over last year and comprised of gross rental income HK\$1,126.3 million (year ended 31st December, 2009: HK\$1,013.1 million); property sales HK\$1,658.7 million (year ended 31st December, 2009: HK\$1,217.7 million), loss in sales of held-for-trading investment on a net basis HK\$148.5 million (year ended 31st December, 2009: HK\$115.5 million) and others HK\$34.5 million (year ended 31st December, 2009: HK\$36.0 million). The increase was mainly due to recording of revenue of sales proceeds recognised from York Place, i-home and Phase I of Splendid City in Chengdu of HK\$1,538.9 million and other properties of HK\$119.8 million (year ended 31st December, 2009: York Place and i-home of HK\$1,126.0 million and other properties of HK\$91.7 million).

Gross Profit

Gross profit for the Year amounted to HK\$1,351.0 million, an 45.1% increase as compared with last year, mainly due to an increase in profit of HK\$342.6 million from property development and trading.

Rental

For property leasing, the rental revenue in retail section jumped by 17.9% to HK\$761.2 million. Rental revenue from non-retail section maintained stable at HK\$365.1 million during the Year. The Year recorded an increase of 11.2% in total rental revenue to HK\$1,126.3 million as compared with 2009 of HK\$1,013.1 million. Together with the attributable rental revenue generated from associates of HK\$146.4 million (year ended 31st December, 2009: HK\$82.3 million), the total attributable rental revenue to the Group after non-controlling interests reached approximately HK\$1,269.2 million (year ended 31st December, 2009: HK\$1,092.3 million), which achieved an 16.2% increase over last year.

Attributable net rental income for the Year showed HK\$1,149.5 million, an 15.8% increase over HK\$992.8 million in 2009.

Property Development and Trading

In relation to properties sales recognised as profit for the Group and its associates, an attributable profit of HK\$408.9 million (year ended 31st December, 2009: HK\$83.6 million) was recorded. The major components recorded in gross profit are sales of: MOD 595 in Mongkok resulting in loss of HK\$2.2 million (year ended 31st December, 2009: profit of HK\$17.0 million); i-home in Tai Kok Tsui generated profit of HK\$67.5 million (year ended 31st December, 2009: HK\$82.5 million); Phase I of Splendid City in Chengdu generated a profit of HK\$211.6 million (year ended 31st December, 2009: nil) and York Place in Wanchai generated a profit of HK\$71.9 million (year ended 31st December, 2009: loss of HK\$34.9 million). Profit represented sales revenue less cost. York Place was previously an investment property and was transferred to stock of properties in 2008 at its then market value. For the units sold and recognised in the Year, the cost included a valuation surplus of HK\$85.1 million (year ended 31st December, 2009: HK\$451.6 million). If the valuation surplus is excluded from the cost, a profit of HK\$157.0 million (year ended 31st December, 2009: HK\$416.7 million) would be resulted.

Certain units and parking spaces at Gemstar Tower in Hunghom (61.96% interest) and The Zenith in Wanchai (87.5% interest) sold during the Year had contributed an attributable profit to the Group of HK\$30.5 million (year ended 31st December, 2009: HK\$2.5 million) and HK\$12.9 million (year ended 31st December, 2009: HK\$2.3 million) respectively.

In respect of properties held by an associate, Indihome in Tsuen Wan (50% interest), Miami Crescent in Sheung Shui (50% interest) and Hing Wai Centre in Aberdeen (50% interest) continuously generated profit of HK\$1.3 million (year ended 31st December, 2009: HK\$1.6 million), HK\$4.4 million (year ended 31st December, 2009: HK\$4.0 million) and HK\$4.0 million (year ended 31st December, 2009: nil) respectively, the mentioned profits was reflected in the share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK\$5.7 million (year ended 31st December, 2009: HK\$7.4 million) was recorded in investment income.

During the Year, the forfeited deposits received for Splendid City in Chengdu recorded in other income were HK\$0.5 million (year ended 31st December, 2009: HK\$9.5 million and HK\$0.7 million being the forfeited deposits of York Place and i-home respectively).

At 31st December, 2010, deposit received from stock of properties contracted to be sold and revenue to be recognised in 2011 amounted to HK\$86.6 million. The presale recorded for Phase I of The Metropolis in Chengdu at 31st December, 2010 was 91 units of RMB114.7 million, equivalent to HK\$135.2 million, profit of which is expected to be recognised in late 2012 and HK\$83.3 million deposit was received with an the average selling price approximately RMB1.3 million per unit. The presale recorded for The Hermitage (25% interest) at 31st December, 2010 was 915 units of HK\$11,494.5 million, and the attributable interest on sales to the Group was HK\$2,873.6 million. Revenue and profit from sales of The Hermitage are expected to be recognised in first half 2011.

In summary, the Group together with associated companies and an investee company, executed properties sale agreements, including presale agreements, to third parties with an attributable amount contracted sales of HK\$4,791.5 million (year ended 31st December, 2009: HK\$1,332.0 million). Property sale and other property sale income in total recognised in the Year was HK\$409.4 million (year ended 31st December, 2009: HK\$99.6 million).

Listed Securities

Under the low interest environment, the Group has closely managed the securities investments with a view to yield enhancement. In April 2010, the Group has subscribed US\$350 million Senior Notes due 2015 issued by Evergrande Real Estate Group Limited with interest rate at 13% per annum, an announcement in respect of the subscription had been made on 14th April, 2010.

During the Year, the total gain recognised on listed securities investments was HK\$674.8 million (year ended 31st December, 2009: HK\$508.6 million), comprised of gain on listed equity securities included in available-for-sale investments of HK\$138.1 million (year ended 31st December, 2009: HK\$3.7 million), listed held-for-trading investments and treasury products of HK\$536.7 million (year ended 31st December, 2009: HK\$500.9 million excluding gain on disposal of two credit-linked notes to a company wholly-owned by a director of the Company).

Listed Securities: Available-for-sale

The Group recorded realised gain on disposals of available-for-sale investments of HK\$106.7 million (year ended 31st December, 2009: nil) and dividend income of HK\$31.4 million (year ended 31st December, 2009: dividend income HK\$3.7 million) for the Year and was recognised as an investment income.

Listed Securities: Held-for-trading and Treasury Products

The listed held-for-trading investments and treasury products generated a profit before or after finance income of HK\$478.1 million and HK\$536.7 million respectively for the Year (year ended 31st December, 2009: profit before/after finance costs of HK\$514.6 million/HK\$500.9 million).

Profit from the listed held-for-trading investments reflected in the consolidated statement of comprehensive income for the Year comprised of a gross loss of totaling HK\$148.5 million (year ended 31st December, 2009: HK\$115.5 million), an unrealised gain on fair value changes amounted to HK\$190.2 million (year ended 31st December, 2009: loss HK\$1.8 million), a realised loss on bonds of HK\$27.2 million (year ended 31st December, 2009: gain HK\$197.3 million), and realised gain on release of the fair value liability on the maturity of derivative financial instruments of HK\$3.2 million (year ended 31st December, 2009: HK\$24.4 million) and no transaction of credit-linked notes for year 2010 (year ended 31st December, 2009: realised gain HK\$48.1 million), other investment income HK\$3.6 million (year ended 31st December, 2009: nil) and dividend and interest income of HK\$456.8 million (year ended 31st December, 2009: HK\$362.1 million). Net gain on the relevant finance income for the Year of HK\$58.6 million (year ended 31st December, 2009: finance cost of HK\$13.7 million) including interest expense and exchange gain of HK\$5.5 million (year ended 31st December, 2009: HK\$2.8 million) and HK\$64.1 million (year ended 31st December, 2009: exchange loss of HK\$10.9 million) respectively.

Listed Securities: Other Comprehensive Income from Available-for-sale Investments

The listed equity securities included in available-for-sale investments also bring an addition of fair value of HK\$67.0 million (year ended 31st December, 2009: HK\$41.4 million) was recognised in other comprehensive income as an equity transaction of securities investments reserve.

Other Income and Expenses

Other income mainly comes from net building management fee, arrangement fee and management and maintenance service income increased to HK\$124.9 million, representing an increase of 128.9% as compared with last year.

During the Year, administrative expenses increased by 12.2% to HK\$229.8 million (year ended 31st December, 2009: HK\$204.9 million) and finance costs decreased by 35.1% to HK\$68.5 million (year ended 31st December, 2009: HK\$105.5 million). Included exchange gain of HK\$64.1 million on foreign currency loan hedged for foreign currency securities investment.

Other gains and losses recorded a net gain of HK\$19.9 million including gain on bargain purchase of a subsidiary of HK\$13.0 million, fair value loss on step acquisition of a subsidiary of HK\$7.3 million and gain on disposals of subsidiaries to connected person of HK\$13.5 million (year ended 31st December, 2009: HK\$84.4 million including HK\$35.1 million in respect of deemed disposal of a listed subsidiary through a placing exercise and HK\$53.1 million gain on disposals of subsidiaries to a connected person).

Associates

The share of results of associates for the Year was a profit of HK\$56.6 million as compared to profit of HK\$144.8 million (restated) for last year, which was mainly due to the decrease in fair value on investment properties.

Disposals of Subsidiaries and Assets to Related Parties

On 17th May, 2010, the Group entered into (a) various sale and purchase agreements with companies wholly-owned by a director of the Company, to dispose certain stock of properties and subsidiaries (the "Disposal") and to provide after-sale free leasing agency and management service in respect of the certain properties under the Disposal for a period of 3 years; and (b) property management agreements with companies wholly-owned by the same director of the Company, subject to completion of the Disposal, to provide property management services at an agreed fee to certain properties under the Disposal.

The properties under the Disposal mainly include (a) investment property comprises of various shops at Excelsior Plaza, Causeway Bay; (b) investment property comprises of a retail mall at Laforet, Excelsior Plaza, Causeway Bay; (c) stock of properties comprise of 2 shops at York Place, Wanchai; and (d) investment property comprises of a retail mall at Southorn Centre, Wanchai.

The stock of properties and investment properties under the Disposal were stated at historical cost and fair value respectively, and were valued at HK\$120 million and HK\$3,278 million respectively as at 17th May, 2010. After deducting a bank loan and other net liabilities (other than deferred tax liabilities) held by the subsidiaries under the Disposal, the provisional consideration of the Disposal was approximately HK\$2,587.4 million.

The Group received the provisional consideration in cash upon completion of the Disposal which took place in July and August 2010 respectively. Adjustment of the provisional consideration to final consideration was made in October and November 2010, with an aggregate final consideration of HK\$2,598.1 million. Upon completion, gain on disposals of subsidiaries and trading properties of HK\$13.5 million and HK\$34.0 million was recorded in other gains and losses and property development and trading respectively.

Fair Value Loss on Investment Properties

Investment properties of the Group were revalued as at 31st December, 2010 by B.I. Appraisals Limited an independent property valuers, a decrease in fair value of HK\$10,831.3 million was recorded as compared with the fair value as at 31st December, 2009 which was valued by Norton Appraisals Limited (year ended 31st December, 2009: increase of HK\$8,564.3 million) as a result of changes in fair value of the properties mainly in Hong Kong and Mainland China. The decrease in fair value was unrealised valuation loss and the Group's cashflow will not be affected.

Loss, Core Profit, Dividends, Repurchase and Cash Payment Ratio

Loss

Loss attributable to owners of the Company for the Year was HK\$8,858.2 million as compared to profit of HK\$10,023.4 million (restated) for last year. The loss for the Year was mainly due to the fair value loss on investment properties. Loss per share was HK\$4.60 (year ended 31st December, 2009: Earnings per share of HK\$5.02 (restated)).

Core Profit

If the net loss on the major non-cash items of HK\$10,748.9 million (year ended 31st December, 2009: gain of HK\$8,606.1 million (restated)) are excluded, the Group will have a core profit attributable to owners of the Company for the Year of HK\$1,890.7 million (year ended 31st December, 2009: HK\$1,417.3 million) and a core earnings per share of HK98.2 cents (year ended 31st December, 2009: HK71.0 cents), an increase of 33.4% and 38.3% over 2009 respectively.

Dividends

In June 2010, final dividend of HK1.0 cent (year ended 31st December, 2008: final dividend of HK1.0 cent and special dividend of HK99.0 cents) per share in total amount of HK\$19.5 million for the year ended 31st December, 2009 were paid in cash.

No interim dividend for the half year ended 30th June, 2010 (half year ended 30th June, 2009: HK2.0 cents per share was paid in cash).

In September 2010, a special dividend for connected transaction of HK40.0 cents (2009: HK63.0 cents) per share with a total amount of HK\$763.0 million was paid in cash.

Total dividends of HK\$782.5 million were paid in cash during the Year.

Repurchase

During the Year, the Company had utilised HK\$535.7 million (including transaction cost) (year ended 31st December, 2009: HK\$1,453.7 million) in repurchase of the Company's shares, such amount is equivalent to HK27.8 cents (year ended 31st December, 2009: HK72.9 cents) per share, calculated based on weighted average number of ordinary shares during the Year.

Cash Payment Ratio

Based on (a) the core profit for the Year of HK\$1,890.7 million (year ended 31st December, 2009: HK\$1,417.3 million) or HK98.2 cents (year ended 31st December, 2009: HK71.0 cents) per share; (b) the amount utilised for share repurchase during the Year of HK\$535.7 million (including transaction cost) (year ended 31st December, 2009: HK\$1,453.7 million) or HK27.8 cents (year ended 31st December, 2009: HK72.9 cents) per share and (c) final dividend of HK1.0 cent (year ended 31st December, 2009: HK1.0 cent) per share proposed, no interim dividend (half year ended 30th June, 2009: HK2.0 cents per share) and special dividend of HK40.0 cents (year ended 31st December, 2009: HK63.0 cents) per share were paid for the Year, the ratio of such cash payment to the core profit is 70.1% (year ended 31st December, 2009: 195.6%).

Net Asset Value

As at 31st December, 2010, the Group's total net asset to owners of the Company amounted to approximately HK\$33,507.9 million (31st December, 2009: HK\$43,511.7 million (restated)), a decrease of HK\$10,003.8 million or 23.0% when compared with 31st December, 2009. With the total number of ordinary shares in issue of 1,907,619,079 as at 31st December, 2010 (31st December, 2009: 1,950,000,079 shares), the net asset value per share to owners of the Company was HK\$17.57, a decrease of 21.3% over 31st December, 2009 (HK\$22.31 per share (restated)). The movement in net asset value was mainly due to (a) loss attributable to owners of the Company for the Year of HK\$8,858.2 million; (b) reduction in equity for share repurchase of HK\$535.7 million, and (c) payment of final dividend and special dividend of HK\$19.5 million and HK\$763.0 million respectively.

Addition in fair value on the listed equity securities investments categorised as available-for-sales investments of approximately HK\$67.0 million (year ended 31st December, 2009: addition of HK\$41.4 million) was recognised for the Year and accumulative gain of approximately HK\$108.4 million (year ended 31st December, 2009: nil) was transferred to consolidated statement of comprehensive income upon disposal. The carrying amount of the Listed Equity Securities Investments Reserve as at 31st December, 2010 is nil (31st December, 2009: HK\$41.4 million).

Other than the existing projects and those disclosed in the annual results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

Securities Investments

As at 31st December, 2009, the carrying amount of the listed securities and treasury products was HK\$2,681.2 million. During the Year, the portfolio was increased by a net purchase of HK\$4,665.9 million and was increased by the release of the fair value liability on the expired derivative financial instruments of HK\$3.2 million. After adding the fair value gain of HK\$257.2 million for the Year, the listed securities investments portfolios of the Group reached HK\$7,607.5 million as at 31st December, 2010 representing 13.8% of total assets, which formed part of the Group's cash management activities.

The portfolio of HK\$7,607.5 million (31st December, 2009: HK\$2,681.2 million) comprised of (a) equity securities (investments held-for-trading) of HK\$2,422.1 million (31st December, 2009: HK\$643.9 million); (b) bonds (financial assets designated as at fair value through profit or loss) of HK\$5,185.4 million (31st December, 2009: HK\$728.2 million); (c) no equity securities (available-for-sale investments) (31st December, 2009: HK\$1,312.3 million); and (d) no derivative financial instrument (31st December, 2009: liabilities HK\$3.2 million).

Notes held by Listed Subsidiaries

As at 31st December, 2010, the carrying amount of the floating rate and fixed rate notes amounted to HK\$262.7 million (31st December, 2009: HK\$254.9 million) representing 0.5% of the total assets of the Group at the year end. The increase mainly represented fair value gain during the Year.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2010 and 31st December, 2009 were 1,907,619,079 and 1,950,000,079 respectively.

Debt and Gearing

As at 31st December, 2010, the Group's bank and other borrowings amounted to HK\$18,710.5 million (31st December, 2009: HK\$13,215.0 million). Cash and deposit at bank amounted to HK\$10,689.3 million (31st December, 2009: HK\$5,200.7 million), pledged deposit amounted to HK\$187.1 million (31st December, 2009: HK\$1,116.7 million) and net borrowings amounted to HK\$7,834.1 million (31st December, 2009: HK\$6,897.6 million).

Total debt to equity ratio was 54.7% (31st December, 2009: 29.8% (restated)) and net debt to equity ratio was 22.9% (31st December, 2009: 15.6% (restated)), which are expressed as a percentage of total borrowings, and net borrowings respectively, over the total equity of HK\$34,210.9 million (31st December, 2009: HK\$44,312.3 million (restated)).

The increase of total debt to equity ratio and net debt to equity ratio were mainly due to the increase of borrowings together with a decrease in equity as a result of fair value loss on investment properties.

As at 31st December, 2010, the Group's bank and other borrowings were denominated in Hong Kong dollars (93.0%), United States dollars (2.3%), Renminbi (3.4%), Euro (1.2%) and Australian dollars (0.1%). Of the Group's bank and other borrowings of HK\$18,710.5 million, 19.9%, 34.5% and 45.6% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. United States dollar, Euro and Australian dollar investment securities were hedged by United States dollar, Euro and Australian dollar borrowings respectively. The Group's bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR and inter-bank rate. No hedging for interest rate as subsisted at the end of the year.

Pledge of Assets

As at 31st December, 2010, the Group had pledged the following assets:

- (a) The Group's investment properties, property and other fixed assets, stock of properties and time deposits with their respective carrying amount of approximately HK\$23,787.4 million (31st December, 2009: HK\$37,844.3 million), HK\$488.4 million (31st December, 2009: HK\$377.2 million (restated)), HK\$2,219.8 million (31st December, 2009: HK\$1,242.8 million) and HK\$163.1 million (31st December, 2009: HK\$1,116.7 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's investments held-for-trading and bonds with carrying amount of approximately HK\$7,219.6 million and cash deposit of HK\$23.9 million (31st December, 2009: investment held-for-trading, available-for-sale investments and bonds HK\$731.7 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions and utilised by the Group as borrowings due within one year of approximately HK\$2,682.0 million (31st December, 2009: HK\$1,236.5 million).
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated and assigned its advances to associates and advance to an investee company of approximately HK\$1,806.0 million (31st December, 2009: HK\$1,415.9 million) to financial institutions to secure banking general credit facilities granted to associates and an investee company.

Repurchase Guarantee

Certain mortgagee banks have provided end-user financing to purchasers of Splendid City and the Group has provided repurchase guarantees to these mortgagee banks for securing the obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the mortgagee banks.

The total outstanding amount of repurchase guarantee as at 31st December, 2010 was RMB7.8 million (equivalent to HK\$9.2 million) (31st December, 2009: RMB100.4 million (equivalent to HK\$114.1 million)) and disclosed in the contingent liabilities.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Other than imputed interest, interest income for the Year was HK\$475.5 million, representing an increase of 158.0% from that of 31st December, 2009 (HK\$184.3 million).

Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Excluding imputed interest, interest expenses for the Year amounted to HK\$115.3 million, representing an 43.4% increase over the interest expenses of HK\$80.4 million recorded for last year. The increase in interest expenses was mainly due to increase in bank loan during the Year. Interest capitalised for the Year was HK\$43.1 million as compared to HK\$22.4 million for last year. The average interest rate over the year under review was 1.00% (2009: 0.83%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

During the year under review, the Group employed a total of 331 staff (year ended 31st December, 2009: 320 staff) (excluding about a total of 334 staff (year ended 31st December, 2009: 316 staff) for estate management employed under the Group's estate management company, Perfect World Company Limited).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Director continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

The Company had adopted a share award scheme (the "Scheme") in 2009. The Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Scheme during the Year.

Mainland China and Macau

Profit contribution from the Group's investment in the Mainland China (including gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Year amounted to HK\$218.2 million (year ended 31st December, 2009: HK\$77.5 million). The Group's net investment as at 31st December, 2010 amounted to HK\$7,468.1 million (31st December, 2009: HK\$6,355.3 million) representing approximately 13.6% of the Group's total asset value and 21.8% of the Group's net asset value.

Further, the Group's net investment in Macau as at 31st December, 2010 amounted to HK\$1,748.2 million (31st December, 2009: HK\$1,696.8 million) representing approximately 3.2% of the Group's total asset value.

Listed Subsidiaries

At the end of the reporting period, the Group owned 61.96% interest in Chi Cheung Investment Company, Limited and 41.93% interest in G-Prop (Holdings) Limited.

Property Valuation

A property valuation has been carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuers, in respect of the Group's investment properties as at 31st December, 2010 and that valuation was used in preparing 2010 year results. The Group's investment properties were valued at HK\$27,419.0 million (31st December, 2009: HK\$40,708.5 million), a 23.9% decrease over 2009 after adjusted for additions and disposals of investment properties during the Year. The decrease in fair value of approximately HK\$10,831.3 million was recognised in the consolidated statement of comprehensive income for the Year. The Group also shared an increase in fair value of investment properties of the associates of HK\$45.6 million (adjusted deferred tax credit of HK\$11.4 million) for the Year. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the consolidated financial statements. Investment property under development at Chinese Estates Plaza, Chengdu was stated at cost of HK\$1,814.9 million and will be carried at fair value when its fair value first become reliably measurable or the date of its completion of the property.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 88.11% during the Year excluding the renovation area of Windsor House and Silvercord. The occupancy rate achieved 90.12% if non-core properties are excluded. The satisfactory occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's overall gross rental growth was 11.17% with rental income of HK\$1,126.3 million for the Year as compared with last year. The rental income from Hong Kong retail portion showed an upward momentum with 18.96% growth while the non-retail portion maintained stable performance. The increase in gross rental income is mainly attributable to the completion of Windsor House's renovation works in May 2010 and the opening of The ONE in October 2010. Retail rents were generally raised due to the increase in tenants' business turnover benefited from the continuous growth of Mainland China tourists' spending and the improved local consumption.

During the Year, the Group has disposed the retail shops of Excelsior Plaza (include Laforet), Southorn Centre (also known as Wanchai Computer Centre) and York Place.

The average occupancy rate of the shops of Causeway Place was approximately 95.38% during the Year.

The renovation works of Windsor House were completed in May 2010. The enhancement includes reconfiguration of the mall layout from basement level to 7th level to provide greater varieties of prime retail shops and specialty restaurants, addition of atrium void and introduction of skylight to provide a high-end shopping environment. The overall rental income of Windsor House was raised 7.43% for the Year as compared with last year due to the revamped Windsor House provides shoppers a cozy shopping environment with a diversified trade mix. As at 31st December, 2010, its occupancy rate was approximately 91.66% excluding renovation area.

As for Silvercord, the overall rental income was raised 10.04% for the Year as compared with last year and its average occupancy rate was approximately 93.94% during the Year excluding renovation area. The rental income, occupancy rate, tenant mix and traffic flow of Silvercord have been enhanced after its renovation and repackaging in 2007. In order to further refine the configuration of the retail shops and restaurants at basement to third floor, improvement works have been carried out from August 2010 to February 2011.

The ONE has been grand opened on 29th October, 2010 subsequent to the completion of redevelopment of the former Tung Ying Building in July 2010. It is a 29-storey integrated shopping, entertainment and food and beverage complex with more than 400,000 square feet of retail spaces. At present, The ONE is the tallest retail complex of its kind in Hong Kong and is one of the landmark shopping arcades in Tsim Sha Tsui. Around 95.17% of shops were leased out as of 31st December, 2010 with some of them are well-known brand names.

The occupancy rate for the Group's office properties maintained at a satisfactory level. During the Year, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 85.86%, 97.35% and 83.64% respectively, bringing the approximate occupancy rate of the overall office portfolio to 89.21%.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

York Place is a high-end residential tower located in prime area of Wanchai, having 94 units with flat size ranging from gross floor area of approximately 576 square feet to 2,037 square feet. As at 31st December, 2010, 90 units were sold, representing 95.74% of total units.

i-home is a joint venture project with the Urban Renewal Authority located in Tai Kok Tsui. It provides a single residential tower block comprises 182 units with flat size ranging from gross floor area of approximately 462 square feet to 1,182 square feet. As at 31st December, 2010, 181 units were sold, representing 99.45% of total units.

MOD 595 is another joint venture project with the Urban Renewal Authority located in Mongkok. It provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximately 483 square feet to 1,188 square feet. 98.82% of total units (i.e. 1 unit remaining) were sold up to 31st December, 2010.

Sun Fair Mansions, 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 41,020 square feet will be redeveloped. Site formation work is in progress. Completion of the project is re-scheduled to mid 2013 and its launching is scheduled for the first quarter of 2012.

The Zenith (87.5% interest) is a two-phase redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. All residential units of Phase I were sold. Phase II will be a residential/commercial complex development with total gross floor area of approximately 159,700 square feet, provides in aggregate 237 residential units and retail properties. Redevelopment work with preservation of the core elements of Wanchai Market and superstructure work are in progress. Completion of Phase II is scheduled for end 2012 and it is expected to be launched in 2011.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area of about 36,000 square feet which provides a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. The first phase of the site formation work has been completed. Piling works and the associated substructure works are in progress. The project is expected to be launched in the third quarter of 2012.

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. Its interior fitting work is in progress. The Hermitage will comprise 6 residential tower blocks, which provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. Completion of the whole project is re-scheduled to early 2011. Since its launch commenced in June 2010, 915 units were presold up to 31st December, 2010, representing 94.92% of total units.

Another West Kowloon - joint venture development project is located at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road (15% interest). Its substructure work is in progress. 6 residential tower blocks, which provide in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet, will be developed. Completion of the whole project is re-scheduled to mid 2012. Its launching is scheduled for the first half of 2011.

Macau Property Development

The Group is planned to develop the site at Avenida Wai Long, Taipa, Macau (70.01% interest) into a high-end residential project with a total gross floor area of approximately 5,786,242 square feet (excluding basement car park). It will comprise 26 residential tower blocks and will be developed in phases. Phase I development is being implemented and its site formation work commenced in May 2010. The launching of Phase I development is scheduled for the second quarter of 2011.

Mainland China Property Investment

The average occupancy rate of the 79 retail outlets with a total area of around 29,000 square feet in Lowu Commercial Plaza, Shenzhen was approximately 98.14% for the Year.

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces for the Year were approximately 83% and 64.35% respectively.

Platinum (50% interest), a 20-storey Grade A office building located at Taicang Road of Luwan District in Shanghai, has a gross floor area of about 466,464 square feet. The occupancy rate as of 31st December, 2010 was approximately 97.87%. The Group's interest in Platinum had increased from 30% to 50% in June 2010.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 72.43% for the Year.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 96.61% for the Year.

Mainland China Property Development

Splendid City, a residential and commercial project located at Yingbin Road of Jinniu District in Chengdu, has a site area of approximately 795,625 square feet and a corresponding gross floor area of approximately 3.74 million square feet. It will comprise 19 residential tower blocks with a commercial building and will be developed in phases. Phase I of Splendid City will provide in aggregate 1,226 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet and a commercial building with gross floor area of approximately 272,740 square feet. Phase I has been completed in November 2010 and the residential units have been handed over to individual purchasers. As at 31st December, 2010, 1,191 units of Phase I were sold, representing 97.15%. Phase II of Splendid City will provide in aggregate 1,625 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet. It is under superstructure construction and expected to be completed in mid 2012.

The Metropolis is a residential project located at Dongda Street of Jinjiang District in Chengdu, with site area of approximately 194,411 square feet and corresponding gross floor area of approximately 1.65 million square feet. It will comprise 6 residential tower blocks and will be developed in phases. Phase I of The Metropolis will provide 572 units with flat size ranging from gross floor area of approximately 704 square feet to 2,692 square feet. It is under superstructure construction and expected to be completed in end 2012. Since its first sales launch of Phase I commenced in December 2010, 91 units (i.e. 15.91%) were presold up to 31st December, 2010.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu, has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. It will comprise a Grade A office building, a five stars hotel, a shopping centre and 4 residential tower blocks. Substructure construction works are in progress. Completion of the commercial and residential portions are scheduled for end 2013 and end 2014 respectively.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), has a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet. The land was handed over in July 2010 and the project is at design stage. It will be developed in four phases and Phase I is expected to be completed in the fourth quarter of 2014.

Overseas Property Investment

Subsequent to the year end, the Group has acquired a Grade A freehold office building, namely River Court, located at 116-129 Fleet Street, Midtown, London, United Kingdom. River Court provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. The office area is let to an international investment bank as part of its European headquarters and the retail unit at the ground floor and lower ground floor is let to a chemists retail company. Details of the acquisition have been included in “Event After the Financial Year End” below.

OTHER INFORMATION

Disposal of Subsidiaries and Assets

As announced on 18th May, 2010, the Group has on 17th May, 2010 entered into six sets conditional sale and purchase agreements (the “Agreements”), in relation to, inter alia, disposal of two shops of York Place and the Company’s wholly-owned subsidiaries that hold retail shops of Excelsior Plaza (include Laforet) and Southorn Centre (also known as Wanchai Computer Centre) (the “Properties”) to the companies wholly-owned by Mr. Joseph Lau, Luen-hung, the Chairman and Chief Executive Officer of the Company; and the subsequent provision of three-year after-sale free leasing agency and management services in relation to the Properties, at an aggregate consideration of approximately HK\$2,598.1 million (the “Transactions”). The Transactions constituted discloseable and connected transactions for the Company under the Listing Rules which are subject to the approval of the independent shareholders of the Company. The Transactions were subsequently approved by the independent shareholders of the Company at the special general meeting held on 7th July, 2010 and were completed in July and August 2010 respectively. The Transactions also constituted continuing connected transactions of the Company under the Listing Rules as it was provided in the Agreements that upon completion of the Transactions, property management agreements would be entered into between Perfect World Company Limited, the Company’s wholly-owned subsidiary, with the then owners of the Properties (except York Place) regarding the provision of property management services to the Properties (except York Place). Details of the Transactions were set out in the circular of the Company dated 18th June, 2010.

Acquisition of Platinum

On 18th December, 2009, the Group entered into a sale and purchase agreement (the “SP Agreement”) to acquire 3 non-voting shares in a joint venture (the “JV”) (representing 30% of the issued share capital of the JV) at a consideration of HK\$23.40 from an independent third party, contracted to acquire indirectly the property interest in a Grade A office building in Shanghai, namely Platinum. The acquisition of Platinum has been completed on 1st April, 2010.

As announced on 30th June, 2010, the Group has on 29th June, 2010 exercised the call option under the SP Agreement to further acquire 2 non-voting shares (“Call Option Shares”), representing 20% of the issued share capital of the JV at a consideration of HK\$15.60 and therefore, as a result, the Group’s interest in the JV and in turn Platinum has been increased from 30% to 50%. The aggregate pro-rata shareholder’s loan and corporate guarantee provided by the Group to the JV as at 30th June, 2010 was approximately HK\$935 million.

The Group has also on 29th June, 2010 further exercised its conversion right to require the JV to redeem its 5 non-voting shares held and convert into 5 ordinary shares, subject to the passing of an ordinary resolution by the shareholders of the holding company of the JV partner (the “Conversion”). The Conversion has been approved on 20th August, 2010, and thus all the 5 non-voting shares held by the Group have been redeemed by the JV and converted into 5 ordinary shares on the even date.

Pursuant to the SP Agreement, the JV partner is entitled to exercise the put option granted under the SP Agreement to require the Group to purchase their 50% interest in the JV, i.e. 5 ordinary shares (“Put Option Shares”), during the period from 29th June, 2010, being the date of completion of the sale and purchase of Call Option Shares, to the expiry of 180 days thereafter. In the event that the JV partner exercised the said put option and upon the completion of the sale and purchase of the Put Option Shares, the JV will become a wholly-owned subsidiary of the Company and the Group will have 100% indirect interest in Platinum. Prior to the year end, the JV partner had confirmed that they have no intention to exercise the put option, and therefore the Group’s interest in the JV and in turn Platinum remains unchanged at 50%.

EVENT AFTER THE FINANCIAL YEAR END

As announced on 14th January, 2011, the Group has entered into a sale and purchase agreement with independent third parties to acquire the entire issued share capital in River Court Holdings Limited which indirectly held a Grade A freehold office building, namely River Court, situate at 116-129 Fleet Street, Midtown, London, United Kingdom, at a consideration consisted of payment in cash of GBP37,791,104, subject to adjustment, and the assumption of shareholders’ loan of approximately GBP43,289,000 (equivalent to approximately HK\$465,260,000 and HK\$532,946,000 respectively as at the date of the announcement). The acquisition constituted a discloseable transaction of the Company under the Listing Rules. Completion of the acquisition took place on 14th January, 2011.

On 7th February, 2011, the Group has disposed the commercial property at Tuen Mun Centre, New Territories to an independent third party at a consideration of HK\$80 million.

PROSPECTS

The global economic conditions have shown sound improvements in the second half of 2010, resulting from the launching of second round of quantitative easing by the United States of America, as well as the continued economic growth in the Mainland China which has taken the place of Japan and has become the world’s second largest economy. The global economy is likely to maintain stable growth this year.

Benefited from both the continuous growth in Mainland China tourists’ spending and improved local consumption, there are significant positive signs for the Group’s retail rental income. The Group will constantly review the tenant mix of its retail properties in order to enhance rental income.

Since 2010, the Central Government has implemented policies to regulate the residential property market. The Group believes that, in the medium-to-long run, as the economy of Mainland China continues growing, its residential property market will remain optimistic.

The demand for housing in Hong Kong will continue to be robust. The Group believes that the property market is likely to maintain healthy and stable growth in the next 12 months and is confident that the sales of our development projects will continue to perform well.

The Group will focus on its upcoming launch of its high-end residential project (Phase I) located at Avenida Wai Long, Taipa, Macau this year. Together with the sale of our Chengdu development projects, we are confident that the revenue in sale of properties will provide satisfactory contributions to the Group in the coming years.

Our Group has been monitoring the property markets of Hong Kong, Mainland China and overseas closely, and will replenish its land bank and expand its investment property portfolio at opportune times.

CORPORATE GOVERNANCE

The Company will continue putting effort in maintaining high standards of corporate governance so as to ensure better transparency and protection of interest of the shareholders and the Company as a whole. Throughout the Year, the Company has applied the principles of the Code on Corporate Governance Practices (the “Code”) and complied with the code provisions and certain recommended best practices set out in the Code contained in Appendix 14 to the Listing Rules, except (i) the roles of chairman and chief executive officer are not separate (which is required under code provision A.2.1); and (ii) the Chairman of the Board was unable to attend the Company’s annual general meeting held on 28th May, 2010 (which is required under code provision E.1.2).

Considered reasons for the deviations from code provisions A.2.1 and E.1.2 were disclosed in page 35 of the Corporate Governance Report under the Company’s 2009 Annual Report and page 39 of the Company’s Interim Report for the six months ended 30th June, 2010 respectively. Detailed information of the Company’s corporate governance practices will be disclosed in the corporate governance report contained in the Company’s 2010 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (“Relevant Employees”) who, because of office or employment, are likely to be in possession of unpublished price-sensitive information in relation to the Group’s securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the said code during the Year.

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

During the Year, the Company purchased a total of 42,381,000 ordinary shares of HK\$0.10 each on the Stock Exchange at an aggregate consideration of HK\$535,027,880. All of the purchased shares were cancelled.

Month of the purchases	Total number of the ordinary shares purchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
May 2010	25,355,500	12.86	11.44	307,433,050
June 2010	14,153,500	13.72	12.64	187,378,350
July 2010	2,872,000	14.08	13.90	40,216,480
	42,381,000			535,027,880

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per share then in issue.

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continuing support and staff members for their dedication and hard work.

On behalf of the Board
Joseph Lau, Luen-hung
Chairman

Hong Kong, 23rd March, 2011

As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung as Executive Director, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <http://www.chineseestates.com>

This announcement is published on the website of the Company (<http://www.chineseestates.com>) and the designated issuer website of the Stock Exchange (<http://www.hkexnews.hk>).

Results Highlights will also be posted on the Company's website on 23rd March, 2011.